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## **Flying Financial Service Holdings Limited**

**匯聯金融服務控股有限公司**

*(incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 8030)**

### **ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017**

The board of directors (the “**Board**”) of Flying Financial Service Holdings Limited (the “**Company**”) hereby announces the audited annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2017. This announcement, containing the full text of the 2017 annual report of the Company, complies with the relevant requirements of the Rules Governing the Listing Securities on GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcements of annual results.

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# CORPORATE INFORMATION

## DIRECTORS

### Executive Directors

Mr. Zheng Weijing (*Chairman and Chief Executive Officer*)

Mr. Zhang Gongjun

Ms. Guo Chanjiao

### Independent Non-executive Directors

Mr. Vincent Cheng

Mr. Leung Po Hon

Dr. Miao Bo

## COMPANY SECRETARY

Mr. Chow Chi Wing

## COMPLIANCE OFFICER

Mr. Zheng Weijing

## AUTHORIZED REPRESENTATIVES

Mr. Zheng Weijing

Mr. Chow Chi Wing

## AUDIT COMMITTEE

Mr. Vincent Cheng (*Chairman*)

Mr. Leung Po Hon

Dr. Miao Bo

## REMUNERATION COMMITTEE

Mr. Leung Po Hon (*Chairman*)

Mr. Zhang Gongjun

Dr. Miao Bo

## NOMINATION COMMITTEE

Mr. Zheng Weijing (*Chairman*)

Mr. Vincent Cheng

Mr. Leung Po Hon

Dr. Miao Bo

Ms. Guo Chanjiao

## PRINCIPAL BANKER

Industrial and Commercial Bank of China  
Shenzhen Excellence Century Centre Branch  
1/F, No. 3, Excellence Century Centre  
Fuhua Three Road  
Futian District  
Shenzhen, China

## AUDITORS

BDO Limited  
Certified Public Accountants  
25th Floor, Wing On Centre  
111 Connaught Road Central  
Hong Kong

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 801A and 807B, 8/F  
Tsim Sha Tsui Centre  
66 Mody Road  
Tsim Sha Tsui  
Kowloon  
Hong Kong

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA ("PRC")

18th Floor, Block C, Building 1  
Shenzhen Software Industry Base  
High-tech Industrial Park  
Nanshan District  
Shenzhen, China

## CORPORATE INFORMATION

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS**

SMP Partners (Cayman) Limited (formerly known as  
Royal Bank of Canada Trust Company (Cayman) Limited)  
Royal Bank House – 3rd Floor  
24 Shedden Road, P.O. Box 1586  
Grand Cayman, KY1-1110  
Cayman Islands

### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Investor Services Limited  
Level 22  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

### **WEBSITE**

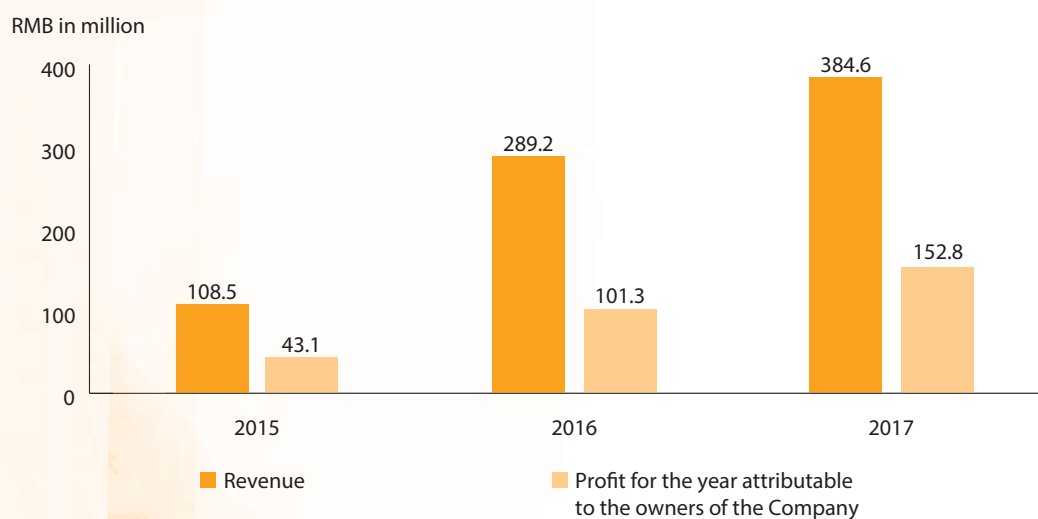
[www.flyingfinancial.hk](http://www.flyingfinancial.hk)

### **STOCK CODE**

8030

# FINANCIAL HIGHLIGHTS

	2017 RMB'000	2016 RMB'000	Changes
<b>OPERATING RESULTS</b>			
Revenue	<b>384,604</b>	289,162	<b>33.0%</b>
Profit for the year attributable to owners of the Company	<b>152,762</b>	101,323	<b>50.8%</b>
Basic earnings per share	<b>RMB8.82 cents</b>	RMB6.17 cents	<b>42.9%</b>
<b>FINANCIAL POSITION</b>			
Total assets	<b>1,126,165</b>	988,169	<b>14.0%</b>
Bank balances and cash	<b>77,912</b>	34,689	<b>124.6%</b>
Net assets	<b>900,693</b>	771,691	<b>16.6%</b>
<b>Dividends</b>			
- Interim dividend paid (per share)	<b>HK 1 cent</b>	HK 1 cent	-
- Proposed final dividend (per share)	<b>HK 2 cents</b>	HK 1 cent	<b>100%</b>
	<b>HK 3 cents</b>	HK 2 cents	<b>50%</b>



## AWARDS AND RECOGNITIONS



On 31 October 2017, Flying Financial was awarded “Most Competitive Fintech Enterprise Award 2017” by China Business Journal.



On 8 January 2018, Flying Financial was awarded “Annual Most Improved Innovative Enterprise Award” by the China Financial Market magazine.



On 29 July 2017, Flying Financial was awarded the honour of “Founding Member of Shenzhen Internet Financial Welfare Union” by the Shenzhen Internet Financial Association, and 融理财 (www.huilc.cn), an online intermediary platform for borrowing and lending information of Flying Financial, was included in the “whitelist” of the internet financial industry in China.



On 14 January 2018, Flying Financial was awarded “Best Fintech Enterprise”, “Best Internet Financial Institution”, “Outstanding Vice Chairman Union” and other honours by Shenzhen Internet Financial Association.



## CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors of Flying Financial Service Holdings Limited ("Flying Financial" or the "Company"), I hereby report the annual results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2017 (the "reporting period" or "year under review").

Looking back at 2017, global economy has shown signs of recovery and in particular Chinese economy has stabilised with a slight uplift. The new policies introduced by the Chinese government to curb asset bubbles and prevent risk exposures of financial industry may contribute to healthy development of the financial industry and the real estate industry in the long run. Although the Chinese real estate market has encountered a heap of challenges caused by the tightened monetary policies and real estate policies, as motivated by the prosperous real estate markets in the third and fourth tier cities, total gross floor area and sales amount of commodity properties sold in 2017 amounted to approximately 1,694,080,000 square meters and RMB13,370.1 billion respectively, representing year-on-year increases of approximately 7.7% and 13.7% respectively.

Thanks to the concerted efforts of all our colleagues, the Group's annual results in 2017 achieved a new all-time high, recording total revenue of approximately RMB384.6 million and profit for the year attributable to the owners of the Company of approximately RMB152.8 million, representing approximately 33.0% and 50.8% increases respectively as compared to those of the previous year. Profit margin for the year attributable to the owners of the Company climbed from approximately 35.0% in 2016 to approximately 39.7% in 2017, mainly attributable to the significant growth in investment gains from the property development projects and outstanding cost control performance of business divisions within the Group. During the year under review, the Group attached great importance to the financial services supplied to the real estate value chain. In the hope of optimising the upstream and downstream composition of the real estate value chain, we have supplemented the existing business with financial service business for houses in stock so as to consolidate the operation foundation for effective cooperation among business segments in the future. During the year under review, the Group launched a financial service strategy which centered on asset management and consumer finance to keep abreast of the new trend. We will expand our business scale step by step with achievements of steady progress.

In the past three years, the management team of Flying Financial has perceived the industry development trend and seized opportunities, to transform the Company to a financial consultation company centralised on the real estate sector. We have built a leading "light asset" development model, which has become widely accepted by more and more developers and hopefully it will generate more business opportunities for the Group in the future. During the last year, Flying Financial kept widening and diversifying its project acquisition channels such that the project reserve of the Company has undergone a steady growth. Our cumulative investment projects amounted to seventeen as at 31 December 2017, out of which four projects were newly entered into in 2017. Our real estate investment business has gradually marched from the greater bay area towards other core cities located in Chongqing, Hubei and Yunnan of the PRC. Three consecutive revenue surges have demonstrated that initial success of transformation has been achieved and our business model is fully accepted by the market, which gives us great confidence and courage.

The financial technology service platform "匯聯易家" ([www.hlej.com](http://www.hlej.com)) and professional financial management service platform "匯理財" ([www.huilc.cn](http://www.huilc.cn)) established by the Group aiming at the real estate sector in China have matured after two years of development. In particular, "匯聯易家" has completed a project in cooperation with SAS Institute Inc., a world-known risk quantification analysis institution. Our jointly developed risk quantification model has been applied to business operations to raise trade efficiency.

In order to further boost our operation efficiency, the Group has strengthened internal control and raised operational performance of all business divisions during the year under review. The Group has also paid attention to human resources development by initiating a peer learning plan of "everybody teaches and everyone learns", providing a series of trainings to our staff and actively building our talent pools, thus improving our core competence and establishing a solid foundation of talents for our future expansion.

## CHAIRMAN'S STATEMENT

In addition to the above, the Group has granted another batch of share options under the share option scheme of the Company in January 2018 as recognition of remarkable contributions made by our talented staff. Grant of options under our share option scheme provides staff in all business divisions with incentives to fulfill our business objectives in the coming years and creates more value for the Company and its shareholders through cooperation and unremitting efforts. It is expected to exert positive influence over team stability, employee morale and daily operations.

Flying Financial will stay true to our mission and keep moving forward hand in hand. Looking forward to the coming year, the overall economy in China is expected to advance steadily as the market sentiment of economies all around the world has turned positive recently. Against the backdrop of increasingly tightened credit policies, real estate financialisation will become a new growth engine for real estate enterprises and provide a huge market for Flying Financial. The Group will continue to develop our major business segments and tailor diversified development models for the real estate value chain. With the purpose of achieving quality organic growth, we will also strengthen refined management, raise capital utilisation rate and turnover rate and optimise financial control system and systemic risk management capabilities.

Reform brings progress. Innovation brings mightiness. Bravery and perseverance brings success. Passion and efforts constituted our past, while boldness and adamancy contribute to our future. In the face of a new journey in 2018, we will create a future of prosperity with one heart and one mind, fulfil self-worth by practical actions and waste no valuable time. I believe, Flying Financial will set another record high, keep creating miracles and provide the shareholders with satisfactory long-term returns through more comprehensive service scope and further business development.

**Zheng Weijing**  
*Chairman*

29 March 2018



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

In recent years, Flying Financial conducted its business closely along the entire real estate business chain providing professional real estate services to its customers. After more than three years of transformation through consolidating quality resources and innovating financial solutions, our business layout was established and our financial services cover the entire real estate value chain from land pre-acquisition, property development and property sales to community life services.

### Financial Consultation Services

The Company has captured opportunities for developing new business since the transformation. Over the past few years, a project development team was set up, whose members have extensive experience in the real estate industry. With its professional investment ability, the team shortlisted a number of quality real estate projects located in first and second-tier core cities and third-tier key cities featured by their manageable risks and promising sales prospects. The team fully demonstrated its professional advantage in the development, investment and management of real estates by offering financial, legal and professional real estate advisory services in five stages – project development, financing solution, project investment, project management, and withdrawal and clearance – and established standardised service procedures. The continuously growing results witnessed the gradually-recognised business model, which rewarded us with resource enrichment and a wider scope of consultation services.

### Investment in Property Development Projects

Flying Financial invests in projects of development and sales of real estates through limited partnerships, enabling it to gain income from the entire real estate value chain, which is the revenue from investment in property development projects. The Company introduced to the industry its pre-eminent “light asset” joint development model which effectively addressed the pre-financing needs of the property developers and thereby has been gaining wider acceptance.

Since the transformation in 2014, the Group has invested in an increasing number of real estate projects. Four investment projects were added in 2017, contributing to a total number of seventeen accumulated projects located in more than ten core cities such as Shenzhen, Dongguan and Wuhan. In the year under review, the Group’s total investment in available-for-sale property development projects amounted to RMB534 million (2016: RMB419 million).

### Financial Service Platforms

Our financial service platforms offer professional financial services in the real estate market. Within two years subsequent to its establishment, the Group launched “匯聯易家”, a financial technology service platform, and “匯理財”, a professional financial management service platform, both of which are tailored for China’s real estate market and have so far experienced a steady growth.

A project co-operation was concluded between “匯聯易家” and SAS Institute Inc., a globally renowned risk quantification analysis institute and a jointly developed risk quantification model was launched that was applicable to the business end, with a view to enhancing efficiency in platform operation. During the year under review, “匯理財” became considerably active with an accumulated user base increased by 440,000 to approximately 1,018,000 as compared to that of 2016. The transaction value derived from “匯理財” for the year under review amounted to approximately RMB3.2 billion (2016: approximately RMB2.2 billion), representing a year-on-year growth of approximately 45.5%.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Internal Control

In light of the ongoing expansion of scale, the Group has strengthened its internal control during the year under review by establishing an internal audit department which is responsible for the internal audit assessment and supervision of the Group and its business segments, rationalising and enhancing its rules, regulations and procedures, putting forward measures to rectify the existing loopholes and taking prompt follow-up steps to ensure timely and effective implementation of these measures, thereby optimising its risk management and internal control procedures, which is one of its management objectives.

The Company was aware of the Discrepancies mentioned in the auditor's report, on which the Directors would like to note the following:

- (a) the Discrepancies were proactively brought to the attention of the auditors by the Company's management;
- (b) the Discrepancies were the act of a single individual, a former employee who is no longer with the Group, and were isolated incidents;
- (c) the Company has, among others measures, engaged two separate international and independent professional parties (IPPs) to perform an internal reviews on the Group's internal control systems and, in relation to one of the IPPs, to look into the Discrepancies and assess the potential accounting impact (if any) on the Group. The reviews by the IPPs were additional to the routine internal control review of the Group conducted by a third international and independent firm.

The Company noted that the conclusions of the IPP tasked for this purpose that the Discrepancies did not have accounting impact on the financial statements of the Company. The Company has also established a task force to implement the recommendations made by the IPPs in order to further strengthen its internal control systems to effectively prevent similar events from happening in the future.

### Fostering Talents

The transformation has so far been successfully implemented and is expected to drive the Company into a stage of rapid development in future. The management of the Group acknowledges the significance of building a talent team and is looking forward to incorporating more talents from different disciplines to the Company who are willing to pursue sustainable development with us together.

During the year under review, the Group gradually improved its training system through the review of programme structure and arrangement, as well as course lecturers. New training programmes were designed in accordance with our corporate strategies. A combination of methodologies such as classroom training, interactive learning and experiential sharing was adopted to foster outstanding corporate talents and enables employees at various grades or in various positions to have training and learning opportunities.

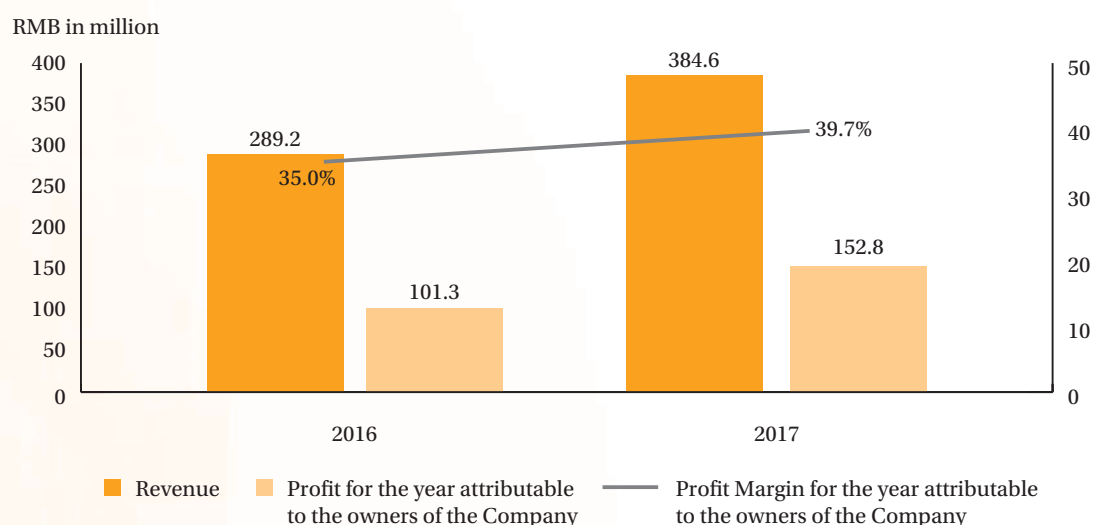
During the year under review, the Group offered a total of 107 hours of training, of which 36 hours in six sessions were for newly-recruited employees, 12 hours were management-related and 59 hours were business-related. Moreover, the Flying Financial Academy (匯聯大講堂) was set up where 12 sessions of intensive training programmes were instructed by 35 in-house tutors.

Furthermore, there were dedicated training programmes for different groups of employees, including: 1) intensive training camps for new employees; 2) weekly sharing sessions covering topics prepared by the Flying Financial Academy which advocate "everybody teaches and everyone learns"; and 3) management capability training camps for middle and senior management organised by prominent external institutions to help the management team keep pace with corporate development and fulfil their duties.

## FINANCIAL REVIEW

### Revenue

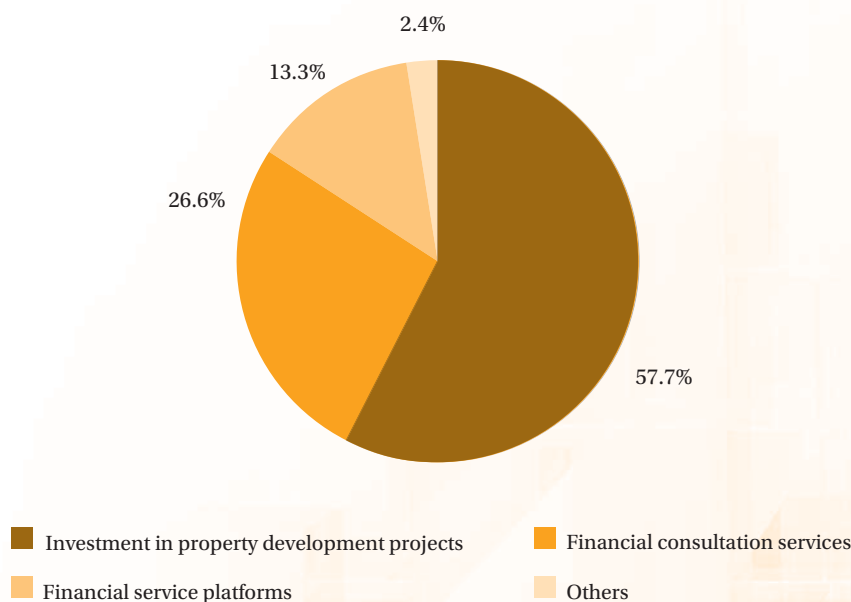
For the year ended 31 December 2017, the Group recorded a turnover of approximately RMB384.6 million, representing an increase of approximately 33.0% from approximately RMB289.2 million in the previous year, primarily due to the increase in revenue from the investment in property development projects. Profit margin for the year attributable to the owners of the Company increased to approximately 39.7% for the year under review as compared to approximately 35.0% in the previous year. In the year under review, the number of our joint property development projects increased to seventeen from thirteen in the previous year.



In terms of sales breakdown, revenue from financial consultation services for the year under review amounted to approximately RMB102.3 million, representing a year-on-year decrease of approximately 6.4%, while revenue from investment in property development projects was approximately RMB222.1 million, representing a year-on-year growth of approximately 64.4%. Revenue from financial service platforms amounted to approximately RMB51.2 million, representing a year-on-year growth of approximately 68.6%. Revenue from finance leasing and factoring services, which involved direct leasing business and sale and leaseback that focused on the real estate construction sector, amounted to approximately RMB6.9 million for the year under review, representing a year-on-year drop of approximately 34.5%.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Revenue Breakdown



### Finance Costs

In the year under review, interest expenses of the Group increased by approximately 116.8% to approximately RMB16.9 million from approximately RMB7.8 million in the previous year, which mainly comprised the interest payment for the convertible bonds.

### Other Income/(Expense), Net

The Group's other income/(expense), net mainly comprised bank interests income, fair value gain on investment properties and provision for impairment of loan and accounts receivables.

### Administrative and Other Operating Expenses

Administrative and other operating expenses of the Group mainly comprised salaries and employee benefits, rental expenses, and marketing and advertising fees. In the year under review, administrative and other operating expenses of the Group slightly increased to approximately RMB138.2 million from approximately RMB127.1 million in the previous year, which was due to the expansion of business scale and recruitment of additional employees, resulting in an increase in wages and salaries, as well as an increase in marketing and advertising fees.

### Profit for the Year Attributable to the Owners of the Company

In the year under review, profit attributable to the owners of the Company increased by approximately 50.8% to approximately RMB152.8 million from approximately RMB101.3 million in the previous year, which was primarily due to the increase in revenue from investment in property development projects and financial service platforms. Profit margin for the year attributable to the owners of the Company increased to approximately 39.7% for the year under review as compared to approximately 35.0% in the previous year.

## MANAGEMENT DISCUSSION AND ANALYSIS

### LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group's bank balances and cash amounted to approximately RMB77.9 million (2016: RMB34.7 million), and the Group's borrowings amounted to approximately RMB111.1 million (2016: RMB109.2 million). The gearing ratio representing the total borrowings of the Group divided by the total assets of the Group was approximately 9.9% (2016: 11.0%). As at 31 December 2017, 85.1% (2016: 82.9%) of the Group's borrowings would be due within one year, while 14.9% (2016: 17.1%) of the Group's borrowings would be due after one year. Approximately 83.2% and 16.8% (2016: 80.4% and 19.6%) of the Group's borrowings were denominated in HKD and RMB, respectively, with approximately 83.2% and 16.8% (2016: 80.4% and 19.6%) of the Group's borrowings carrying interests at fixed and floating rates, respectively.

The Directors considered that, in the foreseeable future, the Group will have sufficient working capital to meet its financial obligations in full when they fall due. In the year under review, the Group did not use any financial instruments for hedging purposes.

### STRATEGIC COOPERATION AGREEMENT WITH BANK OF SHANGHAI SHENZHEN BRANCH

During the year under review, the Company and 上海银行股份有限公司深圳分行 (Shenzhen Branch of the Bank of Shanghai\*) ("Bank of Shanghai") entered into a strategic cooperation agreement ("Strategic Cooperation Agreement") pursuant to which the parties shall cooperate to form a strategic alliance in developing various financial services for a term of three years.

