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CEFC Hong Kong Financial Investment Company Limited

香港華信金融投資有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1520)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

- Revenue of the Group for the year ended 31 December 2017 was approximately HK\$325,445,000 (2016: HK\$368,857,000), representing a decrease of approximately 11.8% as compared with the previous year.
- The loss attributable to the owners of the Company for the year ended 31 December 2017 was approximately HK\$15,632,000 (2016: HK\$18,769,000), representing a decrease in loss attributable to the owners of the Company of approximately HK\$3,137,000 or 16.7%. The decrease in loss attributable to the owners of the Company for the year ended 31 December 2017 is primarily attributable to (i) the impairment of goodwill arising on the acquisition of our money lending operation of approximately HK\$11,453,000 for the year ended 31 December 2016 was of one-off nature; and (ii) money lending operation turned into profit for the year ended 31 December 2017.
- Loss per share of the Company for the year ended 31 December 2017 was approximately HK\$1.11 cents (2016: loss per share of HK\$2.89 cents).
- The Directors do not recommend the payment of any final dividend for the year ended 31 December 2017.

RESULTS

The board of Directors (the “Board”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2017 together with the comparative figures for the corresponding period in 2016 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
Revenue	5	325,445	368,857
Cost of sales		(229,856)	(274,778)
Gross profit		95,589	94,079
Other income and gains	5	3,508	615
Impairment loss on goodwill	10	–	(11,453)
Selling and distribution expenses		(39,245)	(46,060)
Administrative expenses		(73,085)	(54,471)
Finance costs		(642)	(478)
Loss before income tax	6	(13,875)	(17,768)
Income tax expense	7	(1,757)	(1,001)
Loss for the year attributable to owners of the Company		(15,632)	(18,769)
Other comprehensive income, net of tax, attributable to owners of the Company			
Item that may be reclassified subsequently to profit or loss:			
Exchange gain/(loss) on translation of financial statements of foreign operations		1,652	(2,850)
Total comprehensive income for the year attributable to owners of the Company		(13,980)	(21,619)
Loss per share attributable to owners of the Company	9		
Basic and diluted loss per share (HK cents)		(1.11)	(2.89)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	<i>Notes</i>	2017 HK\$'000	2016 HK\$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		27,198	12,591
Payments for leasehold land held for own use under operating lease		1,806	1,738
Deposits		5,000	–
Goodwill	<i>10</i>	87,656	87,656
Intangible assets		800	800
Deferred tax assets		1,511	742
		123,971	103,527
Current assets			
Inventories	<i>11</i>	9,313	16,926
Trade and bills receivables	<i>12</i>	52,789	63,485
Loans and interest receivables	<i>13</i>	148,881	80,465
Deposits, prepayments and other receivables		17,260	22,803
Financial assets at fair value through profit or loss	<i>14</i>	–	42,000
Tax recoverable		2,216	1,729
Pledged bank deposits		6,596	7,761
Cash and bank balances		164,736	59,188
		401,791	294,357
Current liabilities			
Trade and bills payables	<i>15</i>	37,395	49,644
Accruals, other payables and receipts in advance		39,469	26,656
Interest-bearing borrowings	<i>16</i>	325	54,410
Provision for taxation		1,868	1,566
		79,057	132,276
Net current assets		322,734	162,081
Total assets less current liabilities		446,705	265,608
Non-current liabilities			
Interest-bearing borrowings	<i>16</i>	374	383
Deferred tax liabilities		–	1,073
		374	1,456
Net assets		446,331	264,152
EQUITY			
Equity attributable to owners of the Company			
Share capital		16,900	8,300
Reserves		429,431	255,852
Total equity		446,331	264,152

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2016	6,000	40,690	2,988	2,793	3,269	80,017	135,757
Loss for the year	–	–	–	–	–	(18,769)	(18,769)
Other comprehensive income							
– Exchange loss on translation of financial statements of foreign operations	–	–	–	–	(2,850)	–	(2,850)
Total comprehensive income for the year	–	–	–	–	(2,850)	(18,769)	(21,619)
Profit appropriation to reserve	–	–	–	189	–	(189)	–
Issuance of shares	1,200	59,714	–	–	–	–	60,914
Arising from acquisition of a subsidiary	1,100	88,000	–	–	–	–	89,100
At 31 December 2016 and 1 January 2017	8,300	188,404	2,988	2,982	419	61,059	264,152
Loss for the year	–	–	–	–	–	(15,632)	(15,632)
Other comprehensive income							
– Exchange gain on translation of financial statements of foreign operations	–	–	–	–	1,652	–	1,652
Total comprehensive income for the year	–	–	–	–	1,652	(15,632)	(13,980)
Profit appropriation to reserve	–	–	–	198	–	(198)	–
Issuance of shares	8,600	187,559	–	–	–	–	196,159
At 31 December 2017	16,900	375,963	2,988	3,180	2,071	45,229	446,331

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL

CEFC Hong Kong Financial Investment Company Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 19 June 2013. The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Suite 2101, 21/F., Convention Plaza Office Tower, 1 Harbour Road, Wanchai, Hong Kong respectively. The Company’s shares were listed on the GEM (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) by way of placing on 3 December 2013 and the listing of its shares has been transferred from GEM to the Main Board of the Stock Exchange on 1 June 2015.

