華融國際金融控股有限公司
HUARONG INTERNATIONAL FINANCIAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)
(Stock Code: 993)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2016

The board (the "**Board**") of directors (the "**Directors**") of Huarong International Financial Holdings Limited (the "**Company**") is pleased to present to its shareholders the consolidated results of the Company and its subsidiaries (the "**Group**"), which is extracted from the audited consolidated financial statements for the year ended 31 December 2016, together with the comparative figures for the eight months ended 31 December 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2016

	Notes	**1.1.2016 to 31.12.2016** *HK$'000*	1.5.2015 to 31.12.2015 *HK$'000*
Continuing operations			
Revenue	5	**727,066**	113,227
Net gains on financial assets/liabilities at fair value through profit or loss	5	**674,963**	54,776
		1,402,029	168,003
Other income and gains or losses, net		**(27,659)**	39,208
Brokerage and commission expenses		**(8,571)**	(20,872)
Administrative and other operating expenses		**(170,346)**	(74,738)
Gain on disposal of available-for-sale investments		**–**	96,575
Provision for impairment of other loans and advances		**(50,077)**	–
Net reversal of impairment of advances to customers in margin financing and accounts receivable		**625**	1,392
Finance costs	7	**(449,148)**	(33,663)

	Notes	**1.1.2016 to 31.12.2016** *HK$'000*	1.5.2015 to 31.12.2015 *HK$'000*
Profit before tax from continuing operations	*6*	**696,853**	175,905
Income tax expense	*8*	**(145,939)**	(20,690)
Profit for the year/period from continuing operations		**550,914**	155,215
Discontinued operations			
Loss for the year/period from discontinued operations	*9*	**–**	(15,818)
Profit for the year/period		**550,914**	139,397
Profit for the year/period attributable to:			
Owners of the Company			
— from continuing operations		**550,914**	155,215
— from discontinued operations		**–**	(15,818)
		550,914	139,397
			(Restated)
Earnings per share attributable to owners of the Company	*11*		
From continuing and discontinued operations			
— Basic		**HK16.41 cents**	HK5.70 cents
— Diluted		**HK16.40 cents**	HK5.64 cents
From continuing operations			
— Basic		**HK16.41 cents**	HK6.35 cents
— Diluted		**HK16.40 cents**	HK6.27 cents
From discontinued operations			
— Basic		**N/A**	HK(0.65) cents
— Diluted		**N/A**	HK(0.63) cents

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

	1.1.2016 to 31.12.2016	1.5.2015 to 31.12.2015
	HK$'000	*HK$'000*
Profit for the year/period	**550,914**	139,397
Other comprehensive income (expense)		
Items that may be reclassified subsequently to profit or loss:		
Fair value (loss) gain on available-for-sale investments	**(25,347)**	75,534
Reclassification adjustments relating to disposal of available-for-sale investments during the year/period	**–**	(96,859)
Reclassification adjustments relating to distribution of Distributed Group during the year/period	**–**	1,511
Exchange differences on translation of foreign operations:		
Exchange differences arising during the year/period	**(228)**	(1,621)
Reclassification adjustments relating to distribution of Distributed Group during the year/period	**–**	10,604
Other comprehensive expense for the year/period, net of tax	**(25,575)**	(10,831)
Total comprehensive income for the year/period	**525,339**	128,566
Total comprehensive income (expense) for the year/period attributable to:		
Owners of the Company		
— from continuing operations	**525,339**	133,890
— from discontinued operations	**–**	(5,324)
	525,339	128,566

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property and equipment		**18,512**	3,419
Other long term assets		**4,525**	6,653
Intangible assets		**4,778**	4,778
Financial assets at fair value through profit or loss	*12*	**1,078,852**	313,418
Other loans and advances	*14*	**2,217,463**	–
Deferred tax assets		**300**	–
Investments accounted for using the equity method		**190**	190
Total non-current assets		**3,324,620**	328,458
Current assets			
Advances to customers in margin financing	*15*	**4,236,463**	866,523
Accounts receivable	*16*	**684,577**	45,509
Interest receivable		**34,400**	–
Prepayments, deposits and other receivables		**61,537**	15,920
Available-for-sale investments	*13*	**4,339,012**	–
Financial assets at fair value through profit or loss	*12*	**1,935,158**	438,346
Other loans and advances	*14*	**2,736,696**	–
Amount due from a joint venture		**660,000**	–
Tax recoverable		**–**	10
Restricted bank balances		**3,315,589**	623,241
Pledged bank deposits		**–**	10,353
Cash and cash equivalents		**956,675**	3,040,911
Total current assets		**18,960,107**	5,040,813
Current liabilities			
Accounts payable	*17*	**2,942,458**	602,269
Other payables and accruals		**200,702**	65,945
Amount due to an associate		**190**	190
Interest-bearing borrowings	*18*	**5,620,480**	–
Tax payable		**76,747**	16,244
Convertible notes issued	*19*	**–**	26,393
Financial liabilities at fair value through profit or loss	*12*	**256,734**	–
Total current liabilities		**9,097,311**	711,041

	Notes	**2016**	2015
		HK$'000	*HK$'000*
Net current assets		**9,862,796**	4,329,772
Total assets less current liabilities		**13,187,416**	4,658,230
Non-current liabilities			
Other payables and accruals		**481**	1,424
Deferred tax liabilities		**99,251**	13,515
Interest-bearing borrowings	*18*	**11,634,000**	3,875,250
Financial liabilities at fair value through profit or loss	*12*	**166,743**	32,886
Total non-current liabilities		**11,900,475**	3,923,075
Net assets		**1,286,941**	735,155
Capital and reserves			
Equity attributable to owners of the Company			
Share capital		**3,338**	3,278
Equity component of convertible notes		**–**	36,780
Share premium and reserves		**1,283,603**	695,097
Total equity		**1,286,941**	735,155

Notes:

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in Bermuda and its shares are listed on the Stock Exchange of Hong Kong Limited. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of operations of the Company is situated at Level 29, One Pacific Place, 88 Queensway, Hong Kong.

On 30 January 2015, the Company entered into a subscription agreement (as supplemented by the supplemental agreements dated 20 March 2015 and 20 May 2015) with China Huarong International Holdings Limited (formerly known as Huarong (HK) International Holdings Limited, an indirectly wholly – owned subsidiary of China Huarong Asset Management Co., Ltd.) ("**CHIH**"), pursuant to which CHIH conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 1,702,435,038 new shares at the subscription price of HK$0.275 per subscription share (the "**Subscription**"). The aggregate nominal value of the subscription shares was HK$1,702,435. The aggregate subscription price of the subscription shares was HK$468,169,635. The completion of the Subscription took place on 31 August 2015, and 1,702,435,038 subscription shares was duly allotted and issued to Camellia Pacific Investment Holding Limited ("**Camellia**"), a wholly-owned subsidiary of CHIH. Immediately after the completion of the subscription, there were 3,278,107,918 shares of the Company in issue and the shareholding indirectly held by CHIH, amounted to approximately 51.93% of the issued share capital of the Company as enlarged by the issue of the subscription shares. Accordingly, Camellia became the immediate controlling shareholder of the Company and CHIH became an intermediate holding company of the Group. China Huarong Asset Management Co., Ltd., ("**China Huarong**") a company established in the People's Republic of China ("**PRC**") and whose shares are listed on the Stock Exchange of Hong Kong Limited, became the indirect controlling shareholder of the Company. China Huarong is a PRC Government related entity as it is controlled by Ministry of Finance of the PRC.