Pursuant to the Strategic Cooperation Agreement, Bank of Shanghai shall treat the Company as its strategic cooperation partner at branch level and shall (i) establish a team of personnel for the Company comprising professional customer managers, product managers, personalised VIP customer managers, specialists in operation of clearing and information technology; (ii) make use of its resources and advantages to develop associated financial products for the Company in accordance with its customised demand; and (iii) formulate a customised financial service plan for the Company to support its development. The Company shall select Bank of Shanghai as its major cooperating bank and shall engage Bank of Shanghai, on a preferential basis, as a cooperation partner on the basis that the terms offered by Bank of Shanghai shall be no less favourable than those offered by the others being considered by the Company.

The cooperation between the Company and Bank of Shanghai covers areas on financing of online spending, online financial management services, online payment, joint sales and marketing, clearing and settlement services, grant of syndicate credits and other related financial services. The parties to the Strategic Cooperation Agreement shall negotiate and enter into further definitive agreement ("Definitive Agreement") to govern the details of the cooperation. The Strategic Cooperation Agreement was intended to record the cooperation framework between the parties and to serve as a platform for further negotiations of the Definitive Agreement.

The Directors believe that entering into the Strategic Cooperation Agreement with Bank of Shanghai represents an opportunity to the Group to expand its financial service offerings for its online financial service platforms. Through its cooperation with Bank of Shanghai, which is a well-established financial institution in the PRC with strong financial resources, the Group expects that the demand for its financial products and/or services would increase, which might bring returns to the shareholders of the Company.

\* For identification purposes only



## MANAGEMENT DISCUSSION AND ANALYSIS

### ENVIRONMENTAL, SOCIAL AND CORPORATE RESPONSIBILITIES

As a responsible corporation, the Group is committed to maintaining the highest environmental and social standards to ensure sustainable development of its business. The Group has complied with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group understands a better future depends on everyone's participation and contribution. It has encouraged employees, customers, suppliers and other stakeholders to participate in environmental and social activities which benefit the community as a whole.

The Group maintains strong relationships with its employees, has enhanced cooperation with its suppliers and has provided high quality products and services to its customers so as to ensure sustainable development.

Please also refer to the Environmental, Social and Governance Report contained in this report for further details of the Group's environmental performance and relationship with its employees, suppliers and customers.

### EVENT AFTER REPORTING PERIOD

On 15 January 2018, the Company granted to certain eligible persons share options that entitle them to subscribe for an aggregate of 98,000,000 ordinary shares of the Company with a nominal value of HK\$0.10 each (upon exercise in full and subject to adjustment in accordance with the share option scheme adopted by the Company on 20 December 2011) under the share option scheme of the Company, further details of which are set out in the announcement of the Company dated 15 January 2018.

### BUSINESS OUTLOOK

Going forward in 2018, China's government policies will focus mainly on controlling asset bubbles and preventing financial risks. It is anticipated the Chinese economy will be subject to bottoming and adjustment for some time. For the real estate market, the differentiated macroeconomic adjustment policy will be launched with varying degrees of localisation so competitions are expected to be intensified in the industry.

Since 2017, the credit environment of currency loans has been evolving from moderate to progressively tight with an elevated threshold for direct financing. Meanwhile, due to rising land costs, the development costs for individual projects have also been increasing. Given the established market, the joint development model involving multi-lateral co-operation in terms of "capital, land and operation" has become prevalent, with a view to alleviating funding pressures and reducing development costs of individual property developers while leveraging each other's complementary strengths. To cope with the above challenges, the pre-eminent "light asset" development model introduced by Flying Financial was adopted by a number of property developers, and we have successfully assisted these property developers in lowering their debt ratios and raising their turnovers and returns on investment. To sum up, in 2018, we will be facing more opportunities than challenges, leveraging on our gradually enhanced business deployment and constantly evolving business models with further distinct business objectives.

Currently, our real estate investment business has reached beyond the Guangdong-Hong Kong-Macao Bay Area to the core cities in Chongqing, Hubei and Yunnan regions. In the coming year, the Company will further invest in a number of quality projects located in first and second-tier core cities and other peripheral third-tier cities in the PRC. Meanwhile, the selection criteria for quality projects which encourage investment in short-term projects with lower costs and quicker returns will be strictly adhered to, with a view to raising our net profit margin and return on investment in general and expediting our cash turnover.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group will continue to focus on building fin-tech platforms for the real estate market and emphasise value enhancement in the segment of credit financing for property leasing. A strategic co-operation agreement was reached between the Group and Mofang Apartment (魔方公寓), one of China's long-term apartment leasing platforms with a comparatively high market share. Moreover, a strategic co-operation agreement was reached between the Group and its strategic partner Country Garden Group (碧桂園集團), in relation to co-operation in property leasing through joint rendering of quality leasing services, as a proactive response to China's new policies for the real estate market. Leveraging its experience in the operation of financial products and the development of risk management systems, the Group has been actively exporting its financial products and services through its financial technology platforms and providing financial institutions and service providers with fin-tech support to boost their trade efficiency.

Furthermore, the Company will enhance the development of its finance leasing segment. Based on the existing finance leasing products and services, new team members and co-operation resources will be introduced. New finance leasing products and services will be launched on trial to further promote business diversity. Meanwhile, the segment of financial services for pre-owned properties that acquired by the Group in 2017 complemented our presence in the real estate business chain with a stock house market. In future, the Company will position itself as a platform for the stock house market by offering professional financial services.

Going forward, the Group will further strengthen its internal control by adopting the principle of "authorised management and prioritised management" to uplift its management standards and boost its operational efficiency. Besides, the Company will heighten its cost awareness by optimising the existing system in terms of cost management, cash flow management and effective utilisation of capital to tap new resources and save costs. For the existing business segments, a more attractive incentive programme will be launched to enhance cohesion within Flying Financial, which is conducive to attaining the objectives set for 2018.

We hold the belief that talents are the most valuable resources of a company, and high-calibre talents are key to value creation and sustainable growth. In order to constantly enhancing the talent team, the Group will launch the "Leaders for the Future Programme" in 2018 with core courses in fostering talents. Participants are either selected from our talent reserve or outstanding doctorate holders and postgraduate students, all of whom will be committed to a high-standard, customised and systematic development programme involving intensive training, supervision by senior management, job rotation, topic research and temporary posts, thereby building a talent pool for us to cope with the rapid growth in future.

Going forward in 2018, Flying Financial will continue with its prudent strategies in realising its deployment for comprehensive real estate value chain services. In future, based on further extension of our existing business, we will consider the concept of real estate asset securitisation encouraged by the PRC government, and construction equipment rental as our directions in long-term sustainable development and gathering momentum for a sustainable profit growth. Apart from managing our primary business segments, we will further identify possibilities of expansion through merger and acquisition to achieve synergy for the existing business and resource complementation. Flying Financial will endeavour to maintain its status as one of China's leading real estate financial service providers.

## PRINCIPAL RISKS AND UNCERTAINTIES

### Risks related to the property market in the PRC

The Group's investments in property development projects are largely dependent on the performance of property market in the PRC. A number of factors would affect the property market in the PRC, including changes in governmental policies, legal environment, social economy and consumers' confidence and preferences. Default on the part of the Group's business partners in the property development projects may also have significant and negative impact on the result of the Group's investments.

The Group pays attention and monitors closely to ensure the process of the property development projects and the compliance of the terms and conditions of the cooperation agreements by its business partners.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Competition on the financial services platform

The financial services platform of the Group operates in markets and industries which are open to competition and with low threshold of entry capital investment. It leads to increased competition, pricing pressure, and increased promotional, marketing and customer acquisition expenditures. The Group has to adapt its business strategies in light of the competitive landscape and fast-changing marketplace.

### Risks related to cyber security

The Group handles significant amount of personal data information and credit information of its customers which is susceptible to cyber threats. The Group's operations, reputation and financial performance could be adversely impacted if the Group suffers from cyber-attacks that disrupt its operations.

The Group makes extensive use of multiple channels to keep informed of emerging cyber security threats to identify and implement measures intended to mitigate the occurrence and/or consequences of such risk.

### MAJOR INVESTMENTS

During the year ended 31 December 2017, the Group continued to invest in property development projects. As at 31 December 2017, the Group's investments in certain limited partnerships, which engage in the business of property development in the PRC, amounted to RMB534 million. In 2018, the property development projects of certain limited partnerships will enter into the pre-sale stage. The Group expects to recognise valuable returns from those investments in 2018. Further details are set out in note 21 to the consolidated financial statements in this annual report.

### AVAILABLE-FOR-SALE INVESTMENTS

As at 31 December 2017, the Group held available-for-sale investments of approximately RMB635,213,000. Details of significant available-for-sale investments as at 31 December 2017, which individually constituted 10% or more of the total amount of the available-for-sale investments as at 31 December 2017 and represented 5% or more of the total assets of the Group as at 31 December 2017, are set out below:

Description of the available-for-sale investments	Change in the interests in the available-for-sale investments			Reason and basis for impairment loss for the year ended 31 December 2017
	Capital contribution by the Group RMB'000	Interest income/ dividend income for the year ended 31 December 2017 RMB'000	Impairment loss for the year ended 31 December 2017 RMB'000	
Investment in Partnership_Shenzhen_1601 (note a)	60,000	–	–	Not applicable
Investment in Partnership_Shenzhen_1602 (note b)	60,000	–	–	Not applicable

## MANAGEMENT DISCUSSION AND ANALYSIS

### Notes:

- (a) As at 31 December 2017, the Group invested in a limited partnership in the PRC which was engaged in a property development project in Shenzhen ("Partnership\_Shenzhen\_1601") and acted as a limited partner with floating return based on the performance of the project. Based on the financial statements of Partnership\_Shenzhen\_1601 for the year ended 31 December 2017, it recorded a loss of approximately RMB21,388,000. Partnership\_Shenzhen\_1601 is expected to benefit from the property development project and generate profit in the coming year.
- (b) As at 31 December 2017, the Group invested in a limited partnership in the PRC which was engaged in a property development project in Shenzhen ("Partnership\_Shenzhen\_1602") and acted as a limited partner with floating return based on the performance of the project. Based on the financial statements of Partnership\_Shenzhen\_1602 for the year ended 31 December 2017, it recorded a loss of approximately RMB8,149,000. Partnership\_Shenzhen\_1602 is expected to benefit from the property development project and generate profit in the coming two years.

The fair value gain of the above available-for-sale investments is not disclosed as the fair value cannot be measures reliably. There is no open market on the unlisted investments.

Looking ahead, the Board is of the view that as a result of the PRC's economy's relatively rapid growth and greater demand for commodity housing in the first and second-tier cities, the real estate industry is expected to maintain a momentum of long-term development given its indispensable role in the national economy. On the other hand, with the control measures such as region-specific regulatory policies and category-specific guidance implemented by the government, the real estate market shall see its development pace slowed down for adjustment, which intensified market segregation and accelerated consolidation of enterprises.

The Group had invested in property development projects (including urban redevelopment projects) in, among others, Shenzhen, Dongguan, Fujian, Xiangyang and Wuhan in the PRC. The Group will closely monitor the changes in and market dynamics in different places and adjust the investment direction and strategies of the Group in accordance with the characteristics of different places and projects in due time. The Group is actively looking for investment and development opportunities of Guangdong-Hong Kong-Macao Bay Area and Beijing-Tianjin-Hebei Area and is committed to bringing the underlying value of the urban redevelopment projects, with a view to securing the returns to the shareholders of the Company.

## FINAL DIVIDEND

Encouraging results were achieved by virtue of the efforts spent by the management and the Group's staff during the year of 2017. To share the fruits of the Company's development with its shareholders, the Board has proposed to pay to the shareholders of the Company ("Shareholders") a final dividend of HK 2 cents per share of the Company ("Shares") for the year ended 31 December 2017 (the "Final Dividend"). Subject to the proposed Final Dividend being approved by the Shareholders at the forthcoming annual general meeting of the Company to be held on 28 June 2018 (the "AGM"), together with the interim dividend of HK1 cent per Share, total dividends for the year ended 31 December 2017 will be HK 3 cents per Share (2016: HK2 cents). On the basis that the Group's future results shall enjoy steady growth, it is hoped that the Company can continue to distribute returns to its shareholders who support the Company continuously by way of payment of dividends.

Subject to the approval of the Shareholders at the AGM, it is expected that the proposed Final Dividend will be paid on or around 2 August 2018 to the Shareholders whose names appear in the register of members of the Company on 19 July 2018.



## MANAGEMENT DISCUSSION AND ANALYSIS

### **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.

### **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS AND EXPECTED SOURCES OF FUNDING**

There was no specific plan for material investments or capital assets as at 31 December 2017.

### **CONTINGENT LIABILITIES**

As at 31 December 2017, the Group had no significant contingent liabilities (2016: nil).

### **CHARGES ON GROUP ASSETS**

As at 31 December 2017, investment properties of the Group with an aggregate carrying amount of approximately RMB46.4 million were pledged for bank facilities (2016: RMB44.5 million).

### **CAPITAL COMMITMENTS**

As at 31 December 2017, the Group had no significant capital commitments (2016: nil).

### **FOREIGN EXCHANGE EXPOSURE**

The Group is mainly exposed to the fluctuation of Hong Kong dollars ("HK\$") against RMB as its certain bank balances are denominated in HK\$ which is not the functional currency of the relevant group entities. The Group has not made other arrangement to hedge against the exchange rate risk. However, the Directors and the management will continue to monitor the foreign exchange exposure and will consider utilising applicable derivatives to hedge out the exchange risk when necessary.

### **TREASURY POLICIES**

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluation of the financial conditions of its customers. To manage liquidity risk, the Directors closely monitor the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.



## MANAGEMENT DISCUSSION AND ANALYSIS

### EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group had a total of 340 staff (2016: 387). Total staff costs (including Directors' emoluments) were approximately RMB59.1 million for the year ended 31 December 2017 (2016: RMB48.1 million). Remuneration is determined with reference to market conditions and the performance, qualifications and experience of individual employee. Year-end bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include share option scheme, and contributions to statutory mandatory provident fund schemes and social insurance together with housing provident funds to its employees in Hong Kong and the PRC respectively.

The emoluments of the Directors are reviewed by the remuneration committee of the Board, having regard to the relevant Director's experience, responsibility, workload and the time devoted to the Group, the Group's operating results and comparable market statistics.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 25 June 2018 to Thursday, 28 June 2018, both dates inclusive, during which no transfer of Shares will be registered. In order to ascertain shareholders' eligibility to attend and vote at the AGM, all transfers documents accompanied by the relevant Shares certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by 4:30 p.m. on Friday, 22 June 2018.

For the purpose of determining the shareholders' entitlement to the proposed Final Dividend, the register of members of the Company will be closed from Monday, 16 July 2018 to Thursday, 19 July 2018, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the entitlement to the proposed Final Dividend, all transfer documents accompanied by the relevant Shares certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong by 4:30 p.m. on Friday, 13 July 2018.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### DIRECTORS

#### Executive Directors

**Mr. Zheng Weijing** (鄭偉京先生), aged 45, the co-founder of the Group, is the Chairman and Chief Executive Officer. Mr. Zheng has been the Vice President of the Company since September 2008 and was appointed as an executive Director on 4 May 2011 and re-designated as Chairman and Chief Executive Officer on 4 November 2014. He is responsible for strategic planning and overseeing the overall operation, general management and risk control of the Group.

Mr. Zheng has completed his study and obtained a certificate of Executive Master of Business Administration from Peking University HSBC School in June 2017, and has finished the professional postgraduate course in Finance from Finance faculty of Graduate School of The Chinese Academy of Social Sciences in May 2007. In the three years preceding the date of this annual report, Mr. Zheng did not hold any directorship in other listed public companies in Hong Kong or overseas. Mr. Zheng is the chairman of the nomination committee of the Board. He is also a director of certain subsidiaries of the Company.

Mr. Zheng is a director of Ming Cheng Investments Limited, which is interested in the shares of the Company which would fall to be disclosed under the provisions of Division 2 and 3 of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

**Mr. Zhang Gongjun** (張公俊先生), aged 52, was appointed as an independent non-executive Director on 20 December 2011 and re-designated to an executive Director on 15 July 2015. Mr. Zhang obtained the certificate of master's degree in business administration from the Peking University in July 2013.

Prior to being re-designated as an executive Director, Mr. Zhang was the managing director of Shenzhen Sino-investment Management Company Limited, responsible for overall operational management. From August 2008 to January 2012, Mr. Zhang served as a non-executive director of Sino Grandness Food Industry Group Limited, a company incorporated in the Republic of Singapore whose shares are listed on the main board of the Singapore Exchange Securities Trading Limited with stock code T4B. Save as disclosed herein, in the three years preceding the date of this annual report, Mr. Zhang did not hold any directorship in other listed public companies in Hong Kong or overseas. Mr. Zhang is a member of the remuneration committee of the Board.

**Ms. Guo Chanjiao** (郭嬋嬌女士), aged 38, was appointed as an executive Director on 26 June 2015. Ms. Guo graduated with a master's degree in business administration from the New York Institute of Technology in May 2012, and a bachelor's degree in international trading in Nankai University in 2003.

Ms. Guo was the assistant to chairman of the board and corporate development director of China Fortune Land Development Co. Ltd. from 2006 to 2008. She was the assistant to chairman of the board of Shenzhen Efung Capital Fund Management Co. Ltd. from 2009 to 2010. From 2011 to 2013, Ms. Guo was the corporate development director of Sino Singapore Tianjin Eco-City. Currently, Ms. Guo is the Chief Operating Officer and Vice President of the Company. In the three years preceding the date of this annual report, Ms. Guo did not hold any directorship in other listed public companies in Hong Kong or overseas. Ms. Guo is a member of the nomination committee of the Board.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### Independent non-executive Directors

**Mr. Vincent Cheng** (鄭嘉福先生), aged 55, *FCPA (Aust)*, *FCPA (HK)*, *FCIS*, *FTI (HK)*, was appointed as an independent non-executive Director on 20 December 2011. Mr. Cheng obtained a master degree in business administration from Deakin University in Australia, and a bachelor of arts degree in accountancy from the City University of Hong Kong. Mr. Cheng was admitted as a fellow of CPA Australia, the Institute of Chartered Secretaries and Administrators, Hong Kong Institute of Certified Public Accountants and The Taxation Institute of Hong Kong.

From December 1987 to September 2000, Mr. Cheng was employed by a financial planning firm and the last post was finance director. During October 2000 and February 2002, he worked as a project manager to assist a company to seek its listing status in Hong Kong. From May 2003 to July 2010, he joined a listed company in Hong Kong and acted as a qualified accountant and company secretary.

On 10 August 2013, Mr. Cheng was appointed as an independent non-executive director of Nanjing Sinolife United Company Limited\* (南京中生聯合股份有限公司), a company which is a nutritional supplements retailer and listed on the Main Board of the Stock Exchange (stock code: 3332). He is an independent non-executive Director who has the qualifications and experience (as mentioned above) to meet the requirements under Rules 5.05(2) of the GEM Listing Rules. Save as disclosed herein, in the three years preceding the date of this annual report, Mr. Cheng did not hold any directorship in other listed public companies in Hong Kong or overseas. Mr. Cheng is the chairman of the audit committee of the Board and a member of the nomination committee of the Board.

**Mr. Leung Po Hon** (梁寶漢先生), aged 54, *FCCA*, *CPA (Practising)*, was appointed as an independent non-executive Director on 15 August 2014. Mr. Leung graduated and obtained a Professional Diploma in accountancy from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in 1987. Mr. Leung holds a Master Degree in Business Administration from the University of Bradford of the United Kingdom. He is also a member of Hong Kong Institute of Certified Public Accountant and a fellow member of Chartered Association of Certified Accountants.

Mr. Leung is currently a practicing accountant. Mr. Leung has more than 20 years of experience in accounting, auditing and financial management.

Mr. Leung currently is also an independent non-executive director of each of the following companies listed on the Main Board of the Stock Exchange:

Company	Stock code	Appointment date
Kingbo Strike Limited	1421	13 November 2015
MediNet Group Limited	8161	19 May 2016

Mr. Leung was an independent non-executive director of China Graphene Group Limited (formerly known as Winfoong International Limited) (stock code: 63), Success Dragon International Holdings Limited (formerly known as CY Foundation Group Limited) (stock code: 1182) and China Investment Fund Company Limited (stock code: 612), companies listed on the Main Board of the Stock Exchange, from 13 November 2015 to 9 November 2017, from 16 July 2015 to 29 August 2016 and from 1 May 2015 to 9 May 2016, respectively.

Save as disclosed herein, in the three years preceding the date of this annual report, Mr. Leung did not hold any directorship in other listed public companies in Hong Kong or overseas.

Mr. Leung is the chairman of the remuneration committee of the Board and a member of each of the audit committee and the nomination committee of the Board.

\* For identification purposes only

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Dr. Miao Bo (苗波博士)**, aged 40, was appointed as an independent non-executive Director on 15 July 2015. Dr. Miao graduated with a bachelor of laws from the China University of Political Science and Law in 2000, a master of laws in Tsinghua University in 2003 and a doctor of philosophy in laws from the Macquarie University in 2007.

From 2008 to present, Dr. Miao is an assistant professor in the Department of Asian and International Studies from the City University of Hong Kong. In the three years preceding the date of this report, Dr. Miao did not hold any directorship in other listed public companies in Hong Kong or overseas. Dr. Miao is a member of each of the audit committee, remuneration committee and nomination committee of the Board.

### SENIOR MANAGEMENT

**Mr. Chow Chi Wing (周志榮先生)**, aged 40, was appointed as the Company Secretary and Chief Financial Officer of the Company on 16 July 2015. Mr. Chow is responsible for the overall financial and company secretarial matters of the Group. Mr. Chow holds a Bachelor Degree of Business Administration (Hons.) (majoring in Accountancy) from The Hong Kong Baptist University. He is a fellow member of the Association of Chartered Certified Accountants and member of the Hong Kong Institute of Certified Public Accountants. Mr. Chow has extensive experience in auditing with an international accounting firm.

### COMPANY SECRETARY

**Mr. Chow Chi Wing (周志榮先生)**, who is also our Chief Financial Officer, is our company secretary. Please refer to his biography above for details.

### COMPLIANCE OFFICER

**Mr. Zheng Weijing (鄭偉京先生)**, who is also an executive Director, is our compliance officer. Please refer to his biography above for details.

# CORPORATE GOVERNANCE REPORT

The Board hereby presents this Corporate Governance Report in the Company's annual report for the year ended 31 December 2017.

## CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the important roles of its Board in providing effective leadership and direction to the Group's business, and ensuring transparency and accountability of the Company's operations. The Board sets appropriate policies and implements corporate governance practices appropriate to the conduct and growth of the Group's business.

The Company has applied and complied with the principles and code provisions as set out in the Corporate Governance Code (the "Code") contained in Appendix 15 to the GEM Listing Rules during the year ended 31 December 2017 save as the deviation as mentioned in the section headed "Chairman and Chief Executive Officer" in this report.

The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of shareholders and investors.

## COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquires, all the Directors have confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company throughout the year under review.

### A. THE BOARD

#### A.1 Board of Directors

The Company is governed by the Board which has the responsibility for leadership and control of the Company. The Directors are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board set strategies and directions for the Group's activities with a view to developing its business and enhancing shareholder value.