The parent of the Company is New Seres CEFC Investment Fund LP (“New Seres”), an exempted limited liability partnership registered in the Cayman Islands, and the ultimate controlling company of the Company is Shanghai Zhong’an United Investment Fund Co., Ltd.

Pursuant to a special resolution passed at the extraordinary general meeting of the Company held on 9 October 2017, the shareholders of the Company approved to change the Company’s name from “Runway Global Holdings Company Limited” to “CEFC Hong Kong Financial Investment Company Limited” and the Chinese name of the Company has been changed from “時尚環球控股有限公司” to “香港華信金融投資有限公司”. The change of the Company’s name has become effective since 9 October 2017.

The Company is an investment holding company and its subsidiaries are principally engaged in design, manufacture and trading of apparels and provision of money lending services.

The financial statements for the year ended 31 December 2017 were approved for issue by the Board on 28 March 2018.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

2.1 Adoption of new/revised HKFRSs – effective 1 January 2017

In the current year, the Group has applied the new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are first effective and relevant for the Group’s financial statements for the annual period beginning on 1 January 2017.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 – Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

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

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

The adoption of the amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group's accounting policies.

2.2 New/revised HKFRSs in issue but not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers ¹
HKFRS 16	Leases ²
HKFRS 17	Insurance Contracts ³
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration ¹
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments ²
Amendments to HKFRS 2	Clarification and Measurement of Share-Based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts ¹
Amendments to HKFRS 9	Prepayment Features with Negative Compensation ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) ¹
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures ²
Amendments to HKAS 28	As part of the Annual Improvements of HKFRSs 2014 – 2016 Cycle ¹
Amendments to HKAS 40	Transfer of Investment Property ¹
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle 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 for annual periods beginning on or after 1 January 2021

⁴ The amendments were originally intended to be effective for periods beginning on or after 1 January 2016. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

HKFRS 9 – Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”). HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets.

The Group has commenced its preliminary assessment of the classification and measurement of its financial assets and liabilities, and does not expect any significant changes to the classification and measurement of its financial assets and liabilities currently measured at amortised costs upon adoption of the standard.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

No financial liabilities of the Group are designated at FVTPL, therefore the Group also does not expect the adoption of the standard would result in any impact to the Group’s financial liabilities.

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

The Group expects that the application of the expected credit loss model may result in earlier recognition of credit losses. The Group did not have any hedging instruments as at 31 December 2017.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

HKFRS 15 – Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework 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 and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps 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 each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate the application of HKFRS 15 will have a material impact on the Group's revenue recognition policy.

Amendments to HKFRS 15 – Revenue from Contracts with customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases” and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The total operating lease commitment of the Group in respect of rented premises as at 31 December 2017 amounted to HK\$12,357,000. The directors anticipate that the adoption of HKFRS 16 would not result in significant impact on the Group’s result but expect that the above operating lease commitments will be recognised as right-of-use assets and lease liabilities in the Group’s financial statements.

HK(IFRIC)-Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretation specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12 “Income Taxes”, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

Save as discussed above, other than HKFRS 9, HKFRS 15 and HKFRS 16, all new standards, amendments to standards and interpretations issued but not effective are not likely to have significant impact on the consolidated financial statements.

3. BASIS OF PREPARATION

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRS”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The financial statements have been prepared under historical cost convention, except for financial assets at fair value through profit or loss which are stated at fair values.

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

The financial statements are presented in HK\$, which is also the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

4. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group’s chief operating decision maker in order to allocate resources and assess performance of the segment. During the year, the Company has identified design, manufacture and trading of apparels and provision for money lending services as the reportable operating segments.

Each of these operating segments is managed separately as each of them requires different business strategies.