One of the condition precedents for the completion of the Subscription is that the Company shall undergo a group reorganisation (the "**Group Reorganisation**") and effect a distribution in specie of shares in Modern Series Limited, a then wholly-owned subsidiary of the Company ("**MSL**") (the "**Distribution in Specie**").

On 23 March 2015, the Company announced details of the Group Reorganisation and Distribution in Specie. As at 30 April 2015, the assets and liabilities related to MSL and its subsidiaries (the "**Distributed Group**") were classified as held for distribution to owners and the results of the Distributed Group were presented as discontinued operations in the annual financial statements of the Group for the year ended 30 April 2015. The principal activities of the companies which comprise the Distributed Group are bullion and forex contracts broking and trading, provision of finance lease, pawn loan, medium and short term financing services and financial consultation services. The Group Reorganisation and Distribution in Specie were completed on 3 August 2015.

The consolidated financial statements of the Group are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company.

2. BASIS OF PREPARATION

Since the prior financial period ended 31 December 2015, the reporting period end date of the Group has been changed from 30 April to 31 December to align the Company's financial year end with China Huarong. Accordingly, the consolidated financial statements for the year cover the twelve-month year ended 31 December 2016. The corresponding comparative amounts shown cover a eight-month period from 1 May 2015 to 31 December 2015.

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 (the "**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and by the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time in the current year:

Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 cycle
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current year and prior period and/or on the disclosures set out in these consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Executive Committee as its chief operating decision maker.

Specifically, the Group's reportable and operating segments are as follows:

(a) the securities segment comprises the broking and dealing of securities, futures and options contracts and the provision of margin financing services;

(b) the corporate finance segment provides securities underwriting and sponsoring, financial advisory and financial arrangement services to institutional clients; and

(c) the asset management and direct investment segment comprises provision of asset management services and direct investments in equities, bonds, funds, derivative instruments and other financial products and provision of money lending services.

Segment performance is evaluated based on reportable segment profit, which is measured consistently with the Group's profit before tax except that gain on disposal of available-for-sale investments, certain other income and gains or losses, certain finance costs and other unallocated expenses (including certain staff costs, certain rental expense, certain legal and professional fee and certain other expenses, incurred for strategic planning of the Group) are excluded from such measurement.

(a) Operating segments

The following tables present the revenue and results from continuing operations for the year ended 31 December 2016 and period from 1 May 2015 to 31 December 2015 and certain assets, liabilities and expenditure information for the Group's operating segments as at 31 December 2016 and 31 December 2015 and for the year/period then ended. The comparative figures have been re-presented to conform with the current year's presentation.

From 1 January 2016 to 31 December 2016

	Securities *HK$'000*	**Corporate finance** *HK$'000*	**Asset management and direct investment** *HK$'000*	**Total** *HK$'000*
Segment revenue				
Revenue from external customers	**289,185**	**219,412**	**218,469**	**727,066**
Net gains on financial assets/liabilities at fair value through profit or loss	**–**	**–**	**674,963**	**674,963**
Other income and gains or losses, net	**2,340**	**(2)**	**(44,918)**	**(42,580)**
Administrative expenses	**(35,730)**	**(21,076)**	**(76,984)**	**(133,790)**
Finance costs	**(111,110)**	**(78)**	**(199,289)**	**(310,477)**
Segment results	**144,685**	**198,256**	**572,241**	**915,182**
Other unallocated income and gains or losses, net				**14,921**
Other unallocated expenses				**(233,250)**
Profit before tax from continuing operations				**696,853**
Income tax expense				**(145,939)**
Profit for the year from continuing operations				**550,914**

From 1 May 2015 to 31 December 2015

	Securities *HK$'000*	Corporate finance *HK$'000*	Asset management and direct investment *HK$'000*	Total *HK$'000*
Segment revenue				
Revenue from external customers	45,607	59,370	8,250	113,227
Net (losses) gains on financial assets at fair value through profit or loss	(696)	–	55,472	54,776
Other income and gains or losses, net	2,125	–	34,894	37,019
Administrative expenses	(18,379)	(14,889)	(6,899)	(40,167)
Finance costs	(21)	–	(4,240)	(4,261)
Segment results	28,636	44,481	87,477	160,594
Gain on disposal of available–for-sale investments				96,575
Other unallocated income and gains or losses, net				2,189
Other unallocated expenses				(83,453)
Profit before tax from continuing operations				175,905
Income tax expense				(20,690)
Profit for the period from continuing operations				155,215

As at 31 December 2016

	Securities ***HK$'000***	**Corporate finance** ***HK$'000***	**Asset management and direct investment** ***HK$'000***	**Total** ***HK$'000***
Segment assets	**7,463,761**	**89,897**	**14,555,346**	**22,109,004**
Deferred tax assets				**300**
Other unallocated assets *(note 1)*				**175,423**
Total assets				**22,284,727**
Segment liabilities	**2,957,135**	**110**	**424,830**	**3,382,075**
Tax payable				**76,747**
Deferred tax liabilities				**99,251**
Other unallocated liabilities *(note 2)*				**17,439,713**
Total liabilities				**20,997,786**

From 1 January 2016 to 31 December 2016

	Securities *HK$'000*	**Corporate finance** *HK$'000*	**Asset management and direct investment** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Other segment information:					
Net gains on financial assets/liabilities at fair value through profit or loss	**–**	**–**	**674,963**	**–**	**674,963**
Fair value loss on financial liabilities at fair value through profit or loss	**–**	**–**	**(47,436)**	**–**	**(47,436)**
Depreciation	**330**	**19**	**19**	**2,733**	**3,101**
Net reversal of impairment of advances to customers in margin financing and accounts receivable	**625**	**–**	**–**	**–**	**625**
Provision for impairment of other loans and advances	**–**	**–**	**50,077**	**–**	**50,077**
Additions of property and equipment	**–**	**–**	**–**	**18,194**	**18,194**

As at 31 December 2015

	Securities *HK$'000*	Corporate finance *HK$'000*	Asset management and direct investment *HK$'000*	Total *HK$'000*
Segment assets	2,361,876	26,423	789,385	3,177,684
Tax recoverable				10
Other unallocated assets *(note 1)*				2,191,577
Total assets				5,369,271
Segment liabilities	605,911	8,031	42,436	656,378
Tax payable				16,244
Deferred tax liabilities				13,515
Other unallocated liabilities *(note 2)*				3,947,979
Total liabilities				4,634,116

From 1 May 2015 to 31 December 2015

	Securities *HK$'000*	Corporate finance *HK$'000*	Asset management and direct investment *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Other segment information:					
Net (losses) gains on financial assets/liabilities at fair value through profit or loss	(696)	–	55,472	–	54,776
Fair value gain on financial liabilities at fair value through profit or loss	–	–	34,894	–	34,894
Depreciation	239	17	5	288	549
Net reversal of impairment of advances to customers in margin financing and accounts receivable	1,392	–	–	–	1,392
Loss on disposal of items of property and equipment	–	16	–	7	23

Note 1: The balance comprises bank balances of HK$95,484,000 (2015: HK$2,169,165,000), investments accounted for using the equity method of HK$190,000 (2015: HK$190,000), prepayment, deposits and other receivables of HK$60,033,000 (2015: HK$15,143,000), intangible assets of HK$1,462,000 (2015: HK$4,286,000) and property and equipment of HK$18,254,000 (2015: HK$2,793,000).