#### A.2 Board composition

The Board currently comprises the following Directors:

##### Executive Directors:

Mr. Zheng Weijing (Chairman and Chief Executive Officer)  
Mr. Zhang Gongjun  
Ms. Guo Chanjiao

##### Independent Non-executive Directors:

Mr. Vincent Cheng  
Mr. Leung Po Hon  
Dr. Miao Bo



## CORPORATE GOVERNANCE REPORT

The biographical details of the Directors and senior management are set out in the section headed “Biographical Details of Directors and Senior Management” of this annual report. The composition of the Board is well balanced. Each of the Directors has relevant expertise and extensive corporate and strategic planning experiences that can contribute to the business of the Group.

During the year ended 31 December 2017, the Company has complied with Rules 5.05(1) and (2) and 5.05A of the GEM Listing Rules relating to the appointment of at least three independent non-executive directors representing more than one-third of the Board and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. All independent non-executive Directors also meet the guidelines for assessment of their independence pursuant to Rule 5.09 of the GEM Listing Rules. The Board has received an annual confirmation of independence from each of the independent non-executive Directors. The Company considers all the independent non-executive Directors to be independent.

### A.3 The Board

The Board is responsible for the leadership and control of, and promoting the success of the Company. This is achieved by setting up corporate and strategic objectives and policies, and the monitoring and evaluations of operating activities and financial performance of the Company.

All the Directors carry out their duties in good faith and in compliance with applicable laws and regulations, taking decisions objectively and acting in the interests of the Company and its shareholders at all times.

There is no relationship, including financial, business, family or other material/relevant relation(s) among members of the Board and between the Chairman and the Chief Executive Officer of the Company.

Formal service agreements and letters of appointment have been entered into with the executive Directors and the independent non-executive Directors respectively setting out the key terms and conditions of their respective appointments.

The insurance cover in respect of legal action against the Company’s Directors and senior officers is covered by the existing Directors & Officers Liability Insurance Policy of the Company.

### A.4 Chairman and Chief Executive Officer

Pursuant to the code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zheng Weijing acts as both the Chairman and the Chief Executive Officer of the Company. The Company is in the process of identifying a suitable person to act as the Chief Executive Officer and shall make announcement as and when appropriate. Since the Directors meet regularly to consider major matters affecting the operations of the Company, the Directors consider that this structure will not impair the balance of power and authority between the Directors and the management of the Company and believe that this structure will enable the Company to make and implement decisions promptly and efficiently.

### A.5 Responsibilities and delegation of functions

The Company has formalised and adopted written terms on the division of functions reserved to the Board and those delegated to the management of the Group. The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

All Directors have full and timely access to all relevant information as well as the advice and services of the company secretary (the “Company Secretary”) and senior management of the Company, with a view to ensuring compliance with the Board procedures and all applicable laws and regulations. Any Director may request independent professional advice in appropriate circumstances at the Company’s expense, upon reasonable request being made to the Board. The day-to-day management, administration and operations of the Company are delegated to the executive Directors and senior management of the Company. The Board has delegated a schedule of responsibilities to these officers for the implementation of the Board decisions. The Board periodically reviews the delegated functions and work tasks. Prior to entering into any significant transactions, the aforesaid officers have to obtain the Board’s approval.

No corporate governance committee has been established by the Company and the Board is responsible for performing the corporate governance duties, which included:

- (1) to develop and review the policies and practices on corporate governance of the Group;
- (2) to review and monitor the training and continuous professional development of Directors and senior management;
- (3) to review and monitor the Group’s policies and practices on compliance with legal and regulatory requirements;
- (4) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and
- (5) to review the Company’s compliance with the Code and disclosure in the corporate governance report of the Company.

### A.6 Appointment, re-election and removal of directors

Mr. Zheng Weijing, being executive Director, has renewed his service contract with the Company on 1 January 2018 for a term of three years. Each of Mr. Zhang Gongjun and Ms. Guo Chanjiao, being executive Directors, has entered into a service contract with the Company for a term of three years commencing from 15 July 2015 and 26 June 2015, respectively. The aforementioned service contracts with the Company for each of the executive Directors shall be terminated by not less than three months’ notice in writing served by either party.

## CORPORATE GOVERNANCE REPORT

Each of Mr. Leung Po Hon, Mr. Vincent Cheng and Dr. Miao Bo, being the independent non-executive Directors, has entered into a letter of appointment with the Company for a term of two years commencing from 15 August 2017, 20 December 2017 and 15 July 2015, respectively. The aforementioned appointment letters with the Company for each of the independent non-executive Directors shall be automatically renewed and extended for successive term of one year and may be terminated either after the initial term by either party by giving at least three months' notice in writing or be terminated after one year of the initial term.

The Directors are subject to retirement by rotation in accordance with the Company's articles of association. According to the Company's articles of association, one-third of the Directors are required to retire from office at each annual general meeting, provided that each Director shall be subject to retirement by rotation at least once every three years. The Directors to retire every year shall be those who have been longest in office since their last re-election or appointment.

### A.7 Board meeting, general meeting and procedures

During the year ended 31 December 2017, the Board convened a total of four board meetings and one general meeting was held. The following is the Directors' attendance record of meetings held by the Board and general meeting:

	Number of attendance/ number of board meetings	Number of attendance/ number of general meeting
Mr. Zheng Weijing	4/4	1/1
Mr. Zhang Gongjun	4/4	1/1
Ms. Guo Chanjiao	4/4	1/1
Mr. Vincent Cheng	4/4	1/1
Mr. Leung Po Hon	4/4	1/1
Dr. Miao Bo	4/4	1/1

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly.

Schedules for annual Board meetings and draft agenda of each Board meeting are sent to all Directors in advance. Notice of at least 14 days is given for a regular Board meeting. For other Board and committee meetings, reasonable notice is generally given. Board papers together with all appropriate, complete and reliable information are dispatched to all Directors at least three days before each regular Board meeting to ensure that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting.

The Company Secretary is responsible to keep minutes of all Board and committee meetings. Draft minutes are normally circulated to all Directors for comments within a reasonable time after each meeting and the final versions are open to Directors for inspection. The Company's articles of association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

## A.8 Continuous professional development

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors. All Directors have been updated on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. Continuous briefings and professional development to Directors will be arranged whenever necessary.

During the year ended 31 December 2017, all Directors had participated in continuous professional development in the following manner in compliance with code provision A.6.5 of the Code:

Type of training	
Mr. Zheng Weijing	A, B
Mr. Zhang Gongjun	A, B
Ms. Guo Chanjiao	A, B
Mr. Vincent Cheng	A, B
Mr. Leung Po Hon	A, B
Dr. Miao Bo	A, B
A:	attending seminars/courses/conference to develop professional skills and knowledge
B:	reading materials in relation to regulatory update

## A.9 Corporate governance functions

The Board is responsible for performing the corporate governance duties and has reviewed the Company's policies and practices on corporate governance and compliance with the Code, reviewed and monitored the continuous professional development of the Directors and reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements during the year as well as the disclosures in this report.

## B. BOARD COMMITTEES

The Board has established three Board committees, namely, the audit committee (the "Audit Committee"), nomination committee (the "Nomination Committee") and remuneration committee (the "Remuneration Committee") with written terms of reference, which are available for viewing on the websites of the Company and the Stock Exchange, to assist them in the efficient implementation of their functions. Specific responsibilities have been delegated to the above committees.

### B.1 Audit Committee

The Audit Committee was established by the Board on 20 December 2011 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the Code. The terms of reference were last updated on 31 December 2015 and maintained on both the websites of the Company and the Stock Exchange. The primary duties of the Audit Committee are mainly to (i) review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or external auditors before submission to the Board; (ii) review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditors; and (iii) review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.



## CORPORATE GOVERNANCE REPORT

As at 31 December 2017, the Audit Committee has three members comprising Mr. Vincent Cheng (Chairman), Mr. Leung Po Hon and Dr. Miao Bo, all of whom are independent non-executive Directors. During the year ended 31 December 2017, the Audit Committee had reviewed the annual results and report of the Company for the year ended 31 December 2016, the interim results and report of the Company for the six months ended 30 June 2017 and first and third quarterly results and reports of the Company for the periods ended 31 March 2017 and 30 September 2017 respectively. Subsequent to 31 December 2017 and up to the date of this report, all members of the Audit Committee attended a meeting to review the Group's internal control, risk management and the Structured Agreements (as set out in the section headed "Report of the Directors" of this annual report) for the year ended 31 December 2017. The Group's final results and the annual results announcement for the year ended 31 December 2017 and this annual report had been reviewed by the Audit Committee before submission to the Board for approval. Members of the Audit Committee were of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and that adequate disclosure have been made.

During the year ended 31 December 2017, four meetings of the Audit Committee were held and the attendance of each member of the Audit Committee is contained in the following table:

	Number of attendance/ number of meetings
Mr. Vincent Cheng	4/4
Mr. Leung Po Hon	4/4
Dr. Miao Bo	4/4

### B.2 Nomination Committee

The Company has established the Nomination Committee on 20 December 2011 with written terms of reference in compliance with the Code. The primary duties of the Nomination Committee are mainly to (i) review the Board composition; (ii) develop and formulate relevant procedures for the nomination and appointment of directors; (iii) identify qualified individuals to become members of the Board; (iv) monitor the appointment and succession planning of directors; and (v) assess the independence of independent non-executive Directors.

As at 31 December 2017, the Nomination Committee has five members comprising of two executive Directors, Mr. Zheng Weijing (Chairman) and Ms. Guo Chanjiao and three independent non-executive Directors, Mr. Vincent Cheng, Mr. Leung Po Hon and Dr. Miao Bo. During the year ended 31 December 2017, one meeting of the Nomination Committee was held to review the structure and composition of the Board and assess the independence of the independent non-executive Directors. The attendance of each member of the Nomination Committee is contained in the following table:

	Number of attendance/ number of meeting
Mr. Zheng Weijing	1/1
Ms. Guo Chanjiao	1/1
Mr. Vincent Cheng	1/1
Mr. Leung Po Hon	1/1
Dr. Miao Bo	1/1



## CORPORATE GOVERNANCE REPORT

The Board adopted on 29 August 2013 a board diversity policy (the “Board Diversity Policy”) and the Nomination Committee had made recommendations to the Board on the measurable objectives for implementing the Board Diversity Policy. The Board recognises that increasing diversity at the Board level will support the attainment of the Company’s strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The measurable objectives recommended by the Nomination Committee and adopted by the Board include the following:

- (i) At least 33% of the members of the Board shall be non-executive Directors or independent non-executive Directors;
- (ii) At least 80% of the members of the Board shall have attained bachelor’s degree or above;
- (iii) At least 33% of the members of the Board shall have obtained accounting or other professional qualifications;
- (iv) At least 33% of the members of the Board shall have more than seven years of experience in the industry he/she is specialised in; and
- (v) At least 33% of the members of the Board shall have China-related work experience.

### B.3 Remuneration Committee

The Company established the Remuneration Committee on 20 December 2011 with written terms of reference in compliance with the Code. The Remuneration Committee adopted the approach under code provision B.1.2(c)(ii) of the Code and the primary duties of the Remuneration Committee are mainly to (i) make recommendations to the Board on the Company’s policy and structure for all remuneration of Directors and senior management and the establishment of a formal and transparent procedure for developing policy on such remuneration; (ii) make recommendations on the remuneration packages of executive Directors and senior management; and (iii) review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

As at 31 December 2017, the Remuneration Committee has three members comprising two independent non-executive Directors, Mr. Leung Po Hon (Chairman) and Dr. Miao Bo, and an executive Director, Mr. Zhang Gongjun. The remuneration of the Directors was determined with reference to their respective experience, responsibilities with the Group and general market conditions. During the year ended 31 December 2017, one meeting of the Remuneration Committee was held to review the remuneration package of the Directors and senior management of the Company, and the attendance of each member of the Remuneration Committee is contained in the following table:

	Number of attendance/ number of meeting
Mr. Leung Po Hon	1/1
Mr. Zhang Gongjun	1/1
Dr. Miao Bo	1/1

## C. REMUNERATION OF SENIOR MANAGEMENT

The biographical details of the senior management are set out in the section headed “Biographical Details of Directors and Senior Management” of this annual report.

For the year ended 31 December 2017, the number of senior management other than the Directors who received/was entitled to receive remuneration falling within the following band is set out as follows:

	Number of individual
Nil to HK\$1,000,000	1

## D. DIRECTORS’ RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company’s consolidated financial statements for each financial year and to ensure that the consolidated financial statements are prepared in accordance with the statutory requirements and applicable accounting standards. The statement by the auditors of the Company about their responsibilities for the consolidated financial statements is set out in the Independent Auditor’s Report on page 42 of this annual report. The Board also ensures the timely publication of the financial statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern.

## E. RISK MANAGEMENT AND INTERNAL CONTROL

The Board has an overall responsibility for the risk management and internal control systems of the Group. The Board has developed its systems of internal control and risk management and is also responsible for reviewing the systems on an annual basis and maintaining adequate internal control and risk management systems to safeguard the interests of the shareholders and the assets of the Company.

During the year under review, the Group has established an internal audit department which is responsible for performing an ongoing and systematic review of the Group’s risk management and internal control systems. The first report from the internal audit department is expected in 2018.

The Company has engaged an independent professional service provider to perform annual review on the Group’s internal control and risk management systems, policy and procedures for the year ended 31 December 2017 and report to the Audit Committee its findings and recommendations.

The Board, having taken into account the recommendations of the independent professional service provider and the Audit Committee, has conducted a review of the effectiveness of the internal control and risk management systems of the Group for the year ended 31 December 2017, and considered the risk management and internal control systems effective and adequate. The systems of risk management and internal control are designed to manage rather than to eliminate the risk of failure to achieve business objectives and can only provide reasonable but not absolute assurance against material misstatement or loss.

### Procedures for handling and dissemination of inside information

The Board has approved and adopted an Inside Information Disclosure Policy (the “Policy”) for the Company since 2013 for monitoring and disclosing inside information to ensure compliance with the GEM Listing Rules and the Securities and Futures Ordinance. The procedures for handling and dissemination of inside information as set out in the Policy are summarised below:

#### (i) Handling of Inside Information

- (a) Inside information shall be announced as soon as reasonably practicable after it becomes known to the Board and/or is the subject of a decision by the Board. In cases where a decision by the Board is pending or in cases of incomplete negotiations, the Group shall implement the procedures set out in the Policy to maintain the confidentiality of information. Until an announcement is made, the Directors and the management should ensure that such information is kept strictly confidential, and only the key personnel are informed. If the confidentiality cannot be maintained, an announcement shall be made as soon as practicable.
- (b) Business units shall keep inside information on transactions confidential. If there is a leakage of inside information, they shall inform the Directors immediately so that remedial actions, including making an inside information announcement, can be taken at the earliest opportunity.
- (c) The Group’s Finance Department shall keep track of the Group’s threshold levels for disclosure pursuant to the size tests under the GEM Listing Rules, so that an announcement can be made as soon as practicable should a notifiable transaction arise.

#### (ii) Dissemination of Inside Information

- (a) Inside information is announced promptly through the websites of the Stock Exchange and the Company.
- (b) Interviews and Briefing sessions can be organised for the analysts and the media after the designated officers having the approval from the Chairman of the Company. Presentation materials shall be reviewed in advance before they are released at the briefing sessions.

### F. INDEPENDENT AUDITORS’ REMUNERATION

The remuneration paid/payable to the auditors of the Group for the year ended 31 December 2017 is set out as follows:

Services rendered	Paid/payable RMB’000
Statutory audit services	1,698
Non-statutory audit services	–
Total	1,698

## G. COMPANY SECRETARY

Mr. Chow Chi Wing (“Mr. Chow”) was appointed as the Company Secretary on 16 July 2015. The biographical details of Mr. Chow are set out in the section headed “Biographical Details of Directors and Senior Management” of this annual report. According to the requirements of Rule 5.15 of the GEM Listing Rules, Mr. Chow has taken no less than 15 hours of relevant professional training during the year ended 31 December 2017.

## H. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company has established various channels of communication with its shareholders and the public to ensure that they are kept abreast of the Company’s latest news and development. Information relating to the Company’s financial details, property projects and major events are available through publication of annual and interim reports, announcements, circulars, press releases and on the Company’s website.

The Board believes that effective investor relations can help lower financing cost, improve market liquidity of the Company’s shares, and build a more stable shareholder base. Therefore, the Company is committed to maintaining a high level of corporate transparency and follow a policy of disclosing relevant information to shareholders, investors, analysts and bankers in a timely manner.

Shareholders and investors may also write directly to the Company’s principal place of business in Hong Kong at Room 801A and 807B, 8/F, Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong or via email to “info@flyingfinancial.hk” for any inquiries. Inquiries are dealt with in an informative and timely manner.

The Board considers that general meetings of the Company provide an important channel for shareholders to exchange views with the Board. The Chairman of the Board as well as the chairmen and/or other members of the Board committees will endeavor to be available at the meetings to answer any questions raised by shareholders.

The Company continues to enhance communication and relationship with its investors. A designated senior management and investor relations team maintains regular dialogue with institutional investors and analysts to keep them informed of the Group’s developments.

## I. SHAREHOLDERS’ RIGHTS

### Procedures for convening extraordinary meeting on requisition

Shareholders of the Company (the “Shareholders”) shall follow the following procedures as prescribed in Article 64 of the articles of association of the Company to convene an extraordinary general meeting of the Company (the “EGM”):

- (1) One or more Shareholders holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings (the “Requisitionist(s)”) shall have the right, by written requisition (the “Requisition”), to require an EGM to be called by the Directors for the transaction of any business specified therein.
- (2) The Requisition shall be made in writing to the Directors or the Company Secretary of the Company at both of the following addresses:

## CORPORATE GOVERNANCE REPORT

### **Principal place of business of the Company in Hong Kong**

Address: Room 801A and 807B, 8/F, Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong

Attention: Board of Directors/Company Secretary

### **Registered office of the Company**

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

Attention: Board of Directors/Company Secretary

- (3) The EGM shall be held within two months after the deposit of the Requisition.
- (4) If the Directors fail to proceed to convene the EGM within twenty-one (21) days of deposit of the Requisition, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the Requisitionist(s) by the Company.

### **Procedures for raising enquiries**

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar and transfer office in Hong Kong (the "Branch Share Registrar"), Tricor Investor Services Limited, details of which are as follows:

#### **Tricor Investor Services Limited**

Address: Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong

Email: [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com)

Tel: (852) 2980 1333

Fax: (852) 2810 8185

Shareholders may at any time raise any enquiry in respect of the Company at the following designated contacts, correspondence address, email address and enquiry hotlines of the Company:

Attention: Board of Directors/Company Secretary

Address: Room 801A and 807B, 8/F, Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong

Email: [info@flyingfinancial.hk](mailto:info@flyingfinancial.hk)

Tel: (852) 2152 9937

Fax: (852) 2152 9927

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company.



### **Procedures for Shareholders to put forward proposals at general meeting**

To put forward proposals at a general meeting of the Company, Shareholder(s) should lodge a written notice of his/her proposal (the “Proposal”) with his/her detailed contact information at the Company’s principal place of business in Hong Kong as specified above.

The Proposal will be verified by the Branch Share Registrar in Hong Kong and upon their confirmation that the Proposal is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting. Whether a proposal will be put to a general meeting will be decided by the Board in its discretion, unless the proposal put forward by a Shareholder is (i) pursuant to a requisition by a Shareholder to convene an EGM or (ii) as special business to be considered at an annual general meeting as described in Article 67(A) of the article of association of the Company.

The notice period to be given to all the Shareholders for consideration of the proposal raised by the Shareholder(s) concerned at the general meeting varies according to the nature of the Proposal as follows:

- (a) not less than twenty-one (21) days’ notice and not less than twenty (20) clear business days’ notice in writing if the Proposal requires approval by way of any resolution of the Company in its annual general meeting;
- (b) not less than twenty-one (21) days’ notice and not less than ten (10) clear business days’ notice in writing if the Proposal requires approval by way of a special resolution of the Company in the EGM; or
- (c) not less than fourteen (14) days’ notice and not less than ten (10) clear business days’ notice in writing if the Proposal requires approval by way of any resolution of the Company other than those specified in paragraphs (a) and (b) above.

### **J. NON-COMPETITION UNDERTAKING**

Details on the compliance of the non-competition undertaking by the substantial Shareholders for the year ended 31 December 2017 is set out in the paragraph headed “Non-Competition Undertaking” of the section headed “Report of the Directors” of this annual report.

### **K. CONSTITUTIONAL DOCUMENTS**

The Board confirm that there is no change in the Company’s constitutional documents. The Company’s memorandum and articles of association is available on both the websites of the Stock Exchange and the Company.

## REPORT OF THE DIRECTORS

The Board of Directors of the Company is pleased to present the annual report and the audited consolidated financial statements of the Group for the year ended 31 December 2017.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Group are investment in property development projects, operation of a financial services platform, provision of entrusted loan, pawn loan and other loan services, financial consultation services, and finance lease and factoring services in the PRC.

Further discussion and analysis of these activities, including a discussion of the principal risks and uncertainties facing the Group, an indication of the likely future developments in the Group's business and the Company's environmental, social and corporate responsibility, can be found in the section headed "Management Discussion and Analysis" of this annual report. These discussions form part of this report of the Directors.

### COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out in Hong Kong and the PRC while the Company itself is listed on the Stock Exchange. The Group's establishment and operations accordingly shall comply with all PRC laws and applicable laws in the jurisdictions where it has operations. During the year ended 31 December 2017 and up to the date of this annual report, the Group has complied with all the relevant laws and regulations in the PRC and Hong Kong.

The Directors are not aware of any laws and regulations which are industry specific, and have material implication or impact on the business and operation of the Group.

### KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognises that employees are valuable assets and regards the personal development of its employees as highly important. The Group wants to continue to be an attractive employer for committed employees. During the year under review, there was no dispute on salary payments and all accrued remunerations, in all kinds, were settled on or before their respective due dates, as stipulated under individual employee's employment contract. The Group also ensures that all the employees are reasonably remunerated by regular review and the policies on salary increment, promotion, bonus, allowances and all other related benefits are updated from time to time. Being people-oriented, the Group is committed to providing a safe and healthy workplace for its employees and encourages them to have a work-life balance.

The Group appreciates the importance of maintaining good relationships with its customers and suppliers to meet its immediate and long-term business goals. The Group values the feedback from its customers through communication to address their concerns in a timely manner. For suppliers, the Group assures the quality of their delivered services and products.

During the financial year ended 31 December 2017, there is no circumstance of any event between the Group and its employees, customers and suppliers which will have a significant impact on the Group's business and on which the Group's success depends.

### RESULTS AND DIVIDENDS

The Group's results for the year ended 31 December 2017 and the state of affairs of the Company and the Group at that date are set out in the consolidated financial statements on pages 58 to 129.

In consideration of the satisfactory results, the Board has proposed to pay to the Shareholders a final dividend of HK 2 cents per Share for the year ended 31 December 2017. Subject to the proposed final dividend being approved by the Shareholders at the forthcoming annual general meeting of the Company to be held on 28 June 2018, together with the interim dividend of HK1 cent per Share, total dividends for the year ended 31 December 2017 will be HK 3 cents per Share (2016: HK2 cents per Share).

## REPORT OF THE DIRECTORS

### FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out in the financial summary on page 130 of this annual report. This summary does not form part of the audited consolidated financial statements.

### SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 29 and 31 to the consolidated financial statements, respectively.

### PRE-EMPTIVE RIGHT

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

### PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment and investment properties of the Group during the year are set out in notes 15 and 16 to the consolidated financial statements.

### RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 32(b) to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

### DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company's reserves available for distributions to equity holders comprising share premium account less accumulated losses, amounted to approximately RMB134.6 million (2016: approximately RMB179 million).

### MAJOR CUSTOMERS

For the year ended 31 December 2017, the percentage of revenue attributable to the Group's major customers is set out below:

#### Revenue

- The largest customer	45%
- The total of the five largest customers	73%

As far as the Directors are aware, neither the Directors nor their close associates nor any Shareholders (which to the knowledge of Directors own more than 5% of the Company's issued share capital) had any interest in the five largest customers of the Group.

Due to the business nature of the Group, the Group has very few suppliers.

### DIRECTORS

The Directors of the Company during the year were:

#### Executive Directors

Mr. Zheng Weijing  
Mr. Zhang Gongjun  
Ms. Guo Chanjiao

#### Independent Non-executive Directors

Mr. Vincent Cheng  
Mr. Leung Po Hon  
Dr. Miao Bo

## REPORT OF THE DIRECTORS

Pursuant to Article 105(A) of the Company's articles of association (the "Articles of Association"), at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation and shall be eligible for re-election. Every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

By virtue of Articles 105(A) and 105(B) of the Articles of Association, Mr. Zhang Gongjun and Mr. Vincent Cheng will retire at the forthcoming annual general meeting of the Company. Mr. Zhang Gongjun and Mr. Vincent Cheng, being eligible, will offer themselves for re-election at the annual general meeting.

## BOARD OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

## DIRECTORS' SERVICE AGREEMENTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years unless and until (i) terminated by either party thereto giving not less than three months' prior written notice; or (ii) the executive Director not being re-elected as a Director or being removed by Shareholders at general meeting of the Company in accordance with the Articles of Association.

Each of the independent non-executive Directors was appointed for an initial term of two years (as set out in the section headed "Corporate Governance Report" of this annual report) and shall be subject to retirement, re-election and removal in accordance with the Articles of Association.

Save as disclosed above, none of the Director being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## CHANGES IN DIRECTORS' INFORMATION

There were no changes to the Directors' information since the date of the 2017 third quarterly report of the Company required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

## CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmations of independence from all three independent non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers the independent non-executive Directors to be independent.

## DIRECTORS' INTERESTS AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save for the interests of Mr. Zheng Weijing in 廣東匯金典當股份有限公司 (Guangdong Huijin Pawn Stock Company Limited\*) ("Guangdong Huijin"), being a party to the transactions as disclosed in the paragraph headed "Non-exempt Continuing Connected Transactions" and the paragraph headed "Directors' and Chief Executive's Interests and Short Position in the Shares, Underlying Shares and Debentures" below, no Directors or controlling shareholders (as defined in the GEM Listing Rules) of the Company had material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the year.

## EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure of all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

\* For identification purposes only



## REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the emoluments of the Directors and the five individuals with the highest emoluments are set out in note 11 to the consolidated financial statements.

## EMPLOYEE RETIREMENT SCHEMES

The PRC subsidiaries of the Group participate in defined contribution retirement benefit schemes (the “Schemes”) organised by the PRC municipal and provincial government authorities whereby the PRC subsidiaries are required to make contributions at the rate of approximately 14% of the eligible employees’ salaries to the Schemes. The Group has accrued for the required contributions which are remitted to the respective local government authorities when the contributions become due. The local government authorities are responsible for the pension obligations payable to the retired employees covered under the Schemes. No forfeited contribution is available to reduce the contribution payable in future years.

The Group also operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance (Cap. 485 of the Laws of Hong Kong) for employees employed in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the Group and its employees are each required to make contributions to the scheme at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the MPF Scheme vest immediately.

## DIRECTORS’ INTERESTS IN COMPETING BUSINESS

None of the Directors, substantial shareholders and controlling shareholders of the Company and their respective close associates (having their meanings as defined in the GEM Listing Rules) had any interests in any business which compete or may compete with the business of the Group or any other conflicts of interest which any person may have with the Group as at 31 December 2017.

## NON-COMPETITION UNDERTAKING

As disclosed in the prospectus of the Company dated 20 April 2012 (“Prospectus”), Ming Cheng Investments Limited and Mr. Zheng Weijing (collectively, the “Substantial Shareholders”), among others, has executed a deed of non-competition (the “Non-competition Undertaking”) through which they have irrevocably warranted and undertaken to the Company, not to, among others, directly or indirectly engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business in competition with or likely to be in competition with the business of the provision of (i) pawn loan services; (ii) entrusted loan services; (iii) financial consultation services and business ancillary to any of the foregoing in Hong Kong, the PRC and any other country or jurisdiction to which the Group provides such services and/or in which any member of the Group carries on business mentioned above from time to time.

The Substantial Shareholders have confirmed to the Company in respect of their compliance with the Non-competition Undertaking during the financial year ended 31 December 2017 and up to the date of this annual report.

The independent non-executive Directors have reviewed the compliance with the Non-competition Undertaking during the financial year ended 31 December 2017 and up to the date of this annual report based on information and confirmation provided by or obtained from the Substantial Shareholders, and were satisfied that the Substantial Shareholders have duly complied with the Non-competition Undertaking.



## UPDATES ON COMPLIANCE AND REGULATORY MATTERS AS DISCLOSED IN THE PROSPECTUS

As disclosed in the Prospectus, as a provider of pawn loan services to the customers, Guangdong Huijin is subject to the requirements of the Measures for the Administration of Pawning (典當管理辦法) (the “Pawning Measures”). The Pawning Measures prescribe certain thresholds which pawn loan providers have to comply with in respect of the pawn loans advanced to customers and they also govern the rate of interest and total fees that may be charged by a pawn loan provider.

The Pawning Measures provide that the rate of interest charged on a loan provided in respect of pawned property must not exceed the interest rate for a six-month loan as published by the People’s Bank of China (the “PBOC”) as discounted by the pawn loan period. It further provides that the combined monthly total fees (excluding the consultation fee and the amount of loan repayment) (being administration fee in the business) payable by the pledgor must not exceed 4.2% of the loan amount in respect of loans secured by pledged movable property, 2.7% of the loan amount in respect of loans secured by mortgaged real estate and 2.4% of the loan amount in respect of loans secured by pledged property rights.

As regards the other thresholds, the Pawning Measures provide that the maximum outstanding amount owing on property pledged or mortgaged by any one legal person or natural person to a pawn loan provider must not exceed 25% of the registered capital of the pawn loan provider; and that the total outstanding amount owing in respect of property right pledged by customers must not exceed 50% of the registered capital of a pawn loan provider. It is also provided in the Pawning Measures that, if the registered capital of a pawn loan provider is more than RMB10 million, the maximum loan amount that may be provided for a single real estate backed loan must not exceed 10% of the registered capital of the pawn loan provider.

For the two years ended 31 December 2011, there were nine incidents where the loans granted by Guangdong Huijin were not in compliance with the relevant thresholds prescribed by the Pawning Measures. According to the PRC legal adviser of the Company, Guangdong Huijin may be subject to administrative penalty as a result of its past non-compliance; the maximum potential penalty that may be imposed by the relevant government authorities on the Group for such non-compliance would be an order to correct the non-compliance and a fine of up to RMB30,000 for each non-compliant transaction. As administrative penalty for illegal acts shall be imposed within two years from the date such illegal act is committed, no administrative penalty for the nine incidents of non-compliant transactions occurred during the two years ended 31 December 2011 shall be imposed after June 2013. As advised by the PRC legal adviser of the Company, customers of the non-compliant transactions are entitled to claim against Guangdong Huijin for overcharged interests and administrations fees within two years commencing from the full repayment of the pawn loans. All of the customers have signed confirmation letters and agree, among other things, not to take any action against Guangdong Huijin for their rights and entitlements in regard to the non-compliant loans granted by Guangdong Huijin.

As at the date of this annual report, the Directors confirm that the Group had not received any order to correct the non-compliance nor any notice of fine from the relevant PRC government authorities. To the best knowledge of the Directors, as at the date of this annual report, the Group had not received any claims against Guangdong Huijin from its customers for overcharged interests and administration fees in respect of the past non-compliance.

Since November 2010, to ensure ongoing compliance with the Pawning Measures and other relevant laws and regulations, the Group has implemented the following measures:

- (i) in the loan approval process, the business team will fill in details of each loan application, including the party, amount, rate of administration fees and interest of each loan application, in order to ensure all loan applications are in compliance with the Pawning Measures;

## REPORT OF THE DIRECTORS

- (ii) the risk management team, with the assistance of the legal and compliance team, will cross-check the loan application, in particular the loan amount and the rate of interest and administration fees to be charged, to ensure compliance with the Pawning Measures;
- (iii) the legal and compliance team will keep themselves aware of any changes to the official rate prescribed by the PBOC and notify the management if there may be any risk of breach of any of the threshold(s) prescribed by the Pawning Measures; and they will obtain updates on relevant laws and regulations from time to time and check whether the existing practice is in compliance with these updates and if not, conduct remedial measures; and
- (iv) the Group will consult the external legal advisers and seek their advice on compliance matters as and when required.

For further details of the past non-compliance and ongoing compliance measures with the Pawning Measures, please refer to pages 147 to 152 of the Prospectus.

As at the date of this annual report, based on information and confirmation provided by or obtained from the Group, the independent non-executive Directors were satisfied that the Group have duly complied with the prescribed thresholds under the Pawning Measures for the year ended 31 December 2017.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2017, the interests of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

### (i) Interests in the Shares

Name of Director	Number of Shares held (Note 1)			Total	Approximate percentage of shareholding in the Company (%)
	Beneficial interest	Interest of spouse	Interest of controlled corporation		
Mr. Zheng Weijing	40,630,202	–	367,739,567 (Note 2)	408,369,769	23.59

Notes:

1. These represent the Director's long position in the Shares.
2. These Shares are held in the name of Ming Cheng Investments Limited, a company wholly-owned by Mr. Zheng Weijing.

## REPORT OF THE DIRECTORS

### (ii) Interests in the underlying Shares

Name of Director	Capacity/ Nature of interest	Number of underlying Shares		Approximate percentage of shareholding in the Company
		Long position (Note 1)	Short position	(%)
Mr. Zheng Weijing	Beneficial owner	1,000,000	-	0.06
	Interest in controlled corporation	-	20,000,000 (Note 2)	1.16
Mr. Zhang Gongjun	Beneficial owner	8,000,000	-	0.46
Ms. Guo Chanjiao	Beneficial owner	8,000,000	-	0.46
Mr. Vincent Cheng	Beneficial owner	500,000	-	0.03
Mr. Leung Po Hon	Beneficial owner	500,000	-	0.03
Dr. Miao Bo	Beneficial owner	500,000	-	0.03

*Notes:*

1. Being unlisted physically settled share options to acquire ordinary shares of the Company, further details of which are set out in the section headed "Share Option Scheme" below.
2. This short position in unlisted physically settled options is held by Ming Cheng Investments Limited, a company wholly-owned by Mr. Zheng Weijing.

### (iii) Interests in associated corporation – Guangdong Huijin

Name of Director	Nature of interest	Equity interest (Long position)	Approximate percentage of equity interest (%)
Mr. Zheng Weijing	Interest of controlled corporation (Note)	RMB71,240,000	70.53

*Note:* Such registered capital was contributed by 匯聯資產管理有限公司 (Huilian Assets Management Company Limited\*) ("Huilian Assets Management"). 深圳市智匯投資諮詢有限公司 (Shenzhen Zhihui Investment Consulting Company Limited\*) ("Shenzhen Zhihui") was interested in 72% of the entire equity interest of Huilian Assets Management. Shenzhen Zhihui was owned as to 45% by Mr. Zheng Weijing.

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

\* For identification purposes only

## REPORT OF THE DIRECTORS

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2017, so far as is known to the Directors, the following persons (other than the Directors and chief executive of the Company) had an interest or short position in the Shares and underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO:

#### (i) Interests in the Shares

Name of Shareholder	Number of Shares held (Note 1)				Total	Approximate percentage (%)
	Beneficial Interest	Interest of spouse	Security interest	Interest of controlled corporation		
Ming Cheng Investments Limited	367,739,567 (Note 2)	-	-	-	367,739,567	21.24
Ms. Zhang Chushan	-	408,369,769 (Note 3)	-	-	408,369,769	23.59
Sino-Africa Resources Holdings Limited	255,676,042 (Note 4)	-	-	-	255,676,042	14.77
Peace Bloom Limited	145,429,087 (Note 5)	-	-	-	145,429,087	8.40
Upsoar Limited	155,518,650 (Note 6)	-	-	-	155,518,650	8.99
Mr. Huang Xiguang	-	-	-	255,676,042 (Note 4)	255,676,042	14.77
Mr. Hu Jinxi	22,200,000	-	-	145,429,087 (Note 5)	167,629,087	9.68
Ms. Fu Shanping	-	-	-	155,518,650 (Note 6)	155,518,650	8.99
GF Investments (Hong Kong) Company Limited (Note 7)	20,000,000	-	399,649,769	-	419,649,769	24.24
GF Holdings (Hong Kong) Corporation Limited (Note 7)	-	-	-	419,649,769	419,649,769	24.24
GF Securities Co., Ltd. (Note 7)	-	-	-	419,649,769	419,649,769	24.24

## REPORT OF THE DIRECTORS

### Notes:

1. These represent the corporation's/person's long position in the Shares.
2. Ming Cheng Investments Limited is a company wholly-owned by Mr. Zheng Weijing.
3. Ms. Zhang Chushan is the spouse of Mr. Zheng Weijing. By virtue of the provisions of Part XV of the SFO, Ms. Zhang Chushan is deemed to be interested in all the interests in which Mr. Zheng Weijing is interested or deemed to be interested in.
4. Sino-Africa Resources Holdings Limited is a company wholly-owned by Mr. Huang Xiguang.
5. Peace Bloom Limited is a company wholly-owned by Mr. Hu Jinxi.
6. Upsoar Limited is a company wholly-owned by Ms. Fu Shanping.
7. Based on the notices of disclosure of interests filed by each of GF Investments (Hong Kong) Company Limited ("GF Investments"), GF Holdings (Hong Kong) Corporation Limited and GF Securities Co., Ltd. on 29 September 2016, these long positions in the Shares are held by GF Investments which is directly wholly-owned by GF Holdings (Hong Kong) Corporation Limited, which in turn is wholly-owned by GF Securities Co., Ltd. Under the SFO, GF Holdings (Hong Kong) Corporation Limited and GF Securities Co., Ltd. are deemed to be interested in these long positions in the Shares held by GF Investments.

### (ii) Interests in the underlying Shares

Name of Shareholder	Capacity/ Nature of interest	Number of underlying Shares		Approximate percentage of shareholding in the Company (%)
		Long position	Short position	
Ming Cheng Investments Limited	Beneficial owner	–	20,000,000 (Note 1)	1.16
Ms. Zhang Chushan	Interest of spouse	1,000,000 (Note 2)	–	0.06
		–	20,000,000 (Note 2)	1.16
Central China International Investment Company Limited (Note 3)	Beneficial owner	99,009,900	–	5.72
Central China International Financial Holdings Company Limited (Note 3)	Interest of controlled corporation	99,009,900	–	5.72
Central China Securities Co., Ltd. (Note 3)	Interest of controlled corporation	99,009,900	–	5.72



## REPORT OF THE DIRECTORS

### Notes:

1. Being short position in unlisted physically settled options. Ming Cheng Investments Limited is a company wholly-owned by Mr. Zheng Weijing.
2. Ms. Zhang Chushan is the spouse of Mr. Zheng Weijing. By virtue of the provisions of Part XV of the SFO, Ms. Zhang Chushan is deemed to be interested in all the interests or short positions in which Mr. Zheng Weijing is interested or deemed to be interested in.
3. Based on the notices of disclosure of interests filed by each of Central China International Investment Company Limited, Central China International Financial Holdings Company Limited and Central China Securities Co., Ltd. on 29 July 2016, these long positions in unlisted cash settled derivatives are held by Central China International Investment Company Limited which is directly wholly-owned by Central China International Financial Holdings Company Limited, which in turn is wholly-owned by Central China Securities Co., Ltd. Under the SFO, Central China International Financial Holdings Company Limited and Central China Securities Co., Ltd. are deemed to be interested in these long positions in the underlying Shares held by Central China International Investment Company Limited.

Save as disclosed above, as at 31 December 2017, there was no person who had any interest or short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

## SHARE OPTION SCHEME

The Company has adopted a share option scheme (the “Share Option Scheme”) pursuant to the written resolution of the shareholders of the Company on 20 December 2011 for the purpose of providing incentives or rewards to the eligible participants for their contribution to the Group and/or enabling the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group.

Details of the Share Option Scheme are as follows:

- |   |   |
|---|---|
| 1. Purpose of the Share Option Scheme   | As incentive or rewards to eligible participants for their contribution to the Group.   |
| 2. Eligible participants of the Share Option Scheme   | Any eligible employee (whether full-time or part-time, including any executive Director), any non-executive Director, any shareholder, any supplier and any customer of the Company or any of its subsidiaries or any entity in which any member of the Group holds any equity interest, and any other party having contribution to the development of the Group. |
| 3. Total number of Shares available for issue under the Share Option Scheme and percentage to the issued share capital as at the date of this annual report | 153,083,250 shares (approximately 8.84% of the total issued share capital as at the date of this annual report).  |
| 4. Maximum entitlement of each participant under the Share Option Scheme  | Not exceeding 1% of the issued share capital of the Company for the time being in any 12-month period. Any further grant of options in excess of such limit must be separately approved by the Company’s shareholders in general meeting.   |

## REPORT OF THE DIRECTORS

- |  |   |
|--|---|
| 5. The period within which the Shares must be taken up under an option   | A period (which may not expire later than 10 years from the date of offer of that option) to be determined and notified by the Directors to the grantee thereof.  |
| 6. The minimum period for which an option must be held before it can be exercised  | Unless otherwise determined by the Directors, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.  |
| 7. The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made | A remittance in favour of the Company of HK\$1.00 on or before the date of acceptance (which may not be later than 21 days from the date of offer).   |
| 8. The basis of determining the exercise price   | <p>Being determined by the Directors and being not less than the highest of:</p> <ul style="list-style-type: none"> <li>a. the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer;</li> <li>b. the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and</li> <li>c. the nominal value of the Shares.</li> </ul> |
| 9. The remaining life of the Share Option Scheme   | The Share Option Scheme is valid and effective for a period of 10 years commencing on 20 December 2011 (being the date of adoption of the Share Option Scheme).   |

On 17 December 2015, options to subscribe for an aggregate of 76,000,000 shares of the Company have been granted by the Company to the existing directors, employees and advisors of the Group under the Share Option Scheme; 30% of share options have an exercise period from 1 June 2016 to 19 December 2021 ("Share Option 1"); 30% of share options have an exercise period from 1 June 2017 to 19 December 2021 ("Share Option 2"); and the remaining share options have an exercise period from 1 June 2018 to 19 December 2021 ("Share Option 3"). All share options are subject to the fulfillment of relevant profit targets by the Company, as set out below, and share options shall not be vested if any of the profit targets is failed to meet.

## REPORT OF THE DIRECTORS

Details of the specific categories of options are as follows:

	Date of grant	Vesting date	Exercise period	Exercise price HK\$	Vesting conditions
Share Option 1	17 December 2015	31 May 2016	1 June 2016 to 19 December 2021	1.046	<p>Profit after income tax (but before share-based payment expenses) according to the audited consolidated financial statement of the Company for the year ended 31 December 2015:</p> <ul style="list-style-type: none"> <li>- Equal to or more than RMB35 million, 100% of Share Option 1 shall be vested;</li> <li>- Equal to or more than RMB25 million but less than RMB35 million, 50% of Share Option 1 shall be vested; and</li> <li>- Less than RMB25 million, no Share Option 1 shall be vested.</li> </ul>
Share Option 2	17 December 2015	31 May 2017	1 June 2017 to 19 December 2021	1.046	<p>Profit after income tax (but before share-based payment expenses) according to the audited consolidated financial statement of the Company for the year ended 31 December 2016:</p> <ul style="list-style-type: none"> <li>- Equal to or more than RMB65 million, 100% of Share Option 2 shall be vested;</li> <li>- Equal to or more than RMB50 million but less than RMB65 million, 50% of Share Option 2 shall be vested; and</li> <li>- Less than RMB50 million, no Share Option 2 shall be vested.</li> </ul>
Share Option 3	17 December 2015	31 May 2018	1 June 2018 to 19 December 2021	1.046	<p>Profit after income tax (but before share-based payment expenses) according to the audited consolidated financial statement of the Company for the year ended 31 December 2017:</p> <ul style="list-style-type: none"> <li>- Equal to or more than RMB100 million, 100% of Share Option 3 shall be vested;</li> <li>- Equal to or more than RMB80 million but less than RMB100 million, 50% of Share Option 3 shall be vested; and</li> <li>- Less than RMB80 million, no Share Option 3 shall be vested.</li> </ul>

## REPORT OF THE DIRECTORS

On 31 May 2016, options to subscribe for an aggregate of 22,800,000 Shares, being 100% of Share Option 1, have been vested to the grantees of the options. On 31 May 2017, options to subscribe for an aggregate of 19,350,000 Shares of Share Option 2 have been vested to the grantees of the options.

As at 31 December 2017, the total number of securities available for issue under the Share Option Scheme pursuant to its terms was 58,000,000 Shares, representing in aggregate approximately 3.35% of the Company's issued share capital.

Details of movements of the share options granted under the Share Option Scheme for the year ended 31 December 2017 were as follows:

Name	Date of grant	Outstanding as at 1 January 2017	Number of share options			Outstanding as at 31 December 2017
			Granted during the year	Exercised during the year	Lapsed during the year	
<b>Executive Directors</b>						
Mr. Zheng Weijing	17 December 2015	1,000,000	–	–	–	<b>1,000,000</b>
Mr. Zhang Gongjun	17 December 2015	8,000,000	–	–	–	<b>8,000,000</b>
Ms. Guo Chanjiao	17 December 2015	8,000,000	–	–	–	<b>8,000,000</b>
<b>Independent non-executive Directors</b>						
Mr. Vincent Cheng	17 December 2015	500,000	–	–	–	<b>500,000</b>
Mr. Leung Po Hon	17 December 2015	500,000	–	–	–	<b>500,000</b>
Dr. Miao Bo	17 December 2015	500,000	–	–	–	<b>500,000</b>
Sub-total		18,500,000	–	–	–	<b>18,500,000</b>
<b>Employees in aggregate</b>	17 December 2015	39,400,000	–	–	<b>(5,900,000)</b>	<b>33,500,000</b>
<b>Advisors in aggregate</b>	17 December 2015	6,000,000	–	–	–	<b>6,000,000</b>
Total		63,900,000	–	–	<b>(5,900,000)</b>	<b>58,000,000</b>

There was no share option cancelled during the year ended 31 December 2017.

Further details of the share options are set out in note 30 to the consolidated financial statements.

## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the year was the Company, any of its subsidiaries, its associated companies, its fellow subsidiaries or its holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company and/or its associated corporations (within the meaning of the SFO).

## REPORT OF THE DIRECTORS

### PERMITTED INDEMNITY PROVISION

The Company has arranged for insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior officers arising out of corporate activities. During the year ended 31 December 2017 and up to the date of this annual report, save that (i) pursuant to the service contract of each of the executive Directors, the Company shall indemnify such Directors against, to the extent permitted by laws, all losses, claims, compensations, liabilities or expenses incurred as a result of such Directors performing his/her duties and responsibilities under such contracts, including but not limited to any legal proceedings against such Directors and except for wilful default or negligence; and (ii) pursuant to the Articles of Association, the Directors shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as they shall incur or sustain through their own fraud or dishonesty, no other permitted indemnity provision (as defined in section 9 of the Companies (Directors' Report) Regulation (Cap. 622D of the Laws of Hong Kong)) was or is being in force for the benefit of any of the Directors (whether made by the Company or otherwise) or any of the directors of an associated company (if made by the Company).

### NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

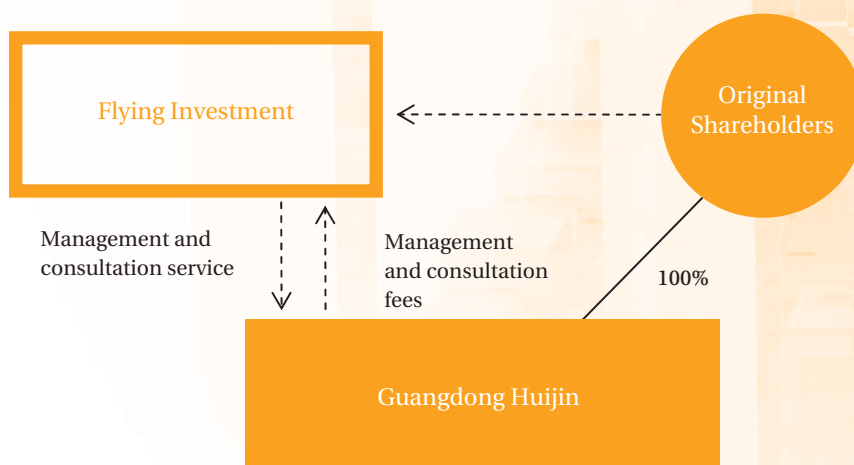
During the year, the Group had the following continuing connected transactions which are subject to the reporting, annual review, announcement and independent shareholders' approval under Chapter 20 of the GEM Listing Rules.

#### Structure contracts

##### Arrangement under the Structured Agreements

The following simplified diagram illustrates the flow of economic benefits from Guangdong Huijin to Flying Investment Services (Shenzhen) Company Limited ("Flying Investment") stipulated under the Exclusivity Agreement (as defined in the Prospectus and set out below), the Equity Pledge Agreement (as defined in the Prospectus and set out below), the Exclusive Option and Equity Custodian Agreement (as defined in the Prospectus and set out below), the Power of Attorney (as defined in the Prospectus and set out below) and the Supplemental Agreement (as defined in the Prospectus) (collectively, the "Structured Agreements"):

- (1) Power of attorney to exercise all shareholders' right in Guangdong Huijin
- (2) Exclusive option to acquire all or part of the equity interest in Guangdong Huijin
- (3) Flying investment as custodian to manage the entire equity interest in Guangdong Huijin
- (4) First priority security interest over the entire equity interest in Guangdong Huijin



"———" denotes direct legal and beneficial ownerships in the equity interest and "---->" denotes contractual relationship.



### Operation of the Structured Agreements

In accordance with the Structured Agreements, the Original Shareholders (as defined in the Prospectus), being immediate shareholders who are interested in, in aggregate, the entire equity interest in Guangdong Huijin, have granted an exclusive and irrevocable option to Flying Investment or its nominee(s) to acquire all or part of the equity interest in Guangdong Huijin held by the Original Shareholders as permitted by the then PRC laws and regulations. The Group has the intention to acquire Guangdong Huijin or the pawn business it is carrying on when PRC laws and regulations allow the operation of such business by foreign invested enterprises. When Flying Investment or its nominee(s) exercise the option and acquire all of the equity interest in Guangdong Huijin, the Structured Agreements will be terminated. The PRC legal adviser of the Company confirmed that it is sufficient for all immediate shareholders of Guangdong Huijin (but not tracing to the ultimate beneficial owners of the corporate shareholders of Guangdong Huijin) to enter into the Structured Agreements. Subject to compliance with the PRC laws, Flying Investment or its nominee(s) may exercise the option mentioned above at any time and in any manner at their sole discretion.

The Structured Agreements, taken as a whole, enable the financial results of Guangdong Huijin and the economic benefits of its business to flow onto Flying Investment. In addition, all the directors, general manager and senior management staff of Guangdong Huijin (except those elected by the employee representatives) are to be nominated by Flying Investment. Through its control over and supervision of the directors, general manager and senior management of Guangdong Huijin, Flying Investment is able to effectively manage the business, financial and operating activities of Guangdong Huijin so as to obtain benefits from its activities and to ensure due implementation of the Structured Agreements. The Structured Agreements also enable Flying Investment to, if and when permitted by PRC law, acquire the equity interests in Guangdong Huijin in accordance with PRC law. The Directors are of the view that the Structured Agreements enable the Group to be managed coherently with the power to govern the business, financial and operating activities of Guangdong Huijin for the benefit of the Group as a whole. Based on the Structured Agreements, taken as a whole, the Directors consider that, notwithstanding the lack of equity ownership in Guangdong Huijin, our Group controls Guangdong Huijin in substance. On this basis, the Group is regarded as a continuing entity resulting from these Structured Agreements such that the financial position and operating results of Guangdong Huijin are included in the Group's consolidated financial statements.

The following is a summary of the principal terms of the Structured Agreements:

#### (1) Exclusivity Agreement

Flying Investment and Guangdong Huijin entered into the Exclusivity Agreement (as supplemented by the Supplemental Agreement) on 1 August 2011, pursuant to which, among other matters:

- Guangdong Huijin agreed to engage Flying Investment on an exclusive basis irrevocably to provide management and consultation services in connection with its operations, including but not limited to assisting in formulating the company management mode and operation plans, assisting in formulating market development plans, providing market information and customer source information, being appointed to conduct specific market research and investigation, providing staff training, assisting in establishing sales channel, providing management, financial or other services in relation to Guangdong Huijin's operations, assisting in locating suitable fund-raising channels for Guangdong Huijin's operational capital needs, assisting in provision of customer maintenance and management and assisting in provision to the clients of Guangdong Huijin of feasible fund-raising solutions and procuring the implementation of such solutions;
- unless Flying Investment consents in writing in advance, Guangdong Huijin shall not accept management and consultation services provided by any third party;
- the board of directors of Guangdong Huijin shall be nominated by Flying Investment, and such board of directors shall determine the corporate management and business development and expansion strategy of Guangdong Huijin according to the actual circumstances of its operations;

## REPORT OF THE DIRECTORS

- Flying Investment shall be solely responsible for selection of Guangdong Huijin's senior management and employees, its finance, management and daily operations, and Guangdong Huijin shall comply with all directions and opinions from Flying Investment; and
- Guangdong Huijin shall pay to Flying Investment on a monthly basis (or other methods agreed by both parties), management and consultation fees equivalent to the total revenue less all the related costs, expenses and taxes payable by Guangdong Huijin. Flying Investment shall be entitled to appoint its employees or external auditors to inspect the financial conditions of Guangdong Huijin to audit the exact amount of the management and consultation fees.

The Exclusivity Agreement (as supplemented by the Supplemental Agreement) commenced from 1 August 2011 and will expire on the date on which all the equity interests in Guangdong Huijin are transferred to Flying Investment or its nominee(s) and such transfers are registered.

### (2) Equity Pledge Agreement

Flying Investment, Guangdong Huijin and the Original Shareholders entered into the Equity Pledge Agreement (as supplemented by the Supplemental Agreement) on 1 August 2011, pursuant to which, among other matters:

- the Original Shareholders agreed to grant to Flying Investment a first priority security interest over all their respective direct equity interest in Guangdong Huijin and all related rights and revenue for guaranteeing the performance of obligations of the Original Shareholders and Guangdong Huijin under the Exclusivity Agreement and the Exclusive Option and Equity Custodian Agreement, such obligations include, among others, payment of management and consultation fees for the management and consultation service, interests, compensation etc.;
- during the term of the pledge, Flying Investment shall be entitled to all dividends or distribution in any other forms derived from the pledged equity interests and to exercise its right to deal with the pledged equity interest in a manner permitted by the relevant PRC laws if Guangdong Huijin and/or the Original Shareholders cannot fully perform their respective obligations under the Exclusivity Agreement and/or the Exclusive Option and Equity Custodian Agreement; and
- during the term of the Equity Pledge Agreement, the Original Shareholders shall not transfer, create or permit the existence of other security interest over the pledged equity interests in Guangdong Huijin without prior written consent of Flying Investment.

The Equity Pledge Agreement (as supplemented by the Supplemental Agreement) is effective from the date on which it has been executed by the parties thereto while the pledge created thereunder shall become effective upon such pledge having been duly registered in Guangdong Huijin's register of members and having been duly registered with the relevant Administration for Industry and Commerce of the PRC, and it will remain effective until the termination of either the Exclusivity Agreement (as supplemented by the Supplemental Agreement) or the Exclusive Option and Equity Custodian Agreement (as supplemented by the Supplemental Agreement), whichever is later. The pledges under the Equity Pledge Agreement were duly registered on 5 August 2011 with 河源市工商行政管理局 (Heyuan Administration for Industry and Commerce Bureau).

**(3) Exclusive Option and Equity Custodian Agreement**

Flying Investment, Guangdong Huijin and the Original Shareholders entered into the Exclusive Option and Equity Custodian Agreement (as supplemented by the Supplemental Agreement) on 1 August 2011, pursuant to which, among other matters:

- the Original Shareholders granted, at nil consideration, an exclusive and irrevocable option to Flying Investment or its nominee(s) to acquire all or part of the equity interest in Guangdong Huijin held by the Original Shareholders as permitted by the then PRC laws and regulations during the term of the Exclusive Option and Equity Custodian Agreement at nil consideration or the minimum amount as permitted by the applicable PRC laws. The Original Shareholders further covenant that if such minimum amount is required to be paid by Flying Investment or its nominee(s) to the Original Shareholders as consideration for the acquisition of the equity interest of Guangdong Huijin, such amount would be waived by the Original Shareholders subject to compliance with the then PRC laws and hence there should not be any cash outflow or adverse financial impact on our Group. If such option is exercised in full by Flying Investment or its nominee(s), our Group will be interested in the entire equity interest of Guangdong Huijin;
- subject to compliance with the PRC laws, Flying Investment or its nominee(s) may exercise the option mentioned above at any time and in any manner at their sole discretion;
- pending the acquisition of the entire equity interest in Guangdong Huijin by Flying Investment or its nominee(s), the Original Shareholders shall not, among other matters, transfer, pledge or grant a custodian right over such equity interest in Guangdong Huijin to any third parties without prior written consent of Flying Investment and Guangdong Huijin;
- the Original Shareholders, jointly and severally, irrevocably granted, at nil consideration, a right to Flying Investment or its nominee(s) to manage the entire equity interest in Guangdong Huijin as custodian during the term of the Exclusive Option and Equity Custodian Agreement;
- the Original Shareholders and Guangdong Huijin covenanted that, among others:
  - (a) Flying Investment or its nominee(s) shall exercise all shareholders' right of the Original Shareholders in Guangdong Huijin, further details are set out in the paragraph headed "Power of Attorney" below; and
  - (b) Flying Investment shall have the exclusive right to nominate directors, general manager and other senior management staff of Guangdong Huijin, and the Original Shareholders shall appoint such nominees as directors, general manager and other senior management staff of Guangdong Huijin;
- during the term of the Exclusive Option and Equity Custodian Agreement, the Original Shareholders and Guangdong Huijin shall not engage in any transactions which will materially affect the assets, business, rights, operation or management of Guangdong Huijin without prior consent from Flying Investment, including but not limited to the following:
  - (a) to amend the constitutional documents of Guangdong Huijin;
  - (b) to increase or reduce the registered capital of Guangdong Huijin; and

## REPORT OF THE DIRECTORS

- (c) during the term of the Exclusive Option and Equity Custodian Agreement, the Original Shareholders and/or Guangdong Huijin shall not transfer, mortgage, pledge or otherwise deal with the assets of Guangdong Huijin; and
- in case of liquidation or dissolution of Guangdong Huijin, Flying Investment or its nominee(s) shall have the right to appoint a liquidator to manage the assets of Guangdong Huijin as permitted by the PRC laws and regulations.

The Exclusive Option and Equity Custodian Agreement (as supplemented by the Supplemental Agreement) is effective from 1 August 2011 and will expire on the date on which all the equity interests in Guangdong Huijin are transferred to Flying Investment or its nominee(s) and such transfers are registered.

### (4) Power of Attorney

Flying Investment and each of the Original Shareholders entered into the Power of Attorney (as supplemented by the Supplemental Agreement) on 1 August 2011, pursuant to which, among other matters, Flying Investment or its nominee(s), including its directors (and their successors) were authorised by each of the Original Shareholders to exercise their respective shareholders' right in Guangdong Huijin including the rights to elect and change the directors and supervisors who are not elected by the employee representatives, the rights to decide the increase or reduction of the registered capital and the rights to receive or decline the dividends or other distribution on behalf of the Original Shareholders.

The Power of Attorney (as supplemented by the Supplemental Agreement) is effective from 1 August 2011 and will expire on the date on which all the equity interests in Guangdong Huijin are transferred to Flying Investment or its nominee(s) and such transfers are registered.

During the year ended 31 December 2017, Flying Investment was not entitled to any management and consultation fees (2016: Nil) from Guangdong Huijin in a manner as prescribed in the Exclusivity Agreement (as supplemented by the Supplemental Agreement) on 1 August 2011. The management and consultation fees are equivalent to the total revenue less all the related costs, expenses and taxes payable by Guangdong Huijin as extracted from the audited financial statements of Guangdong Huijin for the year ended 31 December 2017 ("Audited Financial Statements of Huijin"). According to the Audited Financial Statements of Huijin, no dividend or other distribution had been made for the year ended 31 December 2017 by Guangdong Huijin.

The independent non-executive Directors have reviewed the Structured Agreements and confirmed that: (i) the transactions carried out during the year ended 31 December 2017 have been entered into in accordance with the relevant provisions of the Structured Agreements, have been operated so that any revenue generated by Guangdong Huijin would have been substantially retained by Flying Investment; (ii) no dividends or other distributions have been made by Guangdong Huijin to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; (iii) the Structured Agreements, any new contracts entered into, renewed or reproduced between the Group and Guangdong Huijin during the year ended 31 December 2017 are fair and reasonable, or advantageous, so far as the Group is concerned and in the interests of the Shareholders as a whole; (iv) the Structured Agreements have been entered into in the ordinary and usual course of business of the Group; and (v) the Structured Agreements have been entered into on normal commercial terms or better.

The Company's auditors has carried out procedures on the management fee charged for the year pursuant to the Structured Agreements and reported its conclusion to the Board, confirming that the transactions have received the approval of the Directors, have been entered into in accordance with the relevant Structured Agreements and that no dividends or other distributions have been made by Guangdong Huijin to the registered shareholders of Guangdong Huijin which are not otherwise subsequently assigned/transferred to the Group. The Board confirmed that the Company's auditors have confirmed that none of the matters set out in Rule 20.54 of the GEM Listing Rules has come to the auditors' attention.



## REPORT OF THE DIRECTORS

For the purposes of Chapter 20 of the GEM Listing Rules, and in particular the definition of “Connected Person”, Guangdong Huijin has been treated as the Company’s wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of Guangdong Huijin and their respective associates have been treated as the Company’s “Connected Persons” and transactions between these Connected Persons and the Group other than those under the Structured Agreements shall comply with Chapter 20 of the GEM Listing Rules.

Guangdong Huijin and each of the Original Shareholders have undertaken that, for so long as the Shares are listed on GEM, Guangdong Huijin and each of the Original Shareholders will provide the Group’s management and the Company’s auditors with full access to its relevant records for the purpose of the Company’s auditors’ review of the connected transactions.

## CONVERTIBLE BONDS

On 14 July 2016, the Company entered into a subscription agreement (“Convertible Bonds Subscription Agreement”) with Central China International Company Limited (“Convertible Bonds Subscriber”), pursuant to which the Convertible Bonds Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, 7% convertible bonds due 2018 (“Convertible Bonds”) in the aggregate principal amount of HK\$100,000,000 at 100% of the principal amount of the Convertible Bonds convertible into 99,009,900 Shares (“Conversion Shares”) at an initial conversion price of HK\$1.01 per Share. Mr. Zheng Weijing joined as a party to the Convertible Bonds Subscription Agreement as guarantor to guarantee the performance of the obligations of the Company pursuant to the Convertible Bonds Subscription Agreement. On 27 July 2016, the Company issued the Convertible Bonds to the Convertible Bonds Subscriber.

The Conversion Shares will be allotted and issued pursuant to the general mandate (“General Mandate”) granted to the Directors at the annual general meeting held on 16 May 2016. Under the General Mandate, the Company is authorised to issue up to 306,166,500 new Shares until the revocation, variation or expiration of the General Mandate. The Company has not exercised the power to allot and issue any new Shares pursuant to the General Mandate prior to the entering into of the Convertible Bonds Subscription Agreement. Pursuant to the terms of the Convertible Bonds, in the event that the number of Conversion Shares fall to be issued upon the exercise of the conversion rights based on the conversion price of the Convertible Bonds as adjusted in accordance with the conditions of the Convertible Bonds exceeds 100,000,000 Shares (the exceeded number of Conversion Shares shall be referred to as “Exceeded Conversion Shares”), no conversion rights shall attach to the outstanding principal amount of the Convertible Bonds attributable to the Exceeded Conversion Shares (“Unconverted Amount”) (which shall be calculated by multiplying the number of Exceeded Conversion Shares with the conversion price in effect on the relevant conversion date), and the Unconverted Amount shall be redeemed by the holders of the Convertible Bonds in accordance with the conditions of the Convertible Bonds. The General Mandate was sufficient to issue the Conversion Shares at the initial conversion price as at 31 December 2017.

Further details of the Convertible Bonds subscription, including the terms and the conditions precedent, are set out in the Company’s announcements dated 14 July 2016 and 27 July 2016.

No conversion right of the Convertible Bonds was exercised by the Convertible Bonds Subscriber during the year ended 31 December 2017. No redemption right was exercised by the Convertible Bonds Subscriber or the Company during the year ended 31 December 2017.

Assuming that there is no change in share capital of the Company since 31 December 2017 and the conversion rights attached to the Convertible Bonds (“Conversion Rights”) are exercised in full at the initial conversion price of HK\$1.01, the number of issued shares of the Company will be increased by 99,009,900, representing approximately 5.72% of the issued share capital of the Company as at 31 December 2017 (i.e. 1,731,432,500 Shares) and approximately 5.41% of the issued share capital of the Company as enlarged by the allotment and issue of the conversion shares. Such allotment and issue of the conversion shares will result in the respective shareholdings of the shareholders being diluted by approximately 5.41%.



## REPORT OF THE DIRECTORS

Assuming there is no change in the shareholdings of the substantial shareholders (within the meaning of the GEM Listing Rules) of the Company since 31 December 2017, the shareholdings of the substantial shareholders of the Company as at 31 December 2017 immediately before and after the full exercise of the Conversion Rights are set out below for illustration purposes:

Name of Shareholders	Shareholding immediately before the full exercise of the Conversion Rights		Shareholding immediately after the full exercise of the Conversion Rights	
	Number of Shares held	Approximate percentage of shareholding	Number of Shares held	Approximate percentage of shareholding
Ming Cheng Investments Limited ( <i>Note 1</i> )	367,739,567	21.24%	367,739,567	20.09%
Zheng Weijing	40,630,202	2.35%	40,630,202	2.22%
Sino-Africa Resources Holdings Limited ( <i>Note 2</i> )	255,676,042	14.77%	255,676,042	13.97%

*Notes:*

- These Shares were held by Ming Cheng Investments Limited, a company wholly-owned by Mr. Zheng Weijing, an executive Director, the Chairman and the Chief Executive Officer of the Company.
- These Shares were held by Sino-Africa Resources Holdings Limited, a company wholly-owned by Mr. Huang Xiguang.

### Dilution impact on earnings per share

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

For the year ended 31 December 2017	
Profit for the year ended 31 December 2017 attributable to owners of the Company	RMB152,762,000
Adjustment for interest expense of the Convertible Bonds for the year	RMB15,803,000
Profit attributable to owners of the Company for diluted earnings per share	RMB168,565,000
Weighted average number of shares in issue as at 31 December 2017	1,731,432,500
Adjustment for weighted average number of shares increased by assumed conversion of the Convertible Bonds	99,009,900
Weighted average number of shares for diluted earnings per share	1,830,442,400
Basic earnings per share	RMB8.82 cents
Diluted earnings per share ( <i>note</i> )	RMB8.82 cents

*Note:* Diluted earnings per share is the same as basic earnings per share as the potential ordinary Shares on exercise of the Conversion Rights are anti-dilutive.

Based on the cash and cash equivalents as at 31 December 2017 and the cash flow from the operation of the Company, the Company has the ability to meet its redemption obligation under the Convertible Bonds. The maturity date of the Convertible Bonds is 26 July 2018.

Based on the implied internal rate of returns of the Convertible Bonds, the share price at 30 June 2018 at which it would be equally financially advantageous for the Convertible Bonds Subscriber to convert or redeem is HK\$1.304.

Further particulars of the Convertible Bonds are set out in note 28 to the consolidated financial statements.

## REPORT OF THE DIRECTORS

### INTEREST CAPITALISED

No interest was capitalised by the Group during the financial year ended 31 December 2017.

### RELATED PARTY TRANSACTIONS

Save for the transactions disclosed under “Non-exempt Continuing Connected Transactions”, details of the material related party transactions entered into by the Group are set out in note 36 to the consolidated financial statements which do not constitute notifiable or connected transactions under the GEM Listing Rules. The Directors confirm that the Company has complied with the disclosure requirements (if any) in accordance with Chapter 20 of the GEM Listing Rules.

### PURCHASE, SALE OR REDEMPTION OF 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 2017.

### AUDIT COMMITTEE

The Audit Committee was established by the Board on 20 December 2011. The role, function and composition of the Audit Committee are set out in the paragraph headed “Audit Committee” of the Corporate Governance Report of this annual report.

The Group’s consolidated results and the results announcement for the year ended 31 December 2017 have been reviewed by the Audit Committee. The Board is of opinion that the preparation of such financial information complied with the applicable accounting standards, the requirements under the GEM Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

### CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report of this annual report.

### SUFFICIENCY OF PUBLIC FLOAT

As at the date of this annual report, based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the amount of public float as required under GEM Listing Rules.

### AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2017 have been audited by BDO Limited, who will retire and a resolution to re-appoint BDO Limited as auditors of the Company will be proposed at the Annual General Meeting.