The segment information provided to the executive directors for the reportable segments during the year is as follows:

	Design, manufacture and trading of apparels <i>HK\$'000</i>	Money lending services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2017			
Revenue from external customers	309,068	16,377	325,445
Segment (loss)/profit	(4,356)	10,368	6,012
<i>Reconciliation</i>			
Bank interest income			121
Unallocated corporate expenses			(19,366)
Finance costs			(642)
Loss before tax			(13,875)
At 31 December 2017			
Segment assets	163,565	252,920	416,485
Other corporate assets			109,277
Total assets			525,762
Segment liabilities	69,651	2,323	71,974
Other corporate liabilities			7,457
Total liabilities			79,431
Other segment information			
Year ended 31 December 2017			
Depreciation and amortisation	(1,881)	(916)	(2,797)
Fair value gain on financial assets at fair value through profit or loss	–	2,320	2,320
Provision for impairment on inventories	(1,519)	–	(1,519)
Impairment on loans receivable	–	(165)	(165)
Capital expenditure	832	5,496	6,328

	Design, manufacture and trading of apparels HK\$'000	Money lending services HK\$'000	Total HK\$'000
Year ended 31 December 2016			
Revenue from external customers	368,116	741	368,857
Segment loss	(2,259)	(11,259)	(13,518)
Reconciliation			
Bank interest income			205
Unallocated corporate expenses			(3,977)
Finance costs			(478)
Loss before tax			(17,768)
At 31 December 2016			
Segment assets	176,458	218,011	394,469
Other corporate assets			3,415
Total assets			397,884
Segment liabilities	77,754	55,521	133,275
Other corporate liabilities			457
Total liabilities			133,732
Other segment information			
Year ended 31 December 2016			
Depreciation and amortisation	(1,892)	—	(1,892)
Fair value gain on financial assets			
at fair value through profit or loss	—	102	102
Provision for impairment on inventories	(6,334)	—	(6,334)
Provision for impairment on			
trade receivables	(777)	—	(777)
Impairment loss on goodwill	—	(11,453)	(11,453)
Capital expenditure	(587)	—	(587)

The Company is an investment holding company and the principal places of the Group's operations are in the People's Republic of China ("the PRC") (including Hong Kong). Management determines that the Group is domiciled in Hong Kong, the PRC, which is the Group's principal operating location.

The Group's revenue from external customers is divided into the following geographical areas:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
The USA	252,852	295,251
Canada	30,259	66,423
Hong Kong	36,398	741
Others	5,936	6,442
	<u>325,445</u>	<u>368,857</u>

Geographical location of external customers is based on the location at which the customers are domiciled.

The principal non-current assets held by the Group are located in the PRC (including Hong Kong).

Revenue from each of the major customers which accounted for 10% or more of the Group's revenue for the year is set out below:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Customer A	106,915	85,485
Customer B	N/A*	72,151
Customer C	N/A*	68,020
Customer D	N/A*	39,665
Customer E	N/A*	38,465
	<u>N/A*</u>	<u>38,465</u>

* Accounted for less than 10% of the Group's revenue

As at 31 December 2017, 2% (2016: 83%) of the Group's trade receivables was due from these customers.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the interest income from loans receivable, sales of apparels, net of returns, discounts, rebates and sales related taxes.

An analysis of revenue, other income and gains is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue		
Sale of goods	309,068	368,116
Interest income from loans receivable	16,377	741
	<u>325,445</u>	<u>368,857</u>
Other income and gains		
Gain on disposals of property, plant and equipment	4	–
Bank interest income	121	205
Net gain on financial assets at fair value through profit or loss	2,320	102
Sundry income	1,063	308
	<u>3,508</u>	<u>615</u>

6. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Amortisation of payments for leasehold land held for own use under operating lease	54	54
Auditor's remuneration	780	730
Cost of inventories recognised as expense	229,856	274,778
Depreciation of property, plant and equipment	2,955	1,838
Foreign exchange losses, net	502	1,343
(Gain)/loss on disposals of property, plant and equipment	(4)	6
Impairment on loans receivable	165	–
Provision for impairment on inventories	1,519	6,334
Provision for impairment on trade receivables	–	777
Operating lease charges in respect of land and buildings	7,464	4,057
Employee benefit expense (including directors' emoluments)		
– Wages and salaries	76,513	58,631
– Pension scheme contribution		
– defined contribution plans	2,608	2,440
– Other benefits	3,020	3,103
	<u>82,141</u>	<u>64,174</u>

7. INCOME TAX EXPENSE

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current income tax charged for the year:		
Hong Kong profits tax	1,845	–
PRC enterprise income tax (“EIT”)	1,754	658
USA corporate income tax	–	12
	3,599	670
Deferred tax	(1,842)	331
	1,757	1,001

- (i) Pursuant to the rules and regulations of the British Virgin Islands (“BVI”) and the Cayman Islands, the Group is not subject to any taxation under these jurisdictions.
- (ii) Hong Kong profits tax is calculated at 16.5% (2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.
- (iii) PRC Enterprise Income Tax (“EIT”) is provided at 25% (2016: 25%) on the estimated assessable profits of the Group’s PRC subsidiary for the year.

Under the law of the PRC on EIT, corporate withholding income tax is levied on the foreign investor for the dividends distributed out of the profits generated by the foreign investment enterprises. The Group’s applicable withholding income tax rate is 5% (2016: 5%).