Note 2: The balance comprises other payables and accruals of HK$185,233,000 (2015: HK$46,336,000), interest-bearing borrowings of HK$17,254,480,000 (2015: HK$3,875,250,000) and no convertible notes were outstanding for the year ended 31 December 2016 (2015: HK$26,393,000).

(b) Geographical information

All continuing segments' operations are primarily located in Hong Kong and all of the Group's revenue is derived from Hong Kong.

The geographical location of the non-current assets is based on the physical location of the asset in the case of property and equipment, and the location of the core operations in the case of other non-current assets. All non-current assets of the Group are located in Hong Kong.

(c) Information about major customers

Revenue from customers who contributed over 10% of total revenue of the Group are as follows:

	1.1.2016 to 31.12.2016 ***HK$'000***	1.5.2015 to 31.12.2015 *HK$'000*
Customer (ultimate holding company) from corporate finance segment	**N/A *(note)***	22,798
Customer from corporate finance segment	**N/A *(note)***	33,094

Note : No customer contributed over 10% of total revenue of the Group for the year ended 31 December 2016.

5. REVENUE AND NET GAINS ON FINANCIAL ASSETS/LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

An analysis of the Group's revenue and net gains on financial assets/liabilities at fair value through profit or loss from continuing operations is as follows:

	1.1.2016 to 31.12.2016	1.5.2015 to 31.12.2015
	HK$'000	*HK$'000*
Revenue		
Securities:		
Commission income	**22,959**	19,488
Interest income from margin financing activities	**212,747**	8,844
Other service fee income	**53,479**	17,275
Corporate finance:		
Consultancy, financial advisory fee and financing arrangement fee income	**166,076**	150
Placing and underwriting fee income	**52,536**	59,220
Other service income	**800**	–
Asset management and direct investment:		
Dividend income	**25,548**	–
Interest income from other loans and advances	**94,632**	–
Interest income from convertible bonds and convertible notes	**61,238**	–
Interest income from available-for-sale investments	**11,958**	–
Fund subscription and management fee income	**24,177**	8,250
Other service income	**916**	–
	727,066	113,227
Net gains on financial assets/liabilities at fair value through profit or loss	**674,963**	54,776
	1,402,029	168,003

6. PROFIT BEFORE TAX

	1.1.2016 to 31.12.2016 HK$'000	1.5.2015 to 31.12.2015 HK$'000
The Group's profit before tax from continuing operations is arrived at after charging (crediting):		
Depreciation	**3,101**	549
Loss on disposal of items of property and equipment	**–**	23
Minimum lease payments under operating leases:		
Office premises	**33,321**	11,002
Office equipment	**350**	100
	33,671	11,102
Provision for (reversal of) reinstatement	**402**	(388)
Auditor's remuneration	**2,380**	2,880
Referral fee for underwriting of shares (included in brokerage and commission expenses)	**–**	7,801
Legal and professional fees	**10,255**	7,336
Directors' and chief executive's remuneration	**7,477**	2,753
Employee benefit expenses (excluding directors' and chief executive's remuneration):		
Salaries and other benefits*	**71,634**	32,533
Pension scheme contributions (defined contribution scheme)	**1,887**	636
(Reversal of) provision for long service payments, net	**(746)**	255
Provision for unused annual leaves	**878**	537

* Approximately HK$77,000 (2015: HK$289,000) was included in "Brokerage and commission expenses" in the consolidated statement of profit or loss.

7. FINANCE COSTS

	1.1.2016 to 31.12.2016 HK$'000	1.5.2015 to 31.12.2015 HK$'000
Interest on bank borrowings	**12,094**	22
Interest on other borrowings	**–**	1,338
Interest on borrowings from the intermediate holding company	**437,000**	30,390
Imputed interest expense on convertible notes	**54**	1,913
	449,148	33,663

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profits arising in Hong Kong during the year/period.

	1.1.2016 to 31.12.2016	1.5.2015 to 31.12.2015
	HK$'000	*HK$'000*
Continuing operations		
Current tax:		
Hong Kong	**60,503**	7,183
Overprovision in prior year:		
Hong Kong	**–**	(8)
	60,503	7,175
Deferred tax	**85,436**	13,515
	145,939	20,690

9. DISCONTINUED OPERATIONS AND DISTRIBUTED GROUP

On 30 January 2015, the Company entered into a conditional subscription agreement (which was later supplemented by the supplemental subscription agreements dated 20 March 2015 and 20 May 2015) with CHIH (the "**Subscriber**"), pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 1,702,435,038 new shares at the subscription price of HK$0.275 per subscription share (the "**Subscription**"). One of the conditions precedents for the completion of the Subscription is that the Company shall undergo a group reorganisation as set out in the subscription agreement (the "**Group Reorganisation**") and effect the Distribution in Specie.

On 23 March 2015, the Company announced details of the Group Reorganisation and the Distribution in Specie. As at 30 April 2015, the assets and liabilities related to the Distributed Group have been classified as held for distribution to owners and the results of the Distributed Group have been presented as discontinued operations in the annual financial statements of the Group for the year ended 30 April 2015. The principal activities of the companies which comprise the Distributed Group are bullion and forex contracts broking and trading, provision of finance lease, pawn loan, medium and short term financing services and financial consultation services.

The Group Reorganisation and the Distribution in Specie were approved by the independent shareholders of the Company at a special general meeting held on 24 July 2015. The completion of the Distribution in Specie was conditional on certain pre-conditions which were specified in the Company's circular dated 30 June 2015.

Details of the Group Reorganisation and the Distribution in Specie were set out in the Company's circular dated 30 June 2015. As at 3 August 2015, all the pre-conditions were fulfilled, and thus, the distribution of shares of MSL to the then owners of the Company pursuant to the Distribution in Specie became effective and unconditional on 3 August 2015.

The results of the Distributed Group for the period are presented below.

	1.5.2015 to 3.8.2015 *HK$'000*
Revenue	30,945
Other income and gains or losses, net	9,599
Brokerage and commission expenses	(23)
Administrative and other operating expenses	(21,312)
Provision for impairment of finance leases receivable, advances to customers in margin financing and accounts receivable, net	(9,818)
Finance costs	(1,685)
Profit before tax from discontinued operations	7,706
Income tax expense	(2,348)
Profit after tax from discontinued operations	5,358
Loss on reclassification of available-for-sale investments revaluation reserve in relation to the Distributed Group upon distribution of MSL	(1,511)
Loss on reclassification of foreign currency translation reserve from equity to profit or loss in relation to the Distributed Group	(10,604)
Income tax expenses arising on transfer of the Distributed Group	(9,061)
Loss for the period from discontinued operations	(15,818)

The major classes of assets and liabilities of the Distributed Group as at the date of distribution are as follows:

	3.8.2015
	HK$'000
Assets	
Property and equipment	3,434
Goodwill	22,279
Available-for sale investments	115,163
Finance leases receivable	115,106
Loans and accounts receivable	891,729
Prepayments, deposits and other receivables	16,850
Tax recoverable	16
Restricted bank balances	147
Cash and cash equivalents	87,474
	1,252,198
Liabilities	
Accounts payable	(195)
Other payables and accruals	(54,276)
Interest-bearing borrowings	(70,975)
Tax payable	(9,001)
	(134,447)
Net assets of the Distributed Group	1,117,751
Amount recognised in other comprehensive income and accumulated in equity directly related to Distributed Group	
Negative currency translation reserve	(10,604)
Negative available-for-sale investment revaluation reserve	(1,511)
Net cash outflow arising on distribution in specie cash and cash equivalents relinquished	87,474

The net cash flows incurred by the Distributed Group which are included in the consolidated statement of cash flows of the Group are as follows:

	1.5.2015 to 3.8.2015
	HK$'000
Operating activities	586
Investing activities	(10,902)
Financing activities	(19,008)
Net cash outflow	(29,324)

10. DIVIDENDS

	1.1.2016 to 31.12.2016 *HK$'000*	1.5.2015 to 31.12.2015 *HK$'000*
Special dividend by way of the Distribution in Specie	**–**	1,117,751

Pursuant to the approval by the shareholders of the Company at the special general meeting held on 24 July 2015, the Company distributed the ordinary shares of MSL to the shareholders on 3 August 2015 in the proportion of one MSL share for every share of the Company held by the then shareholders of the Company.