ON BEHALF OF THE BOARD

**Zheng Weijing**  
*Chairman*

Hong Kong, 29 March 2018

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We are pleased to present this Environmental, Social and Governance Report (the “ESG report”) in accordance with the Environmental, Social and Governance Reporting Guide (the “ESG Guide”) published by the Stock Exchange, as contained in Appendix 20 to the GEM Listing Rules. The information stated in this report covers the period from 1 January 2017 to 31 December 2017 (the “reporting period”) which aligns with the financial year as the 2017 annual report of the Group.

The Group’s headquarters office is located in Shenzhen, PRC, and its trading network covers the whole country, with branches in Hong Kong, Beijing, Shanghai, Wuhan and Yunnan. The scope of this ESG report mainly includes data and activities of the office in Hong Kong and Shenzhen which are the key operation sites of the Group.

This report describes the Group’s policies that were designed to fulfil the Group’s obligations with respect to sustainable development and social responsibilities areas, as required by the ESG Guide.

The principal activities of the Group are primarily investment in property development projects and provision of financial services which focus on designing “tailor-made” plans for corporations, financial institutions and high net worth clients. The Group has developed an internet financial service platform which provides financial consultation services and procures money lending to individuals and corporate clients through the online service platform that directly matches lenders and borrowers.

Whilst the Group strives to create positive values for the shareholders, the Group is also dedicated to fulfil its corporate social responsibility through continuous effort. The Group believes that all stakeholders’ interest must be taken into account in order to enhance our relationship with the shareholders, employees, customers, business partners and the society. This report presents the Group’s engagement in environmental protection and social commitment during the financial year ended 31 December 2017. Given that the Group’s business nature, as compared to manufacturing related companies, give rise to relatively minimal environmental impact, the scope of this report focuses on the social commitment regarding employee benefits, supply chain management, product responsibility, anti-money laundering and community investment as these are the crucial elements of the Group’s operation and the concerns of our stakeholders.

## MATERIALITY ASSESSMENT

Following the discussion with our senior management and operational staff, we have identified the ESG issues relevant to the Group. The identified ESG issues have been assessed by considering their importance to our stakeholders as well as the Group.

## A. ENVIRONMENT PROTECTION

The principal activities of the Group are primarily investments in property development projects and the provision of financial services, with limited impact on the environment and use of natural resources. We actively pursue various environmental measures to reduce the impact on the environment in conducting our business.

Due to the business nature, the following KPIs have not been included in the following sections as they are considered not applicable to our business:

Aspects, General disclosures and KPIs	Description	2017 ESG report
<b>A.Environmental</b>		
<b>Aspect A1: Emissions</b>		
<b>KPI A1.3</b>	Total hazardous waste produced and, where appropriate, intensity	Not applicable to the Group's business
<b>KPI A1.4</b>	Total non-hazardous waste produced and, where appropriate, intensity	Not applicable to the Group's business
<b>KPI A1.6</b>	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	Not applicable to the Group's business
<b>Aspect A2: Use of Resources</b>		
<b>KPI A2.5</b>	Total packaging material used for finished products and, if applicable, with reference to per unit produced	Not applicable to the Group's business

### A.1 Emissions

The biggest contributor to the Group's carbon footprint is the indirect greenhouse gas ("GHG") emissions from electricity consumption at the workplaces as well as from business travel of our employees. We have taken energy saving initiatives which include maximising the use of natural light; adopting energy-saving lighting systems; applying optimal temperature setting of air-conditioning; installing energy-efficient office equipment; switching off air conditioning systems and lighting after office hours and turning off office equipment when not in use. Teleconference and internet-meeting practices are encouraged to avoid unnecessary business travel.

For waste management, as we are primarily a financial service company, no hazardous and material non-hazardous waste was noted in our business activities during the reporting period, and we did not produce a notable level of air or water pollutants.

The Group has formulated control measures and adopted certain environmental protection measures on gas and greenhouse gas emissions and solid wastes. Details are as follows:

- Keeping all the doors and windows closed when the air conditioners are running, and setting and maintaining the office room temperature at 24 to 26° C;

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Cleaning and maintaining the lights bulbs and air-conditioners regularly (at least twice a year) to make sure that they work efficiently;
- Posting labels on the switches of lighting devices to remind employees to switch off the lights before they leave; and
- Turning off all lighting, computers, office facilities and air conditioners if they are not in use.

### A.2 Use of Resources

The resources used by the Group are principally electricity, water and paper that are consumed in our offices.

The water consumption of the Group is minimal while electricity is consumed during daily business operations in our offices through the use of indoor lighting, air-conditioning, functioning of office equipment, functioning of equipment relating to repair and maintenance, etc. As mentioned in Section A.1, the Group has established energy saving procedures that are in place to help reduce the Groups's use of resources.

We encourage the employees to reduce the use of paper by accessing the necessity of printing and where appropriate, using duplex printing and reprinting on single-sided printed paper. The Group also encourages electronic communication where advertisements and promotional materials are made in electronic form and delivered to customers via "WeChat".

The Group engages third parties for collection and handling of waste paper. The Group did not generate any hazardous waste and we are committed to reducing our paper consumption and waste.

The Company has covered some of the resources conservation guidelines in the employees' handbook and requested every employee to save water and electricity. In addition, the Company has implemented a number of specific measures to conserve resources, such as:

- Recycling and reusing old computer accessories and electrical appliances;
- Replacing disposable batteries with rechargeable ones;
- Setting up recycling stations to encourage our employees to recycle waste papers, toner cartridges, rechargeable batteries, light bulbs and fluorescent tubes, etc;
- Installing inductive faucets and hand dryers in the toilets;
- Using daylight whenever possible and installing energy efficient lighting in the office;
- Encouraging our employees to communicate electronically (e.g. by email) to reduce paper consumption;
- Encouraging our employees to use methods such as electronic scanning or electronic fax to reduce photocopying;
- Promoting two-sided printing of documents, and posting labels on all printers and copiers to remind employees to reduce paper consumption;



## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

- Replacing plastic bags for office waste less frequently; and
- Actively implementing 3R initiatives of “reduce, reuse and recycle” in the ordinary course of business.

### A.3 Environment and natural resources

This aspect is not applicable to the Group’s operations, as the Group’s environmental impact and use of natural resources is minimal.

#### 2017 Key Performance Indicators

These tables present a quantitative overview of our 2017 environmental aspect performance.

A.1. Emission – GHG		Units	2017
<b>Total GHG emission</b>	tonnes		<b>190</b>
<b>Total GHG emission per floor area</b>	tonnes/m2		<b>0.0866</b>
<b>GHG emission for air travel per number of air travel</b>	tonnes/no. of air travel		<b>0.1059</b>
<b>Indirect emission</b>			
Electricity	tonnes		<b>120</b>
Air travel	tonnes		<b>63</b>
Paper consumption	tonnes		<b>7</b>
A.2. Use of resources		Units	2017
<b>Total energy consumption</b>			<b>135,552</b>
<b>Total energy consumption per floor area</b>	kWh/m2		<b>61.8733</b>
<b>Total paper consumption</b>	kilograms		<b>1,492</b>
<b>Total paper consumption per floor area</b>	kilograms/m2		<b>0.6812</b>
<b>Total water consumption</b>	Gallons		<b>1,473</b>
<b>Total water consumption per floor area</b>	Gallons/m2		<b>0.7347</b>

#### Notes to KPIs:

1. The above KPIs are calculated based on the Hong Kong and Shenzhen offices’ data which are the key operation sites of the Group.
2. The indirect greenhouse gas, carbon dioxide is calculated based on Hong Kong and Shenzhen offices’ electricity usage and business travel. Figures are calculated based on the offices’ electricity usage, the flying distance and frequency of business travels of all staff in Hong Kong and Shenzhen offices.
3. Water usage of Hong Kong office is not included as the water supply is shared with other tenants in the building.

## B. SOCIAL COMMITMENT

The Group recognises its employees as key stakeholders of its business, and the most valuable assets. The Group provides competitive employee compensation and benefits and comprehensive training programs to encourage our employees to achieve their potential and put their abilities to good use.

### B.1 Employment and Labour Practices

The Company is committed to promoting fair and ethical labor policies. The Company has complied with the provisions of the relevant laws and regulations, including the Labor Law of the PRC and the Social Insurance Law of the PRC. The Company has developed the relevant human resources system and compiled an employees' handbook in relation to induction, probation, formal employment, exit procedures, attendance and vacation, remuneration and benefits, performance, rewards and punishments, training and development, employees' code of conduct, integrity, self-discipline, communication and complaints, and has clearly communicated these guidelines with all employees. The Group is committed in providing a workplace free from discrimination and harassment in any form and providing equal opportunities for all employees. The Group does not tolerate sexual harassment or any other form of harassment or abuse in the workplace. The Group has also established the principle of equality and non-discrimination in order to maintain an equal working environment.

The Group has adopted a "Staff Handbook" and a "Human Resources Policy" which contain information regarding employment, rights on termination, business conduct, social security funds, compensation, employee benefits, leave benefits, working hours/overtime and performance benefits to ensure all the process complies with the Labour Law of the PRC and the Employment Ordinance (Cap. 57 of the Laws of Hong Kong).

The Group has complied with all relevant labour and employment laws and regulations in the reporting period. A whistle blowing channel has been in place for our employees to raise any concerns in good faith without any fear of receiving any negative impacts. In addition to the general benefits such as social insurance (e.g. endowment insurance, medical insurance, work-related injury insurance, unemployment insurance, childbirth insurance), housing provident fund and annual leave benefits, the Group also provides additional supplementary benefits, including:

1. Festive occasion benefit (monetary benefits for all statutory holidays, birthday, marriage, childbirth)
2. Medical care benefits (employees are entitled to have an annual body check package)
3. Incentive initiatives (incentive activities are organised regularly to praise well performed employees)
4. Other benefits (compassionate leave and allowance)

The Company pays staff compensation fairly and reasonably according to their performance and contributions to the Company as well as the operational conditions of the Company. The Group determined its remuneration of employees with reference to the market conditions, individual employee's qualifications and professional skills, industry experience and salaries offered by comparable companies. The Group gives year-end bonuses to employees based on individual performance in recognition of their contributions.

During the reporting period, the Company had no material non-compliance incidents in relation to labor practices.

### B.2 Health and Safety

The Company attaches importance to the protection of employees' rights and interests, a safety working environment and health protection, and places great emphasis on vocational skills training and safety training. The Group is committed to provide a safe workplace for its employees. The Group has established an "Employee Code of Conduct" and an "Occupational Safety Policy" to ask employees to follow all safety rules and regulations while working in offices and maintained a healthy and safe workplace. Furthermore, apart from creating a safe workplace, the Group advocates work-life balance and organise different social activities for them. In addition, the Group provides its employees with comprehensive health care coverage and also other non-medical insurance coverage and child benefits.

The Group was not notified of any violation regarding health and safety laws and regulations of Hong Kong during the reporting period.

### B.3 Development and Training

The Group has established a "Training Management Policy" as a policy and procedures on development and training. To encourage employee development, the Group provides internal trainings, including customised training courses, to help equip different level of employees with the knowledge and relevant skills to help them develop the knowledge and other professional skills. New employees are provided with on-board orientation trainings to help them familiarise themselves with the Group's culture, structure and work requirement. Moreover, technical training is provided for front line staff which aims to enrich their knowledge related to the Group's business and services. Each employee is required to attend a minimum of 12 hours training courses annually.

For the management, a leadership training programme is provided to help them develop leadership and decision making skills. For financial staff, we have provided training courses relating to corporate governance, new accounting standard for revenue and the taxation of High and New Tech Enterprises. Also, we have provided taxation management trainings to the non-financial staff.

The Group annually evaluates the training needs of its employees to ensure that employees are offered with suitable and appropriate training according to their job nature and position.

### B.4 Labour Standards

All employees are made aware of the Group's employment policies and guidelines, which are in compliance with the relevant laws and regulations. The Group has committed to maintaining a work environment that is free of discrimination and all employees are treated fairly regardless of age, marital status, pregnancy, race and religion. We strictly comply with the relevant PRC and Hong Kong labour regulations relating to working hours, rest and holidays to ensure the physical and mental health of all employees. Employees are not encouraged to work beyond working hours and are entitled to overtime pay in accordance with the local regulations.

During the reporting period, the Group has complied with all relevant labour standards. The Group has not been notified of any violation regarding the age of employment or labour dispute.

### **B.5 Supply Chain Management**

The Group only has very few suppliers due to its business nature. The Group has selected a list of suppliers for office and computer equipment, stationary and promotion activities gifts. The Group has set up a “Procurement Policy” to select reliable suppliers and service providers to support its business operation. The Group takes into account the suppliers’ reputation and their track records when selecting them to ensure purchased items are complied with the national standard.

In relation to the risk management of the internet financial service platform, the Group’s responsible team screens and monitors the lenders and borrowers who use the platform. It also performs Know-Your Customer (“KYC”) procedure to access the background and sources of fund of both lenders and borrowers, ensuring the best match between the lenders and borrowers. During the reporting period, the platform did not experience any delinquency, attributed to constant risk management screening, monitoring and the maintenance of high quality and reliable users within the platform.

### **B.6 Product Responsibility**

#### **Financial Consultation Services**

The Group provides customers with convenient and quick access to short-term finance as well as financial consultation services to meet the customer’s financial needs. We have put in place specific procedures in ensuring the quality of the services and products provided. The financial services or products provided to customers are tailored to their financial background, trading experience and risk tolerant level after performing the KYC procedures and assessment. The Group is committed to provide clear information to customers including product details, terms and conditions (such as loan repayment period, administration fee, interest rate, etc.) and any associated risks are communicated to enable customers to make an informed decision. Moreover, the Group has set standards for advertising and sales literature which require information contained in all advertising and sales literature to be true and prohibit the use of false, misleading or inaccurate statements in any form of our communication.

For financial consultation services to trust companies, the Group introduces borrowers with substantial assets (including listed and unlisted shares) to trust companies for setting up their trust funds. In addition to introducing borrowers to the trust companies, the Group also perform due diligence on borrowers by conducting feasibility studies on the background and the financial condition for the trust companies. The Group also devises financing plans for the borrowers, including the cost, duration and size of the proposed trust fund. The Group also liaises with banks regarding the sale of the trust funds after agreements are signed between the trust companies and the borrowers.

### **Investment in Property Development Projects**

The Group provides tailored financial services to customers of the real estate developers and reached strategic cooperation with a number of well-known property developers. The Group recognises the importance of the process in collaborating with new business partners, in particular property developers in housing who have significant impact on the society. We have taken stringent procedures in evaluating the reputation and ethics of potential business partners when deciding to work with those partners.

The Group practices a set of principles when accepting new business partners. The Group seeks to work with companies that are environmentally conscious and make efforts to reduce energy use, waste and pollution. The Group looks for socially responsible companies that work with high-quality suppliers that hold high ethical standards, that surpass customers' expectation, interact with the government and regulators with integrity, and make good operation decisions to maximise positive effects, and minimise negative effects to the community, and also make charitable contributions and provide supports to the community. The Group evaluates these companies and is concerned with their transparency and accountability, their corporate governance and how they are behaving with respect to environmental, social and workers' rights.

### **Protection of Customer's Data**

The Group handles significant amount of personal data and credit information of customers. It has implemented rigorous policy and procedures to ensure confidentiality and privacy when collecting, processing and using customers' data. The Group has established a "Customer's Data Confidential Policy" as a guideline of handling customer's data. As specified in the "Staff Handbook", the Group's employees are required to sign a confidentiality agreement acknowledging receipt and agreement of their obligation and responsibility regarding protection and non-disclosure of customer data. Also, access to confidential information or documents is restricted and granted on a need-to-know basis. During the reporting period, the Group has not received any complaints from customers related to breach of the confidentiality of personal information.

### **Handling of Complaints**

The Group has established policies and procedures for the handling of complaints. The Group's Customer Service Department is responsible for reviewing all complaints, collecting evidence and providing advice and comments for general complaints. Specific or complicated complaints are passed to the relevant department head for further special handling. The Group provides an initial response upon the receipt of all complaints and follow up accordingly.

During the reporting period, the Group has not been notified of any violation of law regarding product or services responsibility.



### B.7 Anti-Corruption and Anti-Money Laundering

The Group is committed to maintaining the ethics and integrity throughout its operations and does not tolerate corruption or bribery in any form, and the Company has strictly complied with “The Anti-Money Laundering Law of the People’s Republic of China”, “The Administrative Measures for the Financial Institutions Report of Large-sum Transactions and Doubtful Transactions”, “The Guiding Opinions on the Internal Control of Securities Investment Fund Sales Institutions”, “The Measures on the Administration of Client Identity Identification and Materials and Transaction Recording of Financial Institutions”, “The Administrative Measures for Financial Institutions Report of Transactions Suspected of Financing for Terrorist Purposes” and other relevant laws and regulations relating to anticorruption, bribery, extortion, fraudulent behaviour and money-laundering in the reporting period.

The Group has established an “Anti-Money Laundering Policy” and “Anti-Corruption Policy” with reference to the above laws and regulations which require its business department officers to fully understand the background of potential customers through documentation and communication in accordance with relevant internal guidelines before doing business with them.

The Group’s risk management department also gathers information on our existing customer’s use of proceeds, the source of funding for repayment, the operating condition of our customers, from time to time in obtaining their updated status and promptly reports any abnormal situation for the purpose of risk management.

The Group has included in the “Staff Handbook” a whistle-blowing policy and promotes integrity and prevents unethical conducts. Employees are also required to sign a statement of acknowledgement and agreement to their obligation and responsibility regarding to anti-corruption and anti-money laundering policies to ensure that all staff have been notified that no bribery, extortion, fraud or money laundering would be tolerated. The Group encourages the reporting of suspected business irregularities and provides clear channels specifically for this purpose. The Company is committed to creating a corporate culture of integrity and justice by accepting internal complaints and whistleblowing. All employees may directly contact the Human Resources Department and the senior management in charge of such matters for lodging a complaint or whistleblowing. The current whistleblowing procedures of the Company include direct mails to the senior management of the Company for reporting any misconduct or dishonest activities such as suspected corruption, fraud and other forms of crime. The Group is committed to adhering to the highest integrity and ethical standards.

### B.8 Community Investment

The Group is actively involved in community and public welfare activities and we serve the community and contribute to society through a variety of charity and public events. We particularly focus in education and development of young people from under-privileged backgrounds and environments.

In 2017, the Group continues to sponsor 10 underprivileged students in Shaoguan, China and started to organise several service trips in helping those young people living in under privileged backgrounds and environments including Guangxi Guilin city, Shaoguan and Jiangxi Jiujiang. Furthermore, the Group has provided summer internships for high school students which allow them to be more equipped with practical knowledge in the industry.

The Group also participated in a variety of charitable activities including fundraising activities and a charity walk. In addition, the Group is a key member of the Internet Public Welfare Alliance and a launched member of Shenzhen Internet Finance Charity Alliance in the 4th Shenzhen Internet Finance Forum.

In the coming year, the Group will continue to uphold the principle of being responsible to its customers, employees, business partners, shareholders and the society, and will seek further opportunities to develop a harmonious relationship with its stakeholders.

# INDEPENDENT AUDITOR'S REPORT



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## TO THE SHAREHOLDERS OF FLYING FINANCIAL SERVICE HOLDINGS LIMITED

*(Incorporated in the Cayman Islands with limited liability)*

### OPINION

We have audited the consolidated financial statements of Flying Financial Service Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 70 to 143, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of the most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS (Continued)

#### Internal control weaknesses

During the course of our audit of the consolidated financial statements of the Group for the year ended 31 December 2017, a member of the senior management of the Group reported to us certain bank transactions he regarded as irregular. Whilst performing procedures on these bank transactions, we discovered that certain bank statements of certain bank accounts of a bank of the Company in Hong Kong had been tampered with, resulting in discrepancies between certain bank transactions shown on the bank statements kept by the Company and the bank transactions shown on the corresponding duplicate bank statements obtained directly from the bank (the "Discrepancies"). The Discrepancies in the bank statements indicated internal control weaknesses within the cash and bank management operations of the Group.

#### Our response:

Our key procedures in relation to the internal control weaknesses and their potential accounting impacts on the consolidated financial statements of the Group included:

- Reporting and discussing with the audit committee of the Company (the "Audit Committee") the Discrepancies and their potential accounting impacts on the Group;
- Re-assessing the risks of material misstatements at the financial statement level and redesigning the audit strategies;
- Performing additional substantive audit procedures, in particular on selective bank transactions in Hong Kong;
- Reviewing the results and recommendations of the reports issued by the independent professional parties engaged by the Company to perform special engagements to: (1) review and report on the internal control system of the cash and bank management operations in Hong Kong; and (2) look into the Discrepancies and assess the potential accounting impacts on the Group (collectively the "Independent Reports"); and
- Obtaining approval by the Audit Committee on acceptance of the Independent Reports, in particular, on management's remedial actions taken and/or to be taken to rectify the identified internal control weaknesses.

#### Classification, measurement and impairment of available-for-sale investments

##### Refer to note 21 to the consolidated financial statements

The Group had available-for-sale investments of approximately RMB635,213,000 as at 31 December 2017 which included investments in several limited partnerships (the "Limited Partnerships") in the People's Republic of China (the "PRC") in the total amount of approximately RMB533,789,000. Classification, measurement and impairment of available-for-sale investments is identified as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of judgement exercised by management.

The Group acted as a limited partner in the Limited Partnerships and made capital contributions in the range of RMB6 million to RMB60 million as at ended 31 December 2017. Each contribution represents 1% to 11% of the total contribution of the corresponding limited partnerships.

The Group does not have any control over the Limited Partnerships as the Group has made a declaration to give up its voting rights in these entities.

## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS (Continued)

#### Classification, measurement and impairment of available-for-sale investments (Continued)

Management of the Group has concluded that investments in the Limited Partnerships are classified as available-for-sale equity instrument investments. The investments are recognised at cost less impairment if the fair value of the investments cannot be measured reliably.

When there is objective evidence of impairment on the above available-for-sale investments, the amount of the impairment loss is measured as the difference between the carrying amount of the available-for-sale investments and the present value of the estimated future cash flows discounted at the current rate of return for similar financial assets. Management of the Group has exercised its judgement to ensure the appropriateness of the estimates or assumptions, and concluded that no impairment is required.

#### Our response:

Our key procedures in relation to management's assessment of the classification, measurement and impairment of the available-for-sale investments included:

- Evaluating management's preliminary classification assessment;
- Assessing the terms and conditions of the Limited Partnerships' agreements;
- Assessing the board minutes of the Limited Partnerships;
- Verifying the contributions to the Limited Partnerships made by the Group;
- Obtaining an understanding of the impairment assessment processes carried out by management; and
- Assessing if any there are any impairment indicators in investments in the Limited Partnerships, and if impairment provision is required.

#### Impairment testing of goodwill and intangible assets

##### Refer to note 17 and note 18 to the consolidated financial statements

As at 31 December 2017, the carrying amount of the goodwill and intangible assets of the Group were approximately RMB48,316,000 and RMB25,588,000, respectively, which mainly arose from the Group's acquisition of Profit Success Technology Limited and its subsidiaries ("Profit Success Group") for a consideration of RMB70,500,000 in 2015.

Profit Success Group continued to generate profit during the year. Management concluded that there is no impairment on the goodwill and intangible assets based on the recoverable amount of the cash-generating unit ("CGU") which in turn has been determined by a value-in-use calculation based on cash flow projections from formally approved budget covering a five-year period. The preparation of cash flow projections requires significant management judgement with respect to the assumptions underlying the projected cash flows, in particular on the discount rate and future revenue growth.