- (iv) The United States of America (the “USA”) corporate income tax comprises federal income tax calculated at 15% and state and local income tax calculated at various rates on the estimated assessable profits of the Group’s subsidiary in the USA.

8. DIVIDENDS

No interim dividend was declared during the year (2016: Nil) and the Board does not recommend the payment of any final dividend for the year ended 31 December 2017 (2016: Nil).

9. LOSS PER SHARE

The calculations of basic loss per share are based on the loss for the year attributable to owners of the Company of approximately HK\$15,632,000 (2016: HK\$18,769,000) and the weighted average of 1,404,904,110 (2016: 649,890,710) shares in issue during the year.

Diluted loss per share are the same as the basic loss per share as there were no dilutive potential ordinary shares in existence during the years.

10. GOODWILL

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Cost at 1 January	99,109	–
Acquisition of a subsidiary	–	99,109
Cost at 31 December	99,109	99,109
Accumulated impairment loss at 1 January	(11,453)	–
Impairment during the year	–	(11,453)
Accumulated impairment loss at 31 December	(11,453)	(11,453)
Carrying amount as at 31 December	<u>87,656</u>	<u>87,656</u>

For the purpose of impairment testing, goodwill is allocated to the cash-generating units (“CGU”) in relation to the Group’s provision of money lending services in Hong Kong.

The recoverable amount of the CGU has been determined from value in use calculation based on cash flow projections from formally approved budgets covering a five-year period. The discount rate applied to the cash flow projections is 16.3% (2016: 17.2%). Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2016: 2%), which does not exceed the long-term growth rate for market in Hong Kong. The discount rate used is pre-tax and reflects specific risks relating to the relevant CGU. The growth rate within the five-year period has been based on past experience.

11. INVENTORIES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Raw materials and consumables	3,266	4,633
Work in progress	765	1,476
Finished goods	5,282	10,817
	<u>9,313</u>	<u>16,926</u>

12. TRADE AND BILLS RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	42,613	60,979
Less: provision for impairment loss	–	(777)
	<u>42,613</u>	<u>60,202</u>
Bills receivable	10,176	3,283
	<u>52,789</u>	<u>63,485</u>

Trade receivables are recognised at their original invoice amounts which represented their fair values at initial recognition. The Group's trade receivables are attributable to a number of independent customers with credit terms. Bills receivable are received from independent customers under the ordinary course of business. The Group normally allows a credit period ranging from 10 to 180 days (2016: 10 to 100 days) to its customers. Trade and bills receivables are non-interest bearing.

Ageing analysis of trade receivables based on invoice date and net of provision is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0 to 30 days	6,646	24,670
31 to 60 days	10,560	10,569
61 to 90 days	10,024	19,561
91 to 180 days	13,623	4,390
Over 180 days	1,760	1,012
	<u>42,613</u>	<u>60,202</u>

The movements in provision for impairment on trade receivables are as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
At beginning of year	777	–
Impairment loss recognised	–	777
Amount written off as uncollectible	(777)	–
At end of year	–	777

Included in the above provision for impairment on trade receivables is a provision for individual impaired trade receivables of HK\$777,000 with a carrying amount of HK\$777,000 as at 31 December 2016. The individually impaired receivable mainly relates to a customer who was in unexpected financial difficulties.

As at the reporting date, the Group reviewed its trade receivables for evidence of impairment on both individual and collective basis. The Group provided for impairment loss on individual assessment based on the accounting policy. The Group did not hold any collateral as security over the trade receivables. However, in order to minimise the credit risk of not receiving payments from its customers, the Group has entered into arrangements with a financial institution in the USA and a bank in Hong Kong (which in turn entered into certain arrangement with an insurance company in this connection) which offered trade receivable credit protection arrangement against the Group's trade receivables for certain major customers. As at 31 December 2017, trade receivables of approximately HK\$16,383,000 (2016: HK\$25,420,000) were under such arrangements of which if the Group ultimately becomes unable to collect the trade receivables, the Group will be entitled to receive compensation for the trade receivables from the financial institution or the bank.

Trade receivables which were neither past due nor impaired related to customers for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a number of customers that had a good track record of credit with the Group. Based on past credit history, the directors of the Company believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

13. LOANS AND INTEREST RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Loans receivable	147,906	79,760
Interest receivables	975	705
	<u>148,881</u>	<u>80,465</u>

The Group's loans and interest receivables, which arise from the money lending business of providing corporate loans, personal loans and property mortgage loans in Hong Kong, are denominated in Hong Kong dollars.