The amount of dividends is based on the carrying amount of the net assets of the Distributed Group amounting to HK$1,117,751,000 at the time of distribution.

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

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

From continuing and discontinued operations

The calculation of basic and diluted earnings per share from continuing and discontinued operations are based on the following data:

	1.1.2016 to 31.12.2016 *HK$'000*	1.5.2015 to 31.12.2015 *HK$'000*
Earnings		
Profit for the year/period attributable to owners of the Company used as earnings for the purpose of basic earnings per share calculation	**550,914**	139,397
Effect of dilutive potential ordinary shares:		
Interest on convertible notes issued	**54**	1,913
Earnings for the purpose of dilutive earnings per share calculation	**550,968**	141,310

	Number of shares	
	2016 *'000*	2015 *'000* (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	**3,358,156**	2,445,682
Effect of dilutive potential ordinary shares on — convertible notes issued	**990**	60,378
Weighted average number of ordinary shares for the purpose of dilutive earnings per share calculation	**3,359,146**	2,506,060

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the owners of the Company is based on the following data:

	1.1.2016 to 31.12.2016	1.5.2015 to 31.12.2015
	HK$'000	*HK$'000*
Earnings		
Profit for the year/period attributable to owners of the Company	**550,914**	139,397
Adjusted for: Loss for the year/period from discontinued operations	**–**	15,818
Earnings for the purpose of basic earnings per share calculation from continuing operations	**550,914**	155,215
Effect of dilutive potential ordinary shares:		
Interest on convertible notes issued	**54**	1,913
Earnings for the purpose of dilutive earnings per share calculation from continuing operations	**550,968**	157,128

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

From discontinued operations

Basic loss per share from discontinued operations was HK0.65 cent per share (restated) and diluted loss per share from discontinued operations was HK0.63 cent per share (restated) for the period ended 31 December 2015.

The denominators used are the same as those detailed above for both basic and diluted earnings per share.

Note: The rights issue on the basis of 1.5 rights shares for every 20 existing shares held on the record date of 11 January 2017 became unconditional on 6 February 2017. On 10 February 2017, the Company issued and allotted 250,358,093 rights shares at HK$2.63 per rights share and successfully raised net proceeds of approximately HK$652,032,000 for expanding and developing the securities and direct investment business. The basic and diluted earnings per share for the year ended 31 December 2016 and period ended 31 December 2015 have been adjusted and restated respectively to take into account the rights issue in which the rights shares are issued at a discount on market price subsequent to the year ended 31 December 2016. The weighted average number of shares outstanding was retrospectively increased to reflect the discount in the rights issue.

12. FINANCIAL ASSETS (LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

	2016	2015
	HK$'000	*HK$'000*
Asset		
Non-current:		
Unlisted investments		
Convertible bonds and convertible notes, at fair value *(note (i))*	**1,078,852**	–
Convertible bonds with put option, at fair value *(note (ii))*	**–**	313,418
Current:		
Listed investments		
Equity investments, at fair value *(note (iii))*	**1,205,417**	435,958
Unlisted investments		
Convertible bonds and convertible notes, at fair value *(note (i))*	**294,615**	–
Convertible bonds with put option, fair value *(note (ii))*	**385,783**	–
Put options on listed equity investment, at fair value *(note (iv))*	**49,343**	2,388
	1,935,158	438,346
Liabilities		
Current:		
Unlisted investments		
Non-controlling interests of unlisted consolidated investment funds, at fair value *(note (v))*	**256,734**	–
Non-current:		
Unlisted investments		
Non-controlling interests of unlisted consolidated investment fund, at fair value *(note (v))*	**166,743**	32,886

(i) On 3 February 2016, the Group set up a fund which acquired unlisted convertible notes with principal amount of US$30,000,000, approximately HK$233,625,000 equivalent and US$40,000,000, approximately HK$310,660,000 equivalent on 15 February 2016 and 10 March 2016, respectively, which were issued by an independent party, a listed company in Hong Kong, bearing fixed interest rate of 4.5% per annum payable semi-annually, maturity on 15 February 2019 and 10 March 2019, and with conversion price of HK$3.00 per share of the aforesaid listed company in Hong Kong. The convertible notes are freely transferrable. On 14 December 2016, convertible notes with principal amount of US$30,000,000 were disposed. The fair value of the remaining convertible notes amounted to approximately HK$404,941,000 as at 31 December 2016, which was estimated by an independent firm of professional valuer. The Group does not expect that the remaining convertible notes will be transferred to third parties by the Group within the next twelve months and has accordingly classified the convertible notes as non-current assets.

On 18 May 2016, the Group acquired unlisted convertible bonds, with principal amount of US$20,000,000, approximately HK$155,250,000 equivalent issued by an independent party, a listed company in Hong Kong, bearing fixed interest rate of 6% per annum payable semi-annually, maturity on 18 November 2017, extendable on a mutually agreed basis, to 18 May 2019 with conversion price of HK$0.86 per share of the aforesaid listed company in Hong Kong. The fair value of the convertible bonds amounted to approximately HK$165,490,000 as at 31 December 2016, which was estimated by an independent firm of professional valuer.

On 20 May 2016, the Group acquired unlisted convertible bonds, with principal amount of HK$500,000,000 issued by an independent party, a listed company in Hong Kong, bearing fixed interest rate of 7% per annum payable semi-annually, maturity on 20 May 2019 with conversion price of HK$3.476 per share of the aforesaid listed company in Hong Kong. The fair value of the convertible bonds amounted to approximately HK$673,911,000 as at 31 December 2016, which was estimated by an independent firm of professional valuer. The Group does not expect that the convertible bonds will be transferred to third parties by the Group within the next twelve months and has accordingly classified the convertible bonds as non-current assets.

On 26 October 2016, the Group acquired unlisted convertible bonds, with principal amount of HK$100,000,000 issued by an independent party, a listed company in Hong Kong, bearing fixed interest rate of 5% per annum payable annually, maturity on 26 October 2017, extendable on a mutually agreed basis, to 26 October 2018 with conversion price of HK$0.675 per share of the aforesaid listed company in Hong Kong. The fair value of the convertible bonds amounted to approximately HK$129,125,000 as at 31 December 2016, which was estimated by an independent firm of professional valuer.

(ii) On 12 November 2015, the Group acquired unlisted convertible bonds with principal amount of HK$275,000,000 which was issued by an independent party, a listed company in Hong Kong, and bears fixed interest rate of 4% per annum payable quarterly, and matures on 12 November 2017, extendable at the issuer's sole and absolute discretion, to 12 November 2018 with initial conversion price of HK$0.77 per share of the aforesaid listed company in Hong Kong. On 13 November 2015, a put option was granted by an independent third party to the Group. The Group has the right to require the issuer of the put option to purchase all outstanding convertible bonds held by the Group anytime within the 30 days period prior to the maturity date of the convertible bonds at an agreed share price. The fair value of the convertible bonds amounted to approximately HK$273,705,000 (31 December 2015: HK$307,306,000) and the put option amounted to approximately HK$112,078,000 (31 December 2015: HK$6,112,000) as at 31 December 2016, which was estimated by an independent firm of professional valuer.