#### Our response:

Our key procedures in relation to management's impairment assessment included:

- Assessing the valuation methodology;
- Challenging the reasonableness of the key assumptions based on our knowledge of the business and industry; and
- Reconciling input data to supporting evidence, such as approved budgets, and considering the reasonableness of these budgets.



## INDEPENDENT AUDITOR'S REPORT

### OTHER INFORMATION IN THE ANNUAL REPORT

The Directors of the Company (the "Directors") are responsible for the other information. The other information comprises all the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

### DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from any material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Group's financial reporting process. The Audit Committee assists the Directors in discharging their responsibility in this regard.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSA's, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## INDEPENDENT AUDITOR'S REPORT

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of the most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless any law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **BDO Limited**

*Certified Public Accountants*

#### **Alfred Lee**

Practising Certificate Number P04960

Hong Kong, 29 March 2018

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
Revenue	7	384,604	289,162
Other income/(expense), net	8	643	2,668
Employee benefit expenses	10	(59,141)	(48,058)
Administrative expenses		(79,017)	(78,992)
Equity-settled share-based payments	30	(7,248)	(21,009)
Share of results of joint ventures	19	868	(661)
Finance costs	9	(16,890)	(7,790)
Profit before income tax expense	10	223,819	135,320
Income tax expense	12	(70,961)	(31,886)
<b>Profit for the year</b>		<b>152,858</b>	<b>103,434</b>
<b>Other comprehensive income</b>			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences on translating foreign operations		(2,870)	3,972
– Change in fair value available-for-sale financial assets		810	–
<b>Total comprehensive income for the year</b>		<b>150,798</b>	<b>107,406</b>
<b>Profit for the year attributable to:</b>			
Owners of the Company		152,762	101,323
Non-controlling interests		96	2,111
		<b>152,858</b>	<b>103,434</b>
<b>Total comprehensive income for the year attributable to:</b>			
Owners of the Company		150,702	105,295
Non-controlling interests		96	2,111
		<b>150,798</b>	<b>107,406</b>
<b>Earnings per share</b>	13		
– Basic (RMB cents)		8.82	6.17
– Diluted (RMB cents)		8.82	6.17

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	15	6,002	6,283
Investment properties	16	46,400	44,491
Goodwill	17	48,316	48,316
Intangible assets	18	25,588	28,890
Interests in joint ventures	19	497	19,339
Held-to-maturity investment	20	6,519	12,245
Available-for-sale investments	21	635,213	459,028
Loans and accounts receivables	22	21,844	40,020
		<b>790,379</b>	658,612
<b>Current assets</b>			
Held-to-maturity investment	20	5,726	5,086
Loans and accounts receivables	22	182,017	217,625
Deposits paid, prepayments and other receivables	23	43,730	49,277
Amount due from a shareholder	24	7,562	3,787
Amount due from a non-controlling interest	24	1	1
Amount due from a joint venture	24	11,400	11,421
Tax recoverable		7,438	7,671
Cash and cash equivalents	25	77,912	34,689
		<b>335,786</b>	329,557
<b>Current liabilities</b>			
Receipts in advance, accruals and other payables	26	50,848	41,408
Dividend payable		81	149
Bank borrowing	27	2,154	2,693
Convertible bonds	28	92,438	87,807
Current tax liabilities		49,826	46,859
		<b>195,347</b>	178,916
<b>Net current assets</b>		<b>140,439</b>	150,641
<b>Total assets less current liabilities</b>		<b>930,818</b>	809,253
<b>Non-current liabilities</b>			
Receipts in advance, accruals and other payables	26	7,214	11,672
Bank borrowing	27	16,514	18,668
Deferred tax liabilities	12	6,397	7,222
		<b>30,125</b>	37,562
<b>NET ASSETS</b>		<b>900,693</b>	771,691

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2017

	Notes	2017 RMB'000	2016 RMB'000
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	29	142,004	142,004
Reserves	32(a)	687,826	574,216
Proposed dividend		29,313	15,352
		<b>859,143</b>	731,572
<b>Non-controlling interests</b>	34	<b>41,550</b>	40,119
<b>TOTAL EQUITY</b>		<b>900,693</b>	771,691

On behalf of the Board

**Zheng Weijing**  
Director

**Zhang Gongjun**  
Director



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company											Non-controlling interests	Total
	Share capital	Share premium	Merger reserve	Statutory reserve	Exchange reserve	Share option reserve	Convertible bonds equity	Available-for-sale financial assets reserve	Retained earnings	Dividend proposed	Total		
	RMB'000	(note 32(c)(i)) RMB'000	(note 32(c)(ii)) RMB'000	(note 32(c)(iii)) RMB'000	(note 32(c)(iv)) RMB'000	(note 32(c)(v)) RMB'000	(note 32(c)(vi)) RMB'000	(note 32(c)(viii)) RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2016	124,827	147,160	116,659	19,217	(1,277)	1,445	-	-	43,914	-	451,945	38,008	489,953
Profit for the year	-	-	-	-	-	-	-	-	101,323	-	101,323	2,111	103,434
Exchange differences on translating foreign operation	-	-	-	-	3,972	-	-	-	-	-	3,972	-	3,972
Total comprehensive income for the year	-	-	-	-	3,972	-	-	-	101,323	-	105,295	2,111	107,406
2016 interim dividend paid (note 14)	-	(14,887)	-	-	-	-	-	-	-	-	(14,887)	-	(14,887)
2016 proposed final dividend (note 14)	-	(15,352)	-	-	-	-	-	-	-	15,352	-	-	-
Subscription of new shares (note 29(a))	17,126	144,712	-	-	-	-	-	-	-	-	161,838	-	161,838
Share issue costs	-	(188)	-	-	-	-	-	-	-	-	(188)	-	(188)
Exercise of share options	51	748	-	-	-	(262)	-	-	-	-	537	-	537
Equity settled share-based transactions (note 30)	-	-	-	-	-	21,716	-	-	-	-	21,716	-	21,716
Share options lapsed (note 30)	-	-	-	-	-	(1,212)	-	-	1,212	-	-	-	-
Issue of convertible bonds (note 28)	-	-	-	-	-	-	5,316	-	-	-	5,316	-	5,316
Transfer to statutory reserve	-	-	-	9,814	-	-	-	-	(9,814)	-	-	-	-
Balance at 31 December 2016 and 1 January 2017	142,004	262,193	116,659	29,031	2,695	21,687	5,316	-	136,635	15,352	731,572	40,119	771,691
Profit for the year	-	-	-	-	-	-	-	-	152,762	-	152,762	96	152,858
Exchange differences on translating foreign operation	-	-	-	-	(2,870)	-	-	-	-	-	(2,870)	-	(2,870)
Unrealised fair value gain on available-for-sale investment (note 21(b))	-	-	-	-	-	-	-	810	-	-	810	-	810
Total comprehensive income for the year	-	-	-	-	(2,870)	-	-	810	152,762	-	150,702	96	150,798
2016 final dividend paid (note 14)	-	-	-	-	-	-	-	-	-	(15,352)	(15,352)	-	(15,352)
2017 interim dividend paid (note 14)	-	(15,027)	-	-	-	-	-	-	-	-	(15,027)	-	(15,027)
2017 proposed final dividend (note 14)	-	(29,313)	-	-	-	-	-	-	-	29,313	-	-	-
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	1,335	1,335
Equity settled share-based transactions (note 30)	-	-	-	-	-	7,248	-	-	-	-	7,248	-	7,248
Share options lapsed (note 30)	-	-	-	-	-	(1,568)	-	-	1,568	-	-	-	-
Transfer to statutory reserve	-	-	-	19,017	-	-	-	-	(19,017)	-	-	-	-
Balance at 31 December 2017	142,004	217,853	116,659	48,048	(175)	27,367	5,316	810	271,948	29,313	859,143	41,550	900,693

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
<b>Cash flows from operating activities</b>		
Profit before income tax expense	223,819	135,320
Adjustments for:		
Bank interest income	(134)	(361)
Interest income from investments	(1,498)	(2,068)
Bad debts – loans and accounts receivables written off	–	38
Interest expenses	16,890	7,790
Depreciation of property, plant and equipment	2,459	2,597
Amortisation of intangible assets	3,302	3,302
Fair value gain on investment properties	(1,909)	–
Impairment of loans and accounts receivables	3,074	–
Gain on deemed disposal of a joint venture	(254)	–
Equity-settled share-based payments	7,248	21,009
Share of results of joint ventures	(868)	661
Operating profit before working capital changes	252,129	168,288
Decrease/(increase) in loans and accounts receivables	50,710	(179,138)
Decrease in deposits, prepayments and other receivables	6,914	37,221
Increase in receipts in advance, accruals and other payables	4,971	37,326
Cash generated from operations	314,724	63,697
Income taxes paid	(69,006)	(4,006)
Net cash generated from operating activities	245,718	59,691

## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	2017 RMB'000	2016 RMB'000
<b>Cash flows from investing activities</b>		
Increase in amount due from a shareholder	(3,775)	(984)
Proceeds from held-to-maturity investment	6,584	-
Increase in amounts due from joint ventures	-	(11,421)
Investment in a joint venture	-	(20,000)
Purchases of property, plant and equipment	(2,180)	(1,507)
Purchases of investment properties	-	(43,195)
Investments in available-for-sale investments	(142,789)	(361,028)
Proceeds from sale of available-for-sale investment	17,378	-
Acquisition of interest of a joint venture	(30,000)	-
Interest received	134	361
<b>Net cash used in investing activities</b>	<b>(154,648)</b>	<b>(437,774)</b>
<b>Cash flows from financing activities</b>		
Proceeds from subscription of new shares	-	161,838
Share issue costs	-	(188)
Proceeds from exercise of share options	-	537
Proceeds from issue of convertible bonds	-	86,594
Proceeds from borrowings	-	37,041
Repayment of borrowings	(2,693)	(15,680)
Interest paid	(7,184)	(4,120)
Dividend paid to shareholders	(30,345)	(14,776)
<b>Net cash (used in)/generated from financing activities</b>	<b>(40,222)</b>	<b>251,246</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>50,848</b>	<b>(126,837)</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>34,689</b>	<b>154,507</b>
Effect of foreign exchange rates, net	(7,625)	7,019
<b>Cash and cash equivalents at end of the year</b>	<b>77,912</b>	<b>34,689</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

## 1. GENERAL

Flying Financial Service Holdings Limited (the “Company”) is an exempted company with limited liability incorporated in the Cayman Islands on 4 May 2011. The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, the Cayman Islands. The principal place of business of the Company is located at Room 801A and 807B, 8/F., Tsim Sha Tsui Centre, 66 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong. The Company’s shares have been listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) since 7 May 2012.

The Group, comprising the Company and its subsidiaries, currently engages in investment in property development projects, operation of financial services platform, provision of entrusted loan, pawn loan and other loan services, financial consultation services, and finance lease and factoring services mainly in the People’s Republic of China (the “PRC”). The Company acts as an investment holding company. The principal activities of its subsidiaries are set out in note 33.

In the opinion of the directors of the Company, the immediate and ultimate holding company of the Company is Ming Cheng Investments Limited, a limited liability company incorporated in the British Virgin Islands (“the BVI”).

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

### (a) Adoption of new/revised HKFRSs – effective 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.

The adoption of the amendments has led to the additional disclosure presented in the note to the consolidated statement of cash flows, note 37. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 32, the application of these amendments has had no impact on the Group’s consolidated financial statements.

#### 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 at 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 has previously recognised deferred tax assets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

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

(Continued)

#### (a) Adoption of new/revised HKFRSs – effective 1 January 2017 (Continued)

##### Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12 “Disclosure of Interests in Other Entities” to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity’s interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, “Non-Current Assets Held for Sale and Discontinued Operations”.

The adoption of the amendments to HKFRS 12 has no impact on these financial statements as the latter treatment is consistent with the manner in which the Group has previously dealt with disclosures relating to its interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5.

#### (b) New/revised HKFRSs that have been issued but are 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.

Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures <sup>1</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions <sup>1</sup>
HKFRS 9	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) <sup>1</sup>
Amendments to HKAS 40	Transfers of Investment Property <sup>1</sup>
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
HKFRS 16	Leases <sup>2</sup>
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
HKFRS(Amendments)	Annual Improvement to HKFRSs 2015-2017 Cycle <sup>2</sup>
HKAS 28 (Amendment)	Investments in associates and joint ventures <sup>1</sup>

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 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 of the amendments continues to be permitted.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

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

(Continued)

#### (b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

##### **Annual Improvements to HKFRSs 2014-2016 Cycle – Amendments to HKAS 28, Investments in Associates and Joint Ventures**

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28 “Investments in Associates and Joint Ventures” clarifying that a Venture Capital organization’s permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The Directors anticipate that the application of the amendments will have no material impact on the consolidated financial statements in the foreseeable future.

##### **Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions**

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Directors anticipate that the application of the amendments will have no material impact on the consolidated financial statements in the foreseeable future.

##### **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 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.

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

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

(Continued)

#### (b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

##### **HKFRS 9 – Financial Instruments** (Continued)

Based on the Group’s financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement:

- Loans and accounts receivable carried at amortised cost as disclosed in note 22 are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9.
- Debt instrument classified as held-to-maturity investment carried at amortised cost and available-for-sale investment (“AFS”) at fair value, as disclosed in note 20 and note 21, respectively, which is held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Such investment shall be measured at amortised cost upon the application of the HKFRS 9. Alternatively, when the investment is held within a business model whose objective is to hold to collect and sell that are solely payment of principal and interest on the principal outstandings. Such investment shall be measured at FVTOCL upon the application of HKFRS 9.
- Equity security investments classified as AFS carried at cost less impairment as disclosed in note 21 classified as either FVTPL or irrevocably elect to designate as FVTOCI (without recycling) on transition to HKFRS 9. The Group has not yet decided whether it will irrevocably designate these investments as FVTOCI or classify them as FVTPL. Either classification would give rise to a change in accounting policy as currently the Group recognises the fair value changes of AFS equity security in other comprehensive income until disposal or impairment, when gains or losses are recycled to profit or loss in accordance with the Group’s policies set out in note 4(h). This change in policy will have no impact on the Group’s net assets and total comprehensive income but will impact on reported performance amounts such as profit and earnings per share.
- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment:

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group’s financial assets measured at amortised cost and other items that are subject to the impairment provisions upon application of HKFRS 9 by the Group. However, management expects the effect would not be significant.

##### **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.

The Directors anticipate that the application of the amendments will have no material impact on the consolidated financial statements in the foreseeable future.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

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

(Continued)

#### (b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

##### **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-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to 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 Group provides various types of financial services. Revenue under the scope of HKFRS 15 comprise primarily financial consultation service income which is arising from investment in property development projects, financial platform service and loan services, and platform services income which is arising from operation of financial services platform in the PRC.

The Directors intend to use the cumulative effect method of transition to HKFRS 15. Under the cumulative effect method, the Group can apply the standard only from the date of initial application (i.e. 1 January 2018). The Group is not required to adjust prior year comparatives and do not need to consider contracts that have completed prior to the date of initial application. Broadly, the figures reported from the date of initial application will be the same as if the standard had always been applied, but figures for comparative periods will remain on the previous basis. The Group has assessed the impact of HKFRS 15 and expects that application of the standard will have no significant impact, when applied, on the Group’s consolidated financial statements. However, the application of HKFRS 15 may result in more disclosures in the consolidated financial statements.

##### **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.

The Directors anticipate that the application of the amendments will have no material impact on the consolidated financial statements in the foreseeable future.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

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

(Continued)

#### (b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

##### **Amendments to HKAS 40, Investment Property – Transfers of Investment Property**

The amendments clarify that to transfer to or from investment properties there must be a change in use and provides guidance on making this determination. The clarification states that a change of use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

The Directors anticipate that the application of the amendments will have no material impact on the consolidated financial statements in the foreseeable future.

##### **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 Interpretations 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.

The Directors anticipate that the application of the amendments will have no material impact on the consolidated financial statements in the foreseeable future.

##### **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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

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

(Continued)

#### (b) New/revised HKFRSs that have been issued but are not yet effective (Continued)

##### **HKFRS 16 – Leases** (Continued)

The standard will affect primarily the accounting for the Group operating leases. As at 31 December 2017, the Group had non-cancellable operating lease commitments of approximately RMB3,709,000 as set out in note 35 to the consolidated financial statements. The interest expense on the lease liability and the depreciation expense on the right-of-use asset under HKFRS 16 will replace the rental charge under HKAS 17. The operating lease commitments as shown in off-balance sheet item will be replaced by “right-of-use asset” and “lease liability” in the consolidated statement of financial position of the Group. Other than the above, the Group does not anticipate that the application of this standard will have material impact on the consolidated financial statements of the Group.

The standard will become mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

##### **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.

The Directors anticipate that the application of the amendments will have no material impact on the consolidated financial statements in the foreseeable future.

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

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors’ interests in the joint venture or associate.

The Directors anticipate that the application of the amendments will have no material impact on the consolidated financial statements in the foreseeable future.

In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the Directors complete a detailed review.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 3. BASIS OF PREPARATION

#### (a) Statement of compliance

The consolidated 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 consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Hong Kong Stock Exchange.

#### (b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis, except for investment properties and certain financial assets and financial liabilities, which are measured at fair values as explained in the accounting policies set out below.

#### (c) Functional and presentation currency

The functional currency of the Company is Hong Kong Dollar ("HK\$"). The consolidated financial statements are presented in Renminbi ("RMB") since most of the companies comprising the Group are operating in RMB environment and the functional currency of most of the companies comprising the Group is RMB.

### 4. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between companies of the Group together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Except for those acquisitions which qualify as common control combination, which are accounted for using merger accounting, acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (a) Business combination and basis of consolidation (Continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

#### (b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: (1) power over the investee, (2) exposure, or rights, to variable returns from the investee, and (3) the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

#### (c) Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- Joint ventures: where the Group has rights to only the net assets of the joint arrangement; or
- Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (c) Joint arrangements (Continued)

The Group accounts for its interests in joint ventures for using equity method whereby they are initially recognised at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the joint venture's net assets except that losses in excess of the Group's interest in the joint ventures are not recognised unless there is an obligation to make good those losses.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

#### (d) Goodwill

Goodwill is initially recognised at cost being the excess of the aggregate of consideration transferred and the amount recognised for non-controlling interests over the fair value of identifiable assets, liabilities and contingent liabilities acquired.

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquired asset and the acquisition date fair value of the acquirer's previously held equity interest in the acquired asset, the excess is recognised in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 4(n)) and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. Any impairment loss for goodwill is recognised in profit or loss and is not reversed in subsequent periods.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost or valuation net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Office buildings	The shorter of the lease terms or 20 years
Leasehold improvements	Over the leases term but not exceeding 5 years
Furniture, fixtures and office equipment	3 years to 5 years
Motor vehicle	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

#### (f) Investment properties

Investment properties are properties held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (g) Intangible assets (other than goodwill)

##### (i) Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in administrative expense.

Customers relationship

10 years

##### (ii) Impairment

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that they may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4(n)).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior year.

#### (h) Financial instruments

##### (i) Financial assets

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (h) Financial instruments (Continued)

##### (i) Financial assets (Continued)

###### *Loans and receivables*

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

###### *Held-to-maturity investments*

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses.

###### *Available-for-sale investments*

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses.

##### (ii) Impairment loss on financial assets

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty; or
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (h) Financial instruments (Continued)

##### (ii) Impairment loss on financial assets (Continued)

*For loans and receivables or held-to-maturity investments*

An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial assets is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

*For available-for-sale investments*

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

Any impairment losses on available-for-sale debt investments are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

For available-for-sale equity investments, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

For available-for-sale equity investment that is carried at cost, the amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss is not reversed.

##### (iii) Financial liabilities

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised cost are initially measured at fair value, net of directly attributable costs incurred.

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (h) Financial instruments (Continued)

##### (iii) Financial liabilities (Continued)

###### *Financial liabilities at fair value through profit or loss (Continued)*

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

###### *Financial liabilities at amortised cost*

Financial liabilities at amortised cost (including other payables, borrowings and debt element of convertible bonds issued by the Group) are subsequently measured at amortised cost, using the effective interest method.

The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

##### (iv) Convertible bonds

Convertible bonds issued by the Company that contain both the liability and conversion option components are classified separately into their respective items on initial recognition. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debt. The difference between the proceeds of the issue of the convertible bonds and the fair value assigned to the liability component, representing the conversion option for the holder to convert the loan note into equity, is included in convertible bonds equity reserve.

In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The equity component, represented by the option to convert the liability component into ordinary shares of the Company, will remain in convertible bonds equity reserve until the embedded option is exercised (in which case the balance stated in convertible bonds equity reserve will be transferred to share capital and share premium. Where the option remains unexercised at the expiry dates, the balance stated in convertible bonds equity reserve will be released to the retained earnings. No gain or loss is recognised upon conversion or expiration of the option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (h) Financial instruments (Continued)

##### (v) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

##### (vi) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

##### (vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

#### (i) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for services provided in the normal course of business net of sales related taxes.

Interest income (as the case may be, including the administration fees that are an integral part of the effective interest rate) from financing services (including pawn loan, entrusted loan, factoring loan and other loan services) and financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Consultancy services fee income is recognised using the percentage of completion method. Revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed.

Investment income is recognised when the right to receive the income is established.

Platform services income generated from provision of financial services platform is recognised upon completion of transactions.

For financial lease service income, please refer to note 4(q).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (j) Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 "Investment Property". Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

#### (k) Foreign currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (k) Foreign currency (Continued)

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into RMB. Assets and liabilities have been translated into RMB at the closing rates at the reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of reporting period. Exchange differences arising are recognised in the exchange reserve.

#### (l) Employee benefits

The Group operates a defined contribution retirement benefit scheme ("MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employee's basic salaries.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of employees' salaries to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

#### (m) Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period with a corresponding increase in the employee share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (m) Share-based payments (Continued)

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees and others providing similar services, the fair value of goods or services received is recognised in profit or loss unless the goods or services qualify for recognition as assets. A corresponding increase in equity is recognised. For cash-settled share based payments, a liability is recognised at the fair value of the goods or services received.

#### (n) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- investments in subsidiaries and joint ventures;
- intangible assets.

If the recoverable amount (i.e. the greater of the fair value less costs of disposal and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the impairment loss is treated as a revaluation decrease under the HKFRS.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another HKFRS, in which case the reversal of impairment loss is treated as a revaluation increase under that HKFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit (see note 4(d)), discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (o) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of any qualifying asset which require a substantial period of time to be ready for their intended use or sales, are capitalised as part of the cost of those assets.

Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing cost capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

#### (p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event and it is probable to result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### (q) Leasing

Leases are classified as finance leases whenever the terms of the leaser transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

##### Finance lease as lessor

Amounts due from lessees under finance leases are recorded as finance lease receivables included in “loans and accounts receivables” at the amount of the Group’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group’s net investment outstanding in respect of the leases.

The Group assesses impairment on the finance lease receivables in the same manner as that for loans and accounts receivables in note 4(h)(ii) above.