As at 31 December 2017, loans and interest receivables of HK\$39,716,000 (2016: HK\$59,435,000) were unsecured while remaining loans and interest receivables of HK\$109,165,000 (2016: HK\$21,030,000) were secured by charges over certain properties in Hong Kong and personal properties such as diamonds and jeweleries, and guaranteed by certain independent third parties. The interest rates on all loans receivable are fixed ranging from 2.3% to 36% (2016: 2.3% to 48%) per annum and loans receivable is due within 12 to 17 months and contains repayment on demand clause.

Ageing analysis of loans and interest receivables that were not impaired and based on due dates is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Neither past due nor impaired	147,081	80,300
Not more than 3 months past due	1,800	–
More than 1 year past due	–	165
	<u>148,881</u>	<u>80,465</u>

Before granting loans to outsiders, the Group uses an internal credit assessment process to assess the potential borrower's credit quality and defines credit limits granted to borrowers. Limits attributed to borrowers are reviewed by the management regularly.

As at 31 December 2017, loans and interest receivables with carrying amount of approximately HK\$165,000 were fully impaired (2016: Nil). The individually impaired loans and interest receivables relate to customer that was in financial difficulties. Management believes that no impairment allowance is necessary in respect of remaining loans and interest receivables as there is no significant change in credit quality and the balances are still considered fully recoverable.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Listed securities held for trading, at fair value		
– Equity securities listed in Hong Kong	–	42,000
	<u> </u>	<u> </u>

The fair values of the above listed securities are determined based on the quoted market bid prices available on the Hong Kong Stock Exchange or the market comparable approach at the end of the reporting period.

As at 31 December 2016, the Group's financial assets at fair value through profit or loss have been pledged as security for the Group's margin loan payable of approximately HK\$22,112,000 (note 16(b)).

15. TRADE AND BILLS PAYABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables	23,044	37,753
Bills payable	14,351	11,891
	<u> </u>	<u> </u>
	<u>37,395</u>	<u>49,644</u>

Credit periods of trade payables normally granted by its suppliers were ranging from 15 to 120 days (2016: from 15 to 120 days).

Ageing analysis of trade payables based on invoice date is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0 to 30 days	11,216	16,834
31 to 60 days	2,239	3,558
61 to 90 days	3,075	10,822
91 to 180 days	2,950	3,112
Over 180 days	3,564	3,427
	<u>23,044</u>	<u>37,753</u>

Bills payable are normally settled on 180-day (2016: 180-day) credit terms.

16. INTEREST-BEARING BORROWINGS

	<i>Notes</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current portion:			
Bank overdraft, secured	(a)	—	32,044
Margin loan payable, secured	(b)	—	22,112
Obligations under finance leases, secured		<u>325</u>	<u>254</u>
		325	54,410
Non-current portion:			
Obligations under finance leases, secured		<u>374</u>	<u>383</u>
		<u>699</u>	<u>54,793</u>
Interests borne at rates per annum in the range of:			
– Fixed-rate borrowings		4.5% to 5%	5% to 8.25%
– Variable-rate borrowings		<u>—</u>	<u>5.25%</u>

The carrying amounts of the Group's interest bearing borrowings are denominated in HK\$. Total interest-bearing borrowings due for repayment based on the scheduled repayment dates are as follows:

	2017 HK\$'000	2016 HK\$'000
Within one year	325	54,410
More than one year, but not exceeding two years	176	268
More than two years, but not exceeding five years	198	115
	699	54,793

Notes:

- (a) As at 31 December 2016, bank overdraft of the Group was secured by a property of a director of a subsidiary of the Group, and guaranteed by a director of a subsidiary of the Group and an independent party.
- (b) As at 31 December 2016, margin loan payable of the Group was secured by financial assets at fair value through profit or loss of the Group (note 14) and carried a fixed interest rate at 8.25% per annum.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group principally engages in (i) design, manufacture and trading of apparels; and (ii) provision of money lending business.

APPAREL OPERATION

Revenue from apparel operation is principally derived from the sales of apparel products. The Group's products can be classified into two categories, namely, private label products and own brand products. Private label products are those designed and manufactured under the private labels owned or specified by the Group's customers, while own brand products are those designed and manufactured under the Group's proprietary labels.

The apparel industry was under continuous transformation in 2017. During the year, e-commerce has becoming more and more prevailing and many big apparel brand owners and brick-and-mortar retailers were adversely affected by intensified competition from e-commerce retailers.

Our apparel operation remained the largest contributor to the Group's business, accounting for 95.0% of total revenue. The revenue from apparel operation for 2017 was approximately HK\$309,068,000 (2016: HK\$368,116,000), declined by approximately 16.0%, mainly due to customers destocking and adopting more conservative buying strategies.