(iii) The equity investments with fair value of approximately HK$1,205,417,000 as at 31 December 2016 (31 December 2015: HK$435,958,000) were securities listed in Hong Kong.

(iv) On 30 March 2016, the Group purchased listed securities together with a put option at an aggregate consideration of approximately HK$339,659,000. The put option gives the Group the right to require the issuer, an independent third party, to purchase a maximum of 190,798,000 shares of a listed company in Hong Kong at a range of pre-determined prices in a specific period. At the expiry date of the put option, the issuer shall purchase and the Group shall sell all shares that has not been sold till then, at a price determined in accordance with the put option agreement. The fair value of the put option amounted to approximately HK$49,343,000 as at 31 December 2016, which was estimated by an independent firm of professional valuer.

On 30 December 2015, the Group purchased a put option at a consideration of approximately HK$2,388,000 which gives the Group the right to require the issuer of the option, an independent third party, to purchase a maximum of 45,920,000 shares of a listed company in Hong Kong, at a pre-determined price. The option is exercisable any time within one year till 30 December 2016. The fair value of the put option amounted to approximately HK$2,388,000 as at 31 December 2015, which was estimated by an independent firm of professional valuer.

(v) As at 31 December 2016 and 31 December 2015, included in financial liabilities at fair value through profit or loss are the non-controlling interests of unlisted consolidated investment funds.

As at 31 December 2016 and 31 December 2015, a wholly-owned subsidiary of the Group held 71% (31 December 2015: 71%) interests in Huarong International Asset Management Great China Investment Fund L.P. (the "**GCI Fund**") as a limited partner (the "**First-Tier Limited Partner of the GCI Fund**"). According to the limited partnership agreement, at the end of the term of the GCI Fund, the First-Tier Limited Partner of the GCI Fund will be entitled to a priority return of its own capital contribution and a 8% preferred return; thereafter the second-tier limited partner is entitled to return of its own capital contribution. Thereafter 60% and 40% of the residual amount of the consolidated investment fund will be distributed to First-Tier Limited Partner of the GCI Fund and second-tier limited partner, respectively. Accordingly, the interests of the second-tier limited partner in the consolidated investment fund are classified as financial liabilities designated as at fair value through profit or loss of approximately HK$80,105,000 (31 December 2015: HK$32,886,000) as at 31 December 2016.

As at 31 December 2016, a wholly-owned subsidiary of the Group held 90% interests in Huarong International Asset Management Growth Fund L.P. (the "**Growth Fund**") as a limited partner (the "**First-Tier Limited Partner of the Growth Fund**"). Pursuant to the limited partnership agreement of the Growth Fund, the interests in the Growth Fund as a limited partner provide the Group with the return of capital equal to 100% of its total invested capital and a fixed proceed of 8% per annum return of its invested capital. If the Growth Fund eventually holds the convertible notes till maturity (three years period), total minimum return of First-Tier Limited Partner of the Growth Fund is guaranteed at 12% per annum of its invested capital. Thereafter, the second-tier limited partner is entitled to return of its own capital contribution. Thereafter 20% and 80% of the residual amount of the consolidated investment fund will be distributed to First-Tier Limited Partner of the Growth Fund and second-tier limited partner, respectively. The effective interest rate of the underlying convertible notes is 4.5%. Accordingly, the interests of the second-tier limited partner are classified as financial liabilities designated as at fair value through profit or loss of approximately HK$166,743,000 as at 31 December 2016.

As at 31 December 2016, a wholly-owned subsidiary of the Group held 50% interests in Bridge Rock Industry Fund, L.P. (the "**BRI Fund**") as a limited partner (the "**First-Tier Limited Partner of the BRI Fund**"), another subsidiary of the Group acted as the general partner of the BRI Fund. As the Group has control over the BRI Fund, it is amounted for as a subsidiary. Pursuant to the limited partnership agreement of the BRI Fund the interests in the BRI Fund as a limited partner provide the Group with the return of capital equal to 100% of its total invested capital and a fixed proceed of 10% and 12% per annum return of its invested capital to First-Tier Limited Partner of the BRI Fund and the second-tier limited partner, respectively. Thereafter 30% and 70% of the residual amount of the consolidated investment fund will be distributed to First-Tier Limited Partner of the BRI Fund and second-tier limited partner, respectively. Accordingly, the interests of the second-tier limited partner are classified as financial liabilities designated as at fair value through profit or loss of approximately HK$133,303,000 as at 31 December 2016.

As at 31 December 2016, a wholly-owned subsidiary of the Group held 60% interests in Huarong International South China Investment Fund L.P. (the "**SCI Fund**") as a limited partner (the "**First-Tier Limited Partner of the SCI Fund**"). Pursuant to the limited partnership agreement of the SCI Fund the interests in the SCI Fund as a limited partner provide the Group with the return of capital equal to 100% of its total invested capital and a fixed proceed of 9% per annum return of its invested capital to First-Tier Limited Partner of the SCI Fund. Thereafter 30% and 70% of the residual amount of the consolidated investment fund will be distributed to First-Tier Limited Partner of the SCI Fund and second-tier limited partner, respectively. Accordingly, the interests of the second-tier limited partner are classified as financial liabilities designated as at fair value through profit or loss of approximately HK$43,326,000 as at 31 December 2016.

13. AVAILABLE-FOR-SALE INVESTMENTS

	2016	2015
	HK$'000	*HK$'000*
Listed equity and debt securities, at fair value	**4,339,012**	–

During the year, the loss in respect of changes in fair value of the Group's available-for-sale investments recognised in other comprehensive income amounted to approximately HK$25,347,000 (2015: gain of HK$75,534,000). A gain of approximately HK$96,859,000 was reclassified from other comprehensive income to the consolidated statement of profit or loss upon disposal for the period from 1 May 2015 to 31 December 2015.

During the period from 1 May 2015 to 31 December 2015, the Group disposed of approximately HK$69,214,000 available-for-sale investments to independent third parties.

Interest income derived from available-for-sale investments was recognised as "interest income from available-for-sale investments".

14. OTHER LOANS AND ADVANCES

	2016	2015
	HK$'000	*HK$'000*
Other loans and advances	**5,004,236**	–
Less: Provision for impairment	**(50,077)**	–
	4,954,159	–
Secured	**2,236,814**	–
Unsecured	**2,717,345**	–
	4,954,159	–
Analysed as:		
Current	**2,736,696**	–
Non-current	**2,217,463**	–
	4,954,159	–

At 31 December 2016, other loans and advances included loans to independent third parties which are secured and/or backed by guarantees and collaterals, bearing interest at rates ranging from 5% to 9% per annum with contractual maturity ranging from approximately six months to three years from 31 December 2016. At 31 December 2016, other loans and advances with carrying amount of approximately HK$2,236,814,000 (2015: Nil) is secured by properties in Australia and the PRC, unlisted convertible bonds issued by a company listed in Hong Kong, listed equity issued by a company listed in Hong Kong and unlisted equity. The remaining carrying amount of approximately HK$2,184,565,000 (2015: Nil) represent unsecured other loans and advances with personal or corporate guarantees. The management of the Group believes that the amount is considered recoverable given the collateral is sufficient to cover the entire balance for secured loans and no recent history of default of borrowers for unsecured loans. Other loans and advances that are individually not significant or assessed not to be impaired individually are reviewed at the end of each reporting period on a collective portfolio basis. The directors of the Company believe that the allowances for impaired debts are sufficient.