PRIVATE LABEL PRODUCTS

Revenue from certain major private label customers dropped in the year, resulting in the revenue from private label products decreased by approximately 21.4% to approximately HK\$181,966,000 (2016: HK\$231,560,000). Private label products continued to be the core business of the Group, contributing to 58.9% (2016: 62.9%) of the total revenue from apparel operation for the year. The gross profit derived from private label products also decreased by 30.4% to approximately HK\$34,904,000 (2016: HK\$50,184,000) and the gross profit margin declined to approximately 19.2% in 2017, compared with approximately 21.7% in 2016.

OWN BRAND PRODUCTS

Own brand products accounted for 41.1% (2016: 37.1%) of the total revenue from apparel operation for the year. For the year 2017, revenue from own brand products decreased by approximately 6.9% to approximately HK\$127,102,000 (2016: HK\$136,556,000) while gross profit increased by 2.7% to approximately HK\$44,308,000 (2016: HK\$43,154,000). The gross profit margin for own brand products increased from approximately 31.6% in 2016 to approximately 34.9% in 2017.

MONEY LENDING BUSINESS

Our money lending business primarily offers loans to individual consumers and small businesses in Hong Kong. During the year, our money lending business was benefited in the wake of steady economic growth in Hong Kong and we continued to increase our investment in money lending business. Revenue from money lending business was approximately HK\$16,377,000 for 2017 full year, compared to approximately one month revenue of approximately HK\$741,000 in 2016, as we acquired our money lending business on 28 November 2016. Our loans and interest receivables increased by approximately 85.0%, from HK\$80,465,000 at 31 December 2016 to approximately HK\$148,881,000 at 31 December 2017.

COST OF SALES

In line with the decline in revenue from apparel operation, the cost of sales decreased by approximately 16.3%, from approximately HK\$274,778,000 to approximately HK\$229,856,000 for the year ended 31 December 2017.

GROSS PROFIT AND GROSS PROFIT MARGIN

The gross profit increased by approximately HK\$1,510,000 or 1.6%, from HK\$94,079,000 for the year ended 31 December 2016 to HK\$95,589,000 for the year ended 31 December 2017. The gross profit margin increased from approximately 25.5% for the year ended 31 December 2016 to 29.4% for the year ended 31 December 2017, as money lending operation contributed higher gross profit for the year ended 31 December 2017. During the year apparel operation contributed approximately HK\$79,212,000 (2016: HK\$93,337,000) to the gross profit, and money lending operation contributed approximately HK\$16,377,000 (2016: HK\$742,000) to the gross profit.

The gross profit from apparel operation decreased by approximately HK\$14,126,000 or 15.1% to approximately HK\$79,212,000 for the year ended 31 December 2017, which was in line with the approximately 16.0% decline in revenue from apparel operation. The gross profit margin of apparel operation remained stable at 25.6% for the year ended 31 December 2017 (2016: 25.4%).

The gross profit from money lending operation increased by approximately HK\$15,635,000, from HK\$742,000 for the year ended 31 December 2016 to HK\$16,377,000 for the year ended 31 December 2017, as there was more revenue from money lending operation in the year. The gross profit margin was 100% for money lending operation for the year ended 31 December 2017 (2016: 100%), as there was no direct cost incurred in generating revenue and thus all revenue from money lending operation was reflected in the gross profit.

OTHER INCOME AND GAINS

Other income and gains increased by approximately HK\$2,893,000 or 470.4%, from approximately HK\$615,000 in 2016 to approximately HK\$3,508,000 in 2017. In 2017, there was one-off net gain on financial assets at fair value through profit or loss of approximately HK\$2,320,000.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses mainly consist of (i) import duty and transportation costs for delivery of the products; (ii) staff costs for our sales representative; and (iii) rental costs of our showroom. The selling and distribution expenses incurred in the reporting period were approximately HK\$39,245,000 (2016: HK\$46,060,000), decreased by approximately HK\$6,815,000 or 14.8% on year to year basis. The decrease in selling and distribution expenses was primarily attributable to approximately 16.0% decline in revenue from apparel operation. As a percentage of revenue, selling and distribution expenses slightly decreased to 12.1% for the year ended 31 December 2017 from 12.5% for the year ended 31 December 2016.

ADMINISTRATIVE EXPENSES

Administrative expenses primarily consist of (i) staff costs; (ii) legal and professional expenses; (iii) rental expenses; and (iv) bank charges. The administrative expenses for the year ended 31 December 2017 were HK\$73,085,000 (2016: HK\$54,471,000), increased by approximately 34.2% or HK\$18,614,000. As a percentage of revenue, administrative expenses increased to 22.5% for the year ended 31 December 2017 from 14.8% for the year ended 31 December 2016. The increase in administrative expenses was mainly due to (i) an increase of approximately HK\$14,176,000 in staff costs and (ii) an increase of approximately HK\$3,497,000 in professional fees.

FINANCE COSTS

Finance costs represent interest expenses on the Group's bank borrowings and obligations under finance leases. The finance costs increased by approximately 34.3% or HK\$164,000 from approximately HK\$478,000 for the year ended 31 December 2016 to approximately HK\$642,000 for the year ended 31 December 2017, primarily due to increase in utilisation of banking facilities because of expansion of our money lending business.

LOSS FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The loss attributable to the owners of the Company for the year ended 31 December 2017 was approximately HK\$15,632,000 (2016: HK\$18,769,000), representing a decrease in loss attributable to the owners of the Company of approximately HK\$3,137,000 or 16.7%. The decrease in loss attributable to the owners of the Company for the year ended 31 December 2017 is primarily attributable to (i) the impairment of goodwill arising on the acquisition of our money lending operation of approximately HK\$11,453,000 for the year ended 31 December 2016 was of one-off nature; and (ii) money lending operation turned into profit for the year ended 31 December 2017.

GOODWILL

Goodwill arose on the acquisition of our money lending operation in November 2016, which was the fair value of consideration exceeding the fair value of the net identifiable assets of the acquiree. Goodwill is subject to impairment review periodically.

INVENTORY

The following table set out a summary of the Group's inventory balances as at respective financial position dates below:

	As at 31 December 2017 HK\$'000	As at 31 December 2016 <i>HK\$'000</i>
Raw materials and consumables	3,266	4,633
Work in progress	765	1,476
Finished goods	5,282	10,817
	9,313	16,926
Inventory turnover day	15	22

The Group's inventories decreased by approximately HK\$7,613,000 or 45.0%, from approximately HK\$16,926,000 as at 31 December 2016 to approximately HK\$9,313,000 as at 31 December 2017. The inventory turnover day also decreased from 22 days as at 31 December 2016 to 15 days as at 31 December 2017. In 2017, certain obsolete inventories of approximately HK\$1,519,000 were written off.

TRADE AND BILLS RECEIVABLES

The following table set out a summary of the Group's trade and bills receivables balances as at respective financial position dates below:

	As at 31 December 2017 HK\$'000	As at 31 December 2016 HK\$'000
Trade receivables	42,613	60,202
Bills receivable	10,176	3,283
	<u>52,789</u>	<u>63,485</u>
Trade receivables turnover day	<u>48</u>	<u>60</u>

The Group's trade and bills receivables decreased by approximately HK\$10,696,000 or 16.8% from approximately HK\$63,485,000 as at 31 December 2016 to approximately HK\$52,789,000 as at 31 December 2017, as well as trade receivables turnover day decreased from 60 days as at 31 December 2016 to 48 days as at 31 December 2017.

LOANS AND INTEREST RECEIVABLES

In 2017, we continued to increase our investment in money lending business. The Group's loans and interest receivables increased by approximately 85.0%, from HK\$80,465,000 at 31 December 2016 to approximately HK\$148,881,000 at 31 December 2017. The loans receivable as at 31 December 2017 mainly comprised mortgage loans receivables, secured loans receivables and personal loans receivables.

DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group's deposits, prepayments and other receivables decreased by approximately HK\$5,543,000 or 24.3% from approximately HK\$22,803,000 as at 31 December 2016 to approximately HK\$17,260,000 as at 31 December 2017, primarily due to less trade deposits were placed to our suppliers to purchase raw materials and finished goods.

TRADE AND BILLS PAYABLES

The following table set out a summary of the Group's trade and bills payables balances as at respective financial position dates below:

	As at 31 December 2017 HK\$'000	As at 31 December 2016 HK\$'000
Trade payables	23,044	37,753
Bills payable	14,351	11,891
	<u>37,395</u>	<u>49,644</u>
Trade payables turnover day	<u>37</u>	<u>50</u>

The Group's trade and bill payables decreased by approximately HK\$12,249,000 or 24.7% from approximately HK\$49,644,000 as at 31 December 2016 to approximately HK\$37,395,000 as at 31 December 2017. The trade payables turnover day decreased from 50 days as at 31 December 2016 to 37 days as at 31 December 2017.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, pledged bank deposits and cash and bank balances amounted to approximately HK\$171,332,000 (2016: HK\$66,949,000). Total interest-bearing borrowings of the Group as at 31 December 2017 were approximately HK\$699,000 (2015: HK\$54,793,000), of which approximately HK\$325,000 (2016: HK\$54,410,000) would be repayable within one year and all the remaining interest-bearing borrowings of approximately HK\$374,000 (2016: HK\$383,000) would be repayable after one year. The current ratio of the Group was approximately 5.08 (2016: 2.22).

GEARING RATIO

The gearing ratio of the Group, calculated as total interest-bearing borrowings over total equity, was approximately 0.2% as at 31 December 2017 (2016: 20.7 %).