Regular reviews on these loans are conducted by the risk management department based on the latest status of these loans, and the latest announced or available information about the borrowers and the underlying collateral held. Apart from collateral monitoring, the Group seeks to maintain effective control over its loans in order to minimise credit risk by regularly reviewing the borrowers' and/or guarantors' financial positions.

At 31 December 2016, other loans and advances included investments in a 5% guaranteed notes with carrying amount of HK$198,000,000 and contractual maturity of one year and a 8.5% redeemable fixed coupon notes with carrying amount of HK$334,780,000 and contractual maturity of two years.

At 31 December 2016, the Group has concentration of credit risk as 63% (2015: Nil) of the total other loans and advances was due from the Group's five largest borrowing customers.

Interest income derived from other loans and advances was recognised as "interest income from other loans and advances".

Movements in the allowances for impaired debts are as follows:

	2016	2015
	HK$'000	*HK$'000*
At beginning of year/period	**–**	–
Provision for impairment losses	**50,077**	–
At end of year/period	**50,077**	–

Other loans and advances are netted off by allowances for impaired debts of HK$50,077,000 (2015: Nil) which are collective allowance. No further impairment allowance was considered necessary based on the Group's evaluation of collectability.

There are no loans and advances that are past due but not impaired.

15. ADVANCES TO CUSTOMERS IN MARGIN FINANCING

	2016	2015
	HK$'000	*HK$'000*
Loans to customers in margin financing	**4,237,786**	868,474
Less: provision for impairment	**(1,323)**	(1,951)
	4,236,463	866,523

The loans to customers in margin financing are interest-bearing and secured by the underlying pledged securities. The Group maintains a list of approved securities for margin lending at a specific loan to collateral ratio. Any excess in the lending ratio will trigger a margin call which the customers have to make additional funds for the shortfall.

The movements in provision for impairment of advances to customers in margin financing are as follows:

	2016	2015
	HK$'000	*HK$'000*
At beginning of year/period	**1,951**	3,285
Reversal of impairment losses, net	**(628)**	(1,334)
At end of year/period	**1,323**	1,951

No ageing analysis is disclosed as in the opinion of the Directors, the ageing analysis does not give additional value in the view of the revolving nature of the business of securities margin financing.

Securities, futures, options dealing services

The Group allows a credit period of up to the settlement dates of the respective securities, futures, options transactions or a credit period mutually agreed with the contracting parties. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables so as to minimise credit risk. Loans for margin financing are secured by the pledge of customers' securities as collateral. The credit facility limits to customers in margin financing are determined by the market value of the collateral securities accepted by the Group. Overdue balances are reviewed regularly by management.

All the pledged securities are listed equity securities in Hong Kong as at 31 December 2016, and significant portion of the pledged securities are listed securities in Hong Kong as at 31 December 2015. The loans are repayable on demand subsequent to settlement date and normally carry interest at Hong Kong Prime Rate + 1% to 15% per annum (2015: Hong Kong Prime Rate + 1% to 15% per annum). Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the outstanding amount exceeds the eligible margin value of securities deposited. The collateral held can be repledged and can be sold at the Group's discretion to settle any outstanding amount owed by margin clients.

The Group has concentration of credit risk as 57% (2015: 91%) of the total loans to securities margin clients were due from the Group's five largest securities margin clients. The balance includes an aggregate amount of approximately HK$2,394,288,000 (2015: HK$793,446,000) which is neither past due nor impaired, of which the whole amount is secured by clients' pledged securities with an aggregate fair value of HK$12,855,095,000 (2015: HK$5,287,325,000). The Group believes that the amount is considered recoverable given the collaterals are sufficient to cover each balance on individual basis.

16. ACCOUNTS RECEIVABLE

	2016	2015
	HK$'000	*HK$'000*
Accounts receivable from:		
— securities, futures and options dealing services		
— clients	**8,902**	9,614
— brokers, dealers and clearing houses	**629,685**	9,749
— corporate finance	**45,104**	26,366
— asset management	**1,109**	–
	684,800	45,729
Provision for impairment	**(223)**	(220)
	684,577	45,509

An aged analysis of the Group's accounts receivable, based on the trade date and net of provision for impairment, is as follows:

	2016	2015
	HK$'000	*HK$'000*
Current to 1 month	**682,633**	44,509
1 to 3 months	**1,779**	652
3 months to 1 year	**102**	237
Over 1 year	**63**	111
	684,577	45,509

The movements in provision for impairment of accounts receivable are as follows:

	2016 HK$'000	2015 HK$'000
At beginning of year/period	**220**	278
Provision for (reversal of) impairment losses, net	**3**	(58)
At end of year/period	**223**	220

Included in the above provision for impairment of accounts receivable is provision for individually impaired accounts receivable of approximately HK$223,000 (2015: HK$220,000) with carrying amounts before provision of approximately HK$226,000 (2015: HK$1,154,000). These individually impaired accounts receivable relate to customers that do not have sufficient amount of collateral at the end of the reporting period and are not expected to be fully recoverable.

The aged analysis of the accounts receivable that are past due but not individually nor collectively considered to be impaired is as follows:

	2016 HK$'000	2015 HK$'000
Less than 1 month past due	**23,630**	8,141
1 to 3 months past due	**1,779**	652
3 months to 1 year past due	**102**	231
Over 1 year past due	**63**	111
	25,574	9,135

The directors of the Company are of the opinion that no provision for impairment is necessary in respect of those receivables that were past due but not impaired as there has not been a significant change in credit quality or listed securities of clients are held as collateral against certain receivables and thus the balances are still considered fully recoverable.

17. ACCOUNTS PAYABLE

An aged analysis of the Group's accounts payable, based on the settlement due date, is as follows:

	2016 HK$'000	2015 HK$'000
Current to 1 month	**2,942,458**	602,269

The accounts payable are unsecured and repayable on the settlement date of the relevant trades or upon demand from customers.

18. INTEREST-BEARING BORROWINGS

	2016	2015
	HK$'000	*HK$'000*
Current portion:		
Bank borrowings	**5,620,480**	–
Non-current portion:		
Loan from the intermediate holding company	**11,634,000**	3,875,250
	17,254,480	3,875,250

As at 31 December 2016, the Group had loans (the "**Company Loans**") amounting to US$1,500,000,000 (31 December 2015: US$500,000,000) (approximately HK$11,634,000,000 (31 December 2015: HK$3,875,250,000)) from CHIH for the expansion of the Group's business. The Company Loans bear interest at fixed interest rates ranging from 3.85% to 6.02% per annum (31 December 2015: 5.761% per annum) and are repayable in three to ten years (31 December 2015: three years) from the end of the reporting period.

As at 31 December 2015, the Group has revolving bank loan facilities which are secured by pledge of the Group's time deposits with carrying amount of approximately HK$10,353,000. The Group has not utilised these facilities as at 31 December 2015.

In addition, bank borrowings of HK$550,000,000 (31 December 2015: Nil) are secured by listed shares (held by the Group as security for advances to customers in margin financing with the customers' consent) as at 31 December 2016, the Company had provided corporate guarantees in respect of the Group's banking facilities to the extent of HK$850,000,000 (2015: HK$30,000,000), corporate guarantees from the indirect wholly-owned subsidiaries Huarong International Securities Limited, Huarong International Asset Management Limited and Huarong International Capital Limited in respect of the Group's banking facilities to the extent of HK$232,680,000 (2015: Nil). As at 31 December 2016, the Group has undrawn bank facilities of HK$807,500,000 (2015: HK$30,000,000), and the Group utilised HK$5,620,480,000 (2015: Nil) of these banking facilities.