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

FOREIGN EXCHANGE EXPOSURE

The Group derives the majority of its revenue in US\$ while substantial portion of our costs are denominated in Renminbi ("RMB"). Appreciation of RMB against US\$ will therefore directly decrease the profit margin of the Group if the Group is unable to increase the selling prices of its products accordingly. If the Group increases the selling prices of its products as a result of the appreciation of RMB, it may in turn affect the Group's competitiveness against its other business competitors. To the extent that the Company needs to convert future financing into RMB for the Group's operations, appreciation of the RMB against the relevant foreign currencies would have an adverse effect on the purchasing power of the RMB amount that the Company would receive from the conversion.

The exchange rates between RMB and US\$ are subject to changes in the PRC government's policies and global political and economic conditions.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 December 2017.

THE SUBSCRIPTION AND THE UNCONDITIONAL MANDATORY CASH OFFER

On 26 January 2017, the Company entered into the subscription agreement with New Seres CEFC Investment Fund LP (the "Subscriber") pursuant to which and subject to the conditions precedent thereunder, the Company has agreed to allot and issue to the Subscriber an aggregate of 860,000,000 shares at a total consideration of HK\$204,680,000 at the subscription price of HK\$0.238 per share (the "Subscription").

The Subscription was completed on 2 May 2017. On 9 May 2017, in accordance with Rule 26.1 of the Code on Takeovers and Mergers (the “Takeovers Code”), the Subscriber made an unconditional mandatory cash offer for all issued shares (other than those already owned or agreed to be acquired by the Subscriber and parties acting in concert with it) at HK\$0.745 in cash per share after the completion of the Subscription (the “Mandatory Cash Offer”).

The Mandatory Cash Offer was closed on 31 May 2017 and the Subscriber received valid acceptances in respect of 120,000 offer shares under the Mandatory Cash Offer, representing approximately 0.007% of the entire issued share capital of the Company as at the time of the close of Mandatory Cash Offer.

CAPITAL COMMITMENTS

As at 31 December 2017, the Group did not have any significant capital commitment (2016: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group had a total of 339 employees (2016: 410 employees). Total staff costs (including directors’ emoluments) were approximately HK\$82,141,000, as compared to approximately HK\$64,174,000 for the year ended 31 December 2016. Remuneration is determined with reference to market norms as well as individual employees’ performance, qualification and experience.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

On 25 January 2017, the Group entered into the sale and purchase agreements with a vendor in relation to the acquisition of the entire share capital of Prior Securities Limited (“Prior Securities”) and Prior Asset Management Limited (“Prior Asset”). Prior Securities is licensed to carry out type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (“SFO”). Prior Asset is licensed to carry out type 4 (advising on securities) and type 9 (asset management) regulated activities under the SFO. The acquisition will be completed after fulfillment of the conditions contained in the aforesaid sale and purchase agreements.

As at the date of this announcement, save as disclosed herein, the Group has no further future plans for material investments or capital assets. Following the completion of the above acquisition, Prior Securities and Prior Asset will formulate their marketing strategy to retain and deal with potential and existing clients.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the year ended 31 December 2017.

FUTURE PROSPECTS

Looking ahead, benefitting from the economic recovery and improvement in Hong Kong, we believe our money lending business will continue to grow and develop in healthy progress. While staying focus to expand our money lending business, at the same time we will develop securities business and asset management business.

Management is optimistic that the combination of our current money lending business and securities business and asset management business will result in significant synergy. Whilst staying on course to become a full service wealth management firm, the Group should see strengthened business prospects amid deepening integration of the Hong Kong and China financial markets.

However, there are challenges ahead. The apparel market will continue undergoing substantial changes and challenges posed by e-commerce retailers. Our apparel operation may also suffer some turbulence. Nevertheless, we will continue to steer our apparel business with prudent operation strategy.

OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2017.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Corporate Governance Code and Corporate Governance Report (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") throughout the year. The Board of the Company will keep reviewing and updating such practices from time to time to ensure compliance with legal and commercial standards.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the audited consolidated annual results of the Company for the year ended 31 December 2017 and considered that the Company had complied with all applicable accounting standards and requirements and had made adequate disclosure.

AUDITOR'S PROCEDURES PERFORMED ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the announcement of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

By order of the Board

CEFC Hong Kong Financial Investment Company Limited

Zhang Yu

Executive Director & Chief Executive Officer

Hong Kong, 28 March 2018

As at the date of this announcement, the executive Directors are Mr. Guo Lin, Mr. Zhang Yu, Mr. Jiang Mingsheng, Mr. Wang Zhou, Mr. Jiang Tianqing, Mr. Hubert Tien, Mr. Liu Chun Fai; and the independent non-executive Directors are Mr. Lu Hongbing, Mr. Tang Shu Pui Simon, Mr. Hon Ming Sang and Professor Wu Fei.