19. CONVERTIBLE NOTES ISSUED

On 19 February 2014, the Company issued zero coupon convertible notes (the "**Convertible Notes**") with a nominal value of HK$500,000,000 to an independent third party. The notes are convertible at the option of the noteholders into ordinary shares within 36 months from the date of issuance of the Convertible Notes at the initial conversion price of HK$5 per conversion share. Any Convertible Notes not converted will be redeemed on 18 February 2017 at the outstanding principal amounts. The conversion price for the Convertible Notes was adjusted to HK$0.5 per share on 9 April 2014, upon completion of the issue of bonus shares. A total principal amount of HK$135,000,000 Convertible Notes was converted into 270,000,000 ordinary shares of the Company during the year ended 30 April 2014. On 4 July 2014, a total principal amount of HK$335,000,000 Convertible Notes was converted into 670,000,000 ordinary shares of the Company. In July 2014, the independent third party has transferred his convertible notes to Mr. Cui Zhanhui ("**Mr. Cui**") (崔占輝), a then substantial shareholder of the Company during the period. Immediately after the conversion on 4 July 2014 and as at 31 December 2015, the outstanding principal of the Convertible Notes issued by the Company amounted to HK$30,000,000 which was held by Mr. Cui. The effective interest rate is 12% per annum.

All outstanding Convertible Notes were subsequently converted to ordinary shares on 7 January 2016.

20. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) Rights Issue

The rights issue on the basis of 1.5 rights shares for every 20 existing shares held on the record date of 11 January 2017 became unconditional on 6 February 2017. On 10 February 2017, the Company issued and allotted 250,358,093 rights shares at HK$2.63 per rights share and successfully raised net proceeds of approximately HK$652,032,000 for expanding and developing the securities and direct investment business.

(b) Senior perpetual capital securities

On 21 February 2017, the Company issued 5.797% senior perpetual capital securities in the principal amount of US$99,118,000 (equivalent of approximately HK$768,759,000) to CHIH, with no maturity date.

(c) The Group has entered several discloseable transactions as defined in the Listing Rules after the year ended 31 December 2016, please refer to the relevant announcements for details.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Highlights

As the Company has changed its financial year end date from 30 April to 31 December, commencing from the financial period ended on 31 December 2015, the financial statements of the Company herein presented are for the whole year ended 31 December 2016 (the "**Year**") with comparatives based on those for the eight months ended 31 December 2015 (the "**Relevant 2015 Period**").

For the Year under review, the Group recorded a revenue and net gains on financial assets/ liabilities at fair value through profit or loss of approximately HK$1,402,029,000 (as compared to approximately HK$168,003,000 for the Relevant 2015 Period), representing an increase of 734.5% as compared to the Relevant 2015 Period. Profit attributable to the shareholders for the Year significantly increased to approximately HK$550,914,000 as compared to the profit of approximately HK$139,397,000 in the Relevant 2015 Period, representing an increase of approximately 295.2%. The aforementioned increases in revenue and profit are attributable to the increase in revenue and operating profit for the Year from all three operating segments of the Group, namely (i) the securities segment; (ii) the corporate finance segment; and (iii) the asset management and direct investment segment. The performance of these segments will be discussed further below.

The basic earnings per share from continuing and discontinued operations was HK16.41 cents (as compared to HK5.70 cents for the Relevant 2015 Period), and the diluted earnings per share from continuing and discontinued operations was HK16.40 cents (as compared to HK5.64 cents for the Relevant 2015 Period). Basic earnings per share from continuing operations was HK16.41 cents (as compared to HK6.35 cents for the Relevant 2015 Period), and the diluted earnings per share from continuing operations was HK16.40 cents (as compared to HK6.27 cents for the Relevant 2015 Period).

The Board does not recommend a payment of final dividend in the Year (nil in the Relevant 2015 Period).

Business Review

Following the expansion momentum since China Huarong became the ultimate controlling shareholder of the Company in 2015, the Group continues to grow its business and operation by fully utilizing its licenses regulated under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (Types 1, 2, 4, 6 and 9 licences). Details of the performance of the operating segments are as follows:

Securities

The securities segment comprises broking and dealing of securities, futures and options contracts and the provision of margin financing services. The revenue from the securities segment increased from approximately HK$45,607,000 in the Relevant 2015 Period to approximately HK$289,185,000 in the Year, representing an increase of approximately 534.1%. Segment result increased from approximately HK$28,636,000 in the Relevant 2015 Period to approximately HK$144,685,000 in the Year, representing an increase of approximately 405.3%. The significant increase was due to the expansion of our margin loans portfolio during the Year as a result of our increased efforts to grow and develop the Type 1 licensed business. Margin loan receivables net of provision increased from approximately HK$866,523,000 as at 31 December 2015 to approximately HK$4,236,463,000 as at 31 December 2016. Therefore, fee income and interest income derived from margin loan business increased accordingly in the Year as compared to that in the Relevant 2015 Period.

Corporate Finance

The corporate finance segment comprises provision of securities underwriting and sponsoring, financial advisory and financing arrangement services to institutional clients. The revenue from this segment increased from approximately HK$59,370,000 in the Relevant 2015 Period to approximately HK$219,412,000 in the Year while the segment result increased from approximately HK$44,481,000 in the Relevant 2015 Period to approximately HK$198,256,000 in the Year, representing an increase of approximately 345.7%. The significant increase was due to the increase in consultancy, financial advisory and financing arrangement services provided during the Year.

Asset Management and Direct Investment

The asset management and direct investment segment comprises provision of asset management services and direct investments in equities, bonds, funds, derivative instruments and other financial products and provision of money lending services. The revenue from this segment increased from approximately HK$8,250,000 in the Relevant 2015 Period to approximately HK$218,469,000 in the Year, representing an increase of approximately 2,548.1%. The net gains on financial assets/liabilities at fair value through profit or loss increased from approximately HK$55,472,000 in the Relevant 2015 Period to approximately HK$674,963,000 in the Year. Therefore, the segment result increased to approximately HK$572,241,000 for the Year (as compared to profit of HK$87,477,000 for the Relevant 2015 Period). The significant increase was a result of the expansion of direct investment business and profit arising from fair value change of the financial assets/liabilities at fair value through profit or loss.

Prospect

With world markets influenced by uncertain political events, such as new policies implemented by the United States President Donald Trump, Brexit, and elections in member countries of the European Union, we expect the financial markets to remain volatile. Facing the complicated and changing business environment and increasingly fierce competition, the Company will keep seeking steady growth and striving for success, fully promote the interconnection between its financing and investment business and licenced business, actively seize the opportunities made available by the Shenzhen – Hong Kong Stock Connect, internationalization of RMB and "the One Belt and One Road" strategy to propel the development of platforms regarding the three major business segments, namely "securities", "corporate finance" and "asset management and direct investment", and continue to enhance core competitiveness and overall profitability of the Company, and to strive to create greater value for shareholders.

Capital Structure

On 7 January 2016, the convertible notes issued by the Company (the "**Convertible Notes**") with outstanding principal amount of HK$30,000,000 was converted into 60,000,000 ordinary shares of the Company. Immediately after the conversion, there were no outstanding Convertible Notes issued by the Company. As at 31 December 2016, the total number of issued share capital with the par value of HK$0.001 each was 3,338,107,918 and the total equity attributable to shareholders was approximately HK$1,286,941,000 (as compared to HK$735,155,000 as of 31 December 2015).

On 21 February 2017, the Company issued 5.797% senior perpetual capital securities in the principal amount of US$99,118,000 to CHIH. The senior perpetual capital securities will be accounted for as equity in the statement of financial position of the Company.

Liquidity and Financial Resources

As at 31 December 2016, the Group had total cash and cash equivalents of approximately HK$956,675,000 (as compared to HK$3,040,911,000 as of 31 December 2015), which already excluded approximately HK$3,315,589,000 (as compared to HK$623,241,000 as of 31 December 2015) of client funds that were kept in separate designated bank accounts. The Group's gearing ratio as at 31 December 2016 was 1,340.7% (as compared to 530.7% as of 31 December 2015), being calculated as borrowings over the Company's shareholders' equity. The increased borrowings are attributable to the loans from the controlling shareholder and bank borrowings for the expansion of the Group's businesses. As at 31 December 2016, the Group had outstanding principal of shareholder loans of US$1,500,000,000 (equivalent to HK$11,634,000,000) (as compared to US$500,000,000, equivalent to HK$3,875,250,000, as of 31 December 2015) which are unsecured and unguaranteed. As at 31 December 2016, the Group has undrawn bank facilities of HK$807,500,000 (as compared to HK$30,000,000 as of 31 December 2015), and the Group had outstanding bank borrowings of approximately HK$5,620,480,000 as at 31 December 2016 (as compared to Nil as of 31 December 2015). Letters of comfort ("**Comfort Letters**") were issued by China Huarong, the controlling shareholder of the Company for significant portion of the Group's banking facilities. Under the Comfort Letters, as long as the facilities remain outstanding, China Huarong has undertaken to, among others, maintain its status as the Company's controlling shareholder. The Group actively and regularly reviews and manages its capital structure and makes adjustments in light of changes in economic conditions.

For the Securities and Futures Commission licensed subsidiaries, the Group has ensured each of the subsidiaries maintains a liquidity level adequate to support the level of activities with a sufficient buffer to accommodate increases in liquidity requirements arising from potential increases in the level of business activities. During the Year, all the licensed subsidiaries have complied with the liquidity requirements under the Securities and Futures (Financial Resources) Rules.

Charges on Group Assets

As at 31 December 2016, the Group had no bank deposit (as compared to HK$10,353,000 as of 31 December 2015) pledged to secure banking facilities of the Group. The Group's bank borrowings of HK$550,000,000 (31 December 2015: Nil) are secured by listed shares (held by the Group as security for advances to customers in margin financing with the customers' consent) as at 31 December 2016.

Employee and Remuneration Policy

As at 31 December 2016, the Group employed a total of 137 employees (as compared to 80 employees as at 31 December 2015). The Group's staff recruitment and promotion are primarily based on individual's merits, relevant experiences, development potentials for the positions offered and the performance of the staff. Staff remuneration and benefit policies, which are formulated by reference to the market, are competitive and performance based.

Foreign Exchange Exposures

The Group's revenue and expenditure are mainly denominated in United States dollars and Hong Kong dollars. The Group's foreign exchange exposure is mainly caused by the translation of its assets and liabilities denominated in United States dollars to Hong Kong dollars. As Hong Kong dollars are pegged with United States dollars, the Directors believe that the Group's foreign exchange exposure is manageable and the Group will closely monitor the risk exposure from time to time.

Contingent Liabilities

Regarding the alleged claims against Huarong International Securities Limited (formerly known as United Simsen Securities Limited) ("**HISL**"), an indirectly wholly-owned subsidiary of the Company, that was previously disclosed in the audited financial statements of the Group for the period from 1 May 2015 to 31 December 2015, as the plaintiff did not take any further action since August 2013, there was no substantial progress as at 31 December 2016. The Group has sought legal advice on the alleged claims and the Directors consider that HISL has a very good defence and has a strong case to pursue its counterclaim against the plaintiff. The Directors consider that it is not probable that there will be any significant financial impact on the Group arising from these alleged claims.

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

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

CORPORATE GOVERNANCE PRACTICES

Throughout the year ended 31 December 2016, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 of the Listing Rules, save for the deviations as described below:

Pursuant to Code Provision A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, the roles of the Chairman of the Company and the Chief Executive Officer ("**CEO**") of the Company had been performed by Mr. Liu Xiaodong during the period from 14 March 2016 to 12 June 2016. On 13 June 2016, Mr. Huang Rui was appointed as an Executive Director and the CEO of the Company. Since then, the roles of the Chairman of the Company and the CEO of the Company have been segregated and the Company is in compliance with Code Provision A.2.1.

On 13 June 2016, Mr. Tse Yung Hoi ("**Mr. Tse**") resigned as an Independent Non-executive Director and ceased to act as a member of each of the Nomination Committee and the Audit Committee of the Company. As a result, the Company was not in compliance with the requirements under Rule 3.10(1) and Rule 3.21 of the Listing Rules and the Code Provision A.5.1 of the CG Code after Mr. Tse's resignation. However, on 19 August 2016, Mr. Ma Lishan was appointed as an Independent Non-executive Director and a member of each of the Audit Committee and the Nomination Committee of the Company in place of Mr. Tse. Following the appointment of Mr. Ma, the Company is in compliance with the requirements under Rule 3.10(1) and Rule 3.21 of the Listing Rules and the Code Provision A.5.1 of the CG Code.

Pursuant to Code Provision A.6.7, the independent non-executive directors and the non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. At the annual general meeting of the Company held on 23 May 2016, two Independent Non-executive Directors of the Company, were unable to attend that meeting due to other business engagements. At the special general meeting of the Company held on 23 November 2016, one Non-executive Director and one Independent Non-executive Director were unable to attend that meeting due to other business engagements or travel schedule, nevertheless, the Board believes that the presence of other Directors was able to allow the Board to understand the views of the shareholders of the Company and answer all the questions raised by them at that special general meeting.

Details of the Company's corporate governance practices can be found in the Corporate Governance Report set out in the Company's annual report 2016.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding securities transactions by the Directors of the Company. In response to specific enquiry made by the Company, all Directors confirmed that they have fully complied with the required standards as set out in the Model Code throughout the year of 2016.

AUDIT COMMITTEE

The Audit Committee of the Company currently comprises three Independent Non-executive Directors, namely Dr. Wong Tin Yau Kelvin, Mr. Ma Lishan and Mr. Yeung Siu Keung. The principal duties of the Audit Committee include the review and supervision of the Group's financial reporting system, financial statements and internal control procedures. The Audit Committee has reviewed the accounting principles and practices adopted by the Group with the management and discussed auditing, internal control and financial reporting matters. The audited consolidated financial statements of the Group for the year ended 31 December 2016 have been reviewed by the Audit Committee.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL REPORT

The annual report 2016 of the Company containing all the applicable information required by the Listing Rules will be despatched to the shareholders of the Company and published on the websites of the Company and HKEx in April 2017.

By order of the Board
Huarong International Financial Holdings Limited
Liu Xiaodong
Chairman

Hong Kong, 15 March 2017

As at the date of this announcement, the executive directors of the Company are Mr. Liu Xiaodong, Mr. Wang Qiang and Ms. Wang Wei, the non-executive director is Ms. Yu Xiaojing, and the independent non-executive directors are Dr. Wong Tin Yau Kelvin, Mr. Ma Lishan and Mr. Yeung Siu Keung.