##### Operating lease as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (r) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
  - (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
  - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a).
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (s) Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of capital are deducted from capital (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

#### (t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

#### (u) Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major operations.

The measurement policies the Group uses for reporting segment results under HKFRS 8 "Operating Segments" are the same as those used in its financial statements prepared under HKFRSs.

### 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION

In the application of the Group's accounting policies, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### (a) Critical judgments in applying accounting policies

##### (i) Held-to-maturity investment

The Group classifies financial assets as held-to-maturity investments when it has a positive intention and ability to hold the investment to maturity. Directors exercise judgment based on the Group's treasury objective and financial risk management policy to determine whether the financial assets are to be classified as held-to-maturity.

##### (ii) Subsidiary

Pursuant to a group reorganisation (the "Reorganisation") carried out by the Group to rationalise the structure of the Group in preparation for the listing of the Company's shares on GEM of the Hong Kong Stock Exchange, the Company became the holding company of the subsidiaries comprising the Group. The contractual arrangements under the Reorganisation ("Contractual Arrangements") enable the Company to exercise control over Guangdong Huijin Pawn Stock Company Limited ("Guangdong Huijin"), a joint-stock limited company incorporated in the PRC.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION

(Continued)

#### (a) Critical judgments in applying accounting policies (Continued)

##### (ii) Subsidiary (Continued)

The Contractual Arrangements were entered into in order for the Group to manage and operate the business of Guangdong Huijin in the PRC, under which Flying Investment Services (Shenzhen) Company Limited (“Flying Investment”) is exposed, has rights, to variable returns from its involvement with Guangdong Huijin. Flying Investment, one of the subsidiaries of the Company, has the ability to affect those returns through its power over Guangdong Huijin, and the variable returns are transferred to Flying Investment by means of management and consultation fees payable by Guangdong Huijin to Flying Investment. Further details of the Contractual Arrangements are set out in the paragraph headed “Structure Agreements” in the prospectus of the Company dated 20 April 2012 in connection with its listing.

Accordingly, Guangdong Huijin is accounted for as a subsidiary as a consequence of the Contractual Agreements. Significant judgments have been exercised by management in assessing and concluding Guangdong Huijin as a subsidiary of the Group.

##### (iii) Income tax

The Group is subject to income and other taxes in a number of jurisdictions. Significant judgment is required in determining the provision for income taxes. Transactions and calculations may exist for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current tax and deferred tax provisions in the period in which such determination is made. In addition, deferred tax assets are recognised for unused tax losses to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

#### (b) The key sources of estimation uncertainty

In addition to information disclosed elsewhere in these financial statements, other key sources of uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

##### (i) Impairment of receivables

The provision policy for doubtful debts of the Group is based on the ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on the management’s judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of customers and related parties. If the financial conditions of the customers and other debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional impairment may be required.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION

(Continued)

#### (b) The key sources of estimation uncertainty (Continued)

##### (ii) Stage of completion of consultancy services

Revenue from consultancy services is recognised according to the percentage of completion of consultancy services. The revenue recognition on an uncompleted consultancy service is dependent on estimating the total work to be performed of the consultancy contract, as well as the work done to date. In order to ensure that the percentage of completion of consultancy services is accurate and up-to-date, management frequently reviews and estimates the progress of the consultancy services rendered based on its past experience and the nature of the consultancy services provided by the Group.

##### (iii) Impairment of intangible assets

The Group assesses whether there are any indicators of impairment for intangible assets at each reporting date. Intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management estimates the expected future cash flows from the asset or cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows.

##### (iv) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

##### (v) Impairment of available-for-sale equity investments

The Directors review available-for-sale equity investments at the end of each reporting period to assess whether they are impaired. Except for the available-for-sales debt security was stated at fair value and the available-for-sale equity investments of the Group was stated at cost because the variability in the range of reasonable fair value estimated was so significant that the Directors are of the opinion that the fair value could not be measured reliably. The amount of impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the current market rate of return for the similar financial assets.

##### (vi) Fair value measurement

The fair value measurement of the Group's financial assets utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy").

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION<sup>(Continued)</sup>

#### (b) The key sources of estimation uncertainty <sup>(Continued)</sup>

##### (vi) Fair value measurement <sup>(Continued)</sup>

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures investment properties (note 16) and available-for sales debt security investment (note 21) at fair value. For more detailed information in relation to the fair value measurement, please refer to the applicable notes.

### 6. SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision-maker that are used to make strategic decision.

The Group has four reportable segments (2016: four). The segments are managed separately as each business offers different services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

Investment in property development projects	Investments income and relevant consultation service income generated from the limited partnerships, which invest in property development projects and are accounted for as available-for-sale equity investments;
Operation of financial services platform	Provision of financial consultation services and financial services platform;
Provision of entrusted loan, pawn loan, other loan services, and financial consultation services	Provision of short-term and long-term loan offer and financial consultation services to borrowers and financial institutions; and
Finance lease and factoring services	Provision of long-term finance lease and short-term factoring services.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 6. SEGMENT INFORMATION (Continued)

Segment information about reportable segments:

	Investment in property development projects RMB'000	Operation of financial services platform RMB'000	Provision of entrusted loan, pawn loan, other loan services and financial consultation services RMB'000	Finance lease and factoring services RMB'000	Total RMB'000
<b>For the year ended</b>					
<b>31 December 2017</b>					
Revenue from external customers	321,744	53,498	2,423	6,939	384,604
Reportable segment profit/(loss)	245,315	745	(2,671)	4,303	247,692
Other income	136	192	7	8	343
Depreciation	1,431	522	244	7	2,204
Amortisation of intangible assets	-	3,302	-	-	3,302
Impairment of loans and accounts receivables	-	(3,074)	-	-	(3,074)
Income tax expense	65,929	1,561	2,328	1,143	70,961
Addition/(disposals of) non-current assets	113,120	58,151	(8,415)	(10,133)	152,723
<b>As at 31 December 2017</b>					
Reportable segment assets	757,084	177,016	39,740	43,356	1,017,196
Reportable segment liabilities	58,184	21,831	13,057	16,551	109,623
<b>For the year ended</b>					
<b>31 December 2016</b>					
Revenue from external customers	203,588	70,793	4,188	10,593	289,162
Reportable segment profit	139,024	21,543	1,175	7,327	169,069
Other income	224	40	149	52	465
Depreciation	1,426	496	298	7	2,227
Amortisation of intangible assets	-	3,302	-	-	3,302
Loans and accounts receivables written off as bad debts	-	-	38	-	38
Income tax expense/(credit)	32,966	5,671	(8,843)	2,092	31,886
Additions to non-current assets	1,148	311	16	4	1,479
<b>As at 31 December 2016</b>					
Reportable segment assets	566,419	111,492	62,401	132,474	872,786
Reportable segment liabilities	45,787	26,714	15,175	9,184	96,860

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 6. SEGMENT INFORMATION (Continued)

	2017 RMB'000	2016 RMB'000
<b>Revenue</b>		
Revenue from external customers	384,604	289,162
<b>Profit before income tax expense</b>		
Reportable segment profit	247,692	169,069
Interest income from investments	1,498	2,068
Gain on deemed disposal of joint ventures	254	-
Fair value gain on investment properties	1,909	-
Depreciation	(255)	(370)
Equity-settled share-based payments	(7,248)	(21,009)
Finance costs	(16,890)	(7,790)
Share of results of joint ventures	868	(661)
Unallocated corporate expenses	(4,009)	(5,987)
Consolidated profit before income tax expense	223,819	135,320
<b>Assets</b>		
Reportable segment assets	1,017,196	872,786
Investment properties	46,400	44,491
Interests in joint ventures	497	19,339
Held-to-maturity investment	12,245	17,331
Amount due from a shareholder	7,562	3,787
Amount due from a non-controlling interest	1	1
Amounts due from joint ventures	11,400	11,421
Cash and cash equivalents	15,187	2,991
Unallocated corporate assets	15,677	16,022
Consolidated total assets	1,126,165	988,169
<b>Liabilities</b>		
Reportable segment liabilities	109,623	96,860
Dividend payable	81	149
Bank borrowing	18,668	21,361
Convertible bonds	92,438	87,807
Unallocated corporate liabilities	4,662	10,301
Consolidated total liabilities	225,472	216,478



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 6. SEGMENT INFORMATION (Continued)

The geographical location of customers is based on the location at which the services were provided. The total revenue from external customers is mainly sourced from Hong Kong and the PRC.

The following table provides an analysis of the Group's revenue from external customers and non-current assets other than financial instruments, deferred tax assets and post-employment benefit assets ("specified non-current assets").

	Revenue from external customers		Specified non-current assets	
	2017 RMB'000	2016 RMB'000	2017 RMB'000	2016 RMB'000
Hong Kong	1,043	874	2	62
The PRC (place of domicile)	383,561	288,288	126,801	147,257
	384,604	289,162	126,803	147,319

The Group's customer base is diversified and includes only the following customers with whom transactions have exceeded 10% of the Group's revenue:

	2017 RMB'000	2016 RMB'000
Customer A	171,533	2,780
Customer B	44,521	63,817
Customer C	N/A	61,491

N/A: transactions during the year did not exceed 10% of the Group's revenue.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 7. REVENUE

Revenue, which is also the Group's turnover, represents the income from its principal activities. Revenue recognised during the year are as follows:

	2017 RMB'000	2016 RMB'000
Investment income from investments in property development projects through limited partnerships ( <i>note 21(a)(i)</i> )	222,083	135,101
Financial consultation services income	102,306	109,289
Platform services income	51,210	30,369
Factoring loan services income	4,254	9,731
Interest income	2,066	3,810
Finance lease service income	2,685	862
	<b>384,604</b>	<b>289,162</b>

### 8. OTHER INCOME/(EXPENSE), NET

	Note	2017 RMB'000	2016 RMB'000
Bank interest income		134	361
Interest income from investments	(a)	1,498	2,068
Bad debts – loans and accounts receivables written off	22	–	(38)
Fair value gain on investment properties	16	1,909	–
Gain on deemed disposal of a joint venture	19	254	–
Impairment of loans and accounts receivables	22	(3,074)	–
Other (expense)/income		(78)	277
		<b>643</b>	<b>2,668</b>

*Note:*

- (a) Interest income from investments included interest income from held-to-maturity investment (note 20).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 9. FINANCE COSTS

	Notes	2017 RMB'000	2016 RMB'000
Effective interest on convertible bonds	28	15,803	6,266
Interest on bank borrowing	27	1,087	385
Interest on other borrowing	(a)	–	1,139
		<b>16,890</b>	<b>7,790</b>

Note:

- (a) During the year ended 31 December 2016, the Group borrowed a short-term loan from an independent financial institution in the PRC to invest in a limited partnership. The borrowing bore interest at 11% per annum and has been fully repaid during the year ended 31 December 2016.

### 10. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging:

	Notes	2017 RMB'000	2016 RMB'000
Auditor's remuneration			
– Current year		1,698	866
– Under provision in prior year		95	92
Depreciation of property, plant and equipment	15	2,459	2,597
Amortisation of intangible assets	18	3,302	3,302
Employee benefit expenses including directors' remuneration	11	49,985	41,084
Salaries and wages		9,156	6,974
Pension scheme contributions – defined contribution plans		59,141	48,058
Equity-settled share-based payments expense	(a)	7,248	21,009
Operating lease charges in respect of properties		7,668	8,414

Note:

- (a) During the year ended 31 December 2017, equity settled share-based payment expenses on Directors and staff and advisors under service contracts which were recognised as a result of share options granted to them by the Company amounted to approximately RMB6,465,000 (2016: RMB19,151,000) and RMB783,000 (2016: RMB1,858,000), respectively. Details of transactions are set out in note 30.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

#### (a) Directors' remuneration

The remuneration of each of the directors for the year is set out below:

	Fees RMB'000	Salaries allowances and benefits in kind (note a) RMB'000	Equity-settled share-based payments (note b) RMB'000	Pension scheme contributions RMB'000	Total RMB'000
<b>Year ended 31 December 2017</b>					
<i>Executive directors:</i>					
Mr. Zheng Weijing	-	854	130	-	984
Mr. Zhang Gongjun	-	718	1,044	-	1,762
Ms. Guo Chanjiao	-	535	1,044	-	1,579
	-	2,107	2,218	-	4,325
<i>Independent non-executive directors:</i>					
Mr. Vincent Cheng	126	-	65	-	191
Mr. Leung Po Hon	126	-	65	-	191
Dr. Miao Bo	126	-	65	-	191
	378	-	195	-	573
<b>Total</b>	<b>378</b>	<b>2,107</b>	<b>2,413</b>	<b>-</b>	<b>4,898</b>
<b>Year ended 31 December 2016</b>					
<i>Executive directors:</i>					
Mr. Zheng Weijing	-	1,190	310	-	1,500
Mr. Zhang Gongjun	-	644	2,478	-	3,122
Ms. Guo Chanjiao	-	1,653	2,478	-	4,131
	-	3,487	5,266	-	8,753
<i>Independent non-executive directors:</i>					
Mr. Vincent Cheng	120	2	155	-	277
Mr. Leung Po Hon	120	2	155	-	277
Dr. Miao Bo	120	2	155	-	277
	360	6	465	-	831
<b>Total</b>	<b>360</b>	<b>3,493</b>	<b>5,731</b>	<b>-</b>	<b>9,584</b>

Notes:

- Being salaries, allowances and benefits in kind paid or payable in connection with the management of the affairs of the Company and its subsidiaries.
- These amounts represent the estimated value of share options granted to the Directors under the Company's share option scheme. The value of these share options is measured according to the accounting policies for share-based payments as set out in note 4(m) to the financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 11. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

#### (b) Five highest paid individuals

The five highest paid individuals of the Group included two (2016: three) Directors whose emoluments are included above for the year ended 31 December 2017.

The analysis of the emolument of the remaining three (2016: two) highest paid individuals were as below:

	2017 RMB'000	2016 RMB'000
Salaries, allowances and benefits in kind	2,091	1,419
Pension scheme contributions	16	16
	<b>2,107</b>	<b>1,435</b>

Their emoluments were within the following bands:

	2017 Number of individual	2016 Number of individual
Nil to HK\$1,000,000	3	2

(c) No Director or any of the highest paid individuals waived or agreed to waive any emoluments (2016: nil). No emoluments were paid by the Group to the Directors or any of the highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office (2016: nil).

(d) The emoluments paid or payable to member of senior management other than the Directors were within the following bands:

	2017	2016
Nil to HK\$1,000,000	1	1



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 12. INCOME TAX EXPENSE AND DEFERRED TAX LIABILITIES

	2017 RMB'000	2016 RMB'000
PRC Enterprise Income Tax		
– Current year	69,752	42,996
– Over-provision in respect of prior years	(77)	(11,275)
Hong Kong Profits Tax		
– Current year	23	–
Withholding tax	69,698	31,721
Deferred tax	2,088	991
	(825)	(826)
	70,961	31,886

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Enterprise income tax (“EIT”) arising from the PRC for the year was calculated at 25% (2016: 25%) of the estimated assessable profits of subsidiaries operating in the PRC during the year. According to the EIT law, the taxable income of an enterprise shall be the total revenue of such enterprise, deducted by any non-assessable revenue, exempted revenue, other deductions and amount of offsetting any accumulated tax losses.

In previous years, the Group originally paid EIT based on a deemed EIT rate of 10% approved by the local tax authority in the PRC. The Group later realised that the deemed EIT rate is not in compliance with the tax law of the PRC Government and therefore made provision of approximately RMB10,353,000 to account for the difference between EIT payable calculated according to the tax legislation and the EIT originally paid.

However, according to the relevant PRC tax regulation, the local tax authority only has the rights to pursue any under-reporting of EIT within a 3-year period. As the above provision for possible under-payment of EIT was made more than 3 years, the Directors concluded that the rights of the local tax authority to demand for the under-payment of EIT from the Group had expired. Accordingly, the provision of approximately RMB10,353,000, together with other over-provisions of RMB922,000 totaling RMB11,275,000, was credited to the consolidated statement of comprehensive income during the year ended 31 December 2016.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 12. INCOME TAX EXPENSE AND DEFERRED TAX LIABILITIES (Continued)

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) on the estimated assessable profits for the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

Withholding tax was calculated at 5% of the dividends declared in respect of profits earned by a PRC subsidiary to its intermediate holding company incorporated in Hong Kong during the years ended 31 December 2017 and 2016.

The income tax expense for the year can be reconciled to the profit before income tax expense per the consolidated statement of comprehensive income as follows:

	2017 RMB'000	2016 RMB'000
Profit before income tax expense	223,819	135,320
Tax calculated at the domestic tax rate of 25% (2016: 25%)	55,955	33,830
Effect of difference tax rates of subsidiaries operating in other jurisdictions	3,710	2,926
Tax effect of share of profit of joint ventures	217	-
Tax effect of non-deductible expenses	9,271	10,066
Tax effect of non-taxable income	(1,043)	(45)
Tax effect of tax losses not recognised	840	1,821
Tax effect of deductible temporary differences not recognised	-	6,165
Over provision in respect of prior years	(77)	(11,275)
Utilisation of tax losses previously not recognised	-	(12,593)
Withholding tax distributed profits of a PRC subsidiary	2,088	991
Income tax expense	70,961	31,886
Deferred tax liabilities		
As at 1 January	7,222	8,048
Credit to profit or loss	(825)	(826)
As at 31 December	6,397	7,222

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 12. INCOME TAX EXPENSE AND DEFERRED TAX LIABILITIES (Continued)

As at 31 December 2017, the aggregate amount of temporary differences associated with the PRC subsidiaries' undistributed retained earnings for which deferred tax liabilities have not been recognised is approximately RMB115,533,000 (2016: RMB65,622,000). No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the dividend policies of these subsidiaries and it is probable that such differences will not be reversed in the foreseeable future.

The Group has accumulated tax losses arising in Hong Kong and the PRC of approximately RMB7,105,000 (2016: RMB5,100,000) and RMB91,810,000 (2016: RMB90,454,000) respectively. Deferred tax assets have not been recognised in respect of these losses as it is not probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilised. The tax loss can be carried forward with a maximum period of five years in the PRC while the tax loss in Hong Kong can be carried forward indefinitely. In the opinion of the directors of the Group, there are no other deferred tax assets which will have a significant impact to the Group.

Deferred tax liabilities arising from the costs of intangible assets have been capitalised through business combination of Profit Success Group, and are being amortised in profit or loss, but were deducted for tax purpose when they are incurred.

### 13. EARNINGS PER SHARE

#### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately RMB152,762,000 (2016: RMB101,323,000) and the weighted average number of approximately 1,731,433,000 (2016: 1,642,931,000) ordinary shares during the year.

#### (b) Diluted earnings per share

The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. For the purposes of calculation of the diluted earnings per share, the convertible bonds are assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect. For the share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

The actual computation of diluted earnings per share has not taken into account the conversion of the Company's outstanding convertible bonds and share options since to do so would result in an increase in profit per share. The diluted earnings per share is same as basic earnings per share for the years ended 31 December 2017 and 2016 as the shares issuable in respect of the outstanding share options have an anti-dilutive effect on the basic earnings per share.

### 14. DIVIDENDS

For the year ended 31 December 2017, an interim dividend of HK\$0.01 (2016: HK\$0.01) per ordinary share or in aggregation of approximately HK\$17,314,000 (2016: HK\$17,314,000) (equivalent to approximately RMB15,027,000 (2016: RMB14,887,000)) was declared and paid by the Company to its shareholders.

At a meeting held on 29 March 2018, the Directors recommended a final dividend of HK\$0.02 per ordinary share, in aggregate amounting to approximately HK\$34,629,000 (equivalent to approximately RMB29,313,000 (2016: 15,352,000)), for the year ended 31 December 2017, and the proposal will be submitted for formal approval by the shareholders at the forthcoming annual general meeting to be held on 28 June 2018.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 15. PROPERTY, PLANT AND EQUIPMENT

	Office building RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicle RMB'000	Total RMB'000
<b>Cost:</b>					
At 1 January 2016	3,300	3,523	5,568	352	12,743
Additions	-	692	815	-	1,507
Exchange realignment	-	34	15	24	73
At 31 December 2016 and 1 January 2017	3,300	4,249	6,398	376	14,323
Additions	-	-	2,180	-	2,180
Exchange realignment	-	(29)	(12)	(21)	(62)
At 31 December 2017	3,300	4,220	8,566	355	16,441
<b>Accumulated depreciation:</b>					
At 1 January 2016	325	1,873	2,953	228	5,379
Charge for the year	165	1,046	1,313	73	2,597
Exchange realignment	-	34	13	17	64
At 31 December 2016 and 1 January 2017	490	2,953	4,279	318	8,040
Charge for the year	166	1,046	1,194	53	2,459
Exchange realignment	-	(30)	(14)	(16)	(60)
At 31 December 2017	656	3,969	5,459	355	10,439
<b>Net carrying amount:</b>					
At 31 December 2017	2,644	251	3,107	-	6,002
At 31 December 2016	2,810	1,296	2,119	58	6,283

The Group's office building is located in the PRC with lease term expired in 2051.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 16. INVESTMENT PROPERTIES

	2017 RMB'000	2016 RMB'000
Fair value		
At 1 January	44,491	–
Additions	–	44,491
Change in fair value (note 8)	1,909	–
At 31 December	46,400	44,491

All the investment properties of the Group are held under long-term land use right in the PRC. The investment properties held by the Group were valued by a qualified namely Colliers International (Hong Kong) Limited, an independent firm of chartered surveyors. The valuation was carried out in accordance with the Royal Institution of Chartered Surveyors (“RICS”) Global Valuation Professional Standards, incorporating the International Valuation Standards of the International Valuation Standards Council (“IVSC”).

The valuation was determined using the market approach. The fair value is based on the value of properties by comparing recent sales of similar interests in the properties or properties located in their surrounding area. The significant input into this valuation approach is price per square meter, which has been adjusted to reflect the time of transaction, size, location, amenities and other relevant factors when comparing such sales prices of similar properties to assess the value of the subject properties.

Information about fair value measurement using significant unobservable inputs (level 3) is provided below.

Description	Valuation technique	Significant unobservable inputs	Range of unobservable input (probability-weighted average)	Relationships of unobservable inputs to fair value
Investment properties in the PRC	Market approach	Price per square meter (“sqm”) using market direct comparable which has been adjusted to reflect the time of transaction, size, location, amenities	RMB46,998/sqm – RMB64,222/sqm	Good orientation will result in corresponding higher value

During the year ended 31 December 2017, there were no transfers into or out of Level 3 or any other level. The Group’s policy is to recognise transfers between levels of the fair value hierarchy as at the end of the reporting period in which they occur. There were no transfers between Level 1, 2 and 3 during the year.

There were no changes to the valuation techniques during the period.

The fair value measurement is based on the above properties’ highest and best use, which does not differ from their actual use.

All investment properties are pledged to a bank borrowing and general banking facilities granted to the Group (note 27).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 17. GOODWILL

	2017 RMB'000	2016 RMB'000
<b>Cost</b>		
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	<b>48,316</b>	48,316

Goodwill of approximately RMB48,316,000 (2016: RMB48,316,000) is attributable to the CGU of provision of financial service platform.

#### Impairment testing on goodwill

For the purpose of impairment testing, goodwill is allocated to the CGU identified as follows:

	2017 RMB'000	2016 RMB'000
Financial services platform	<b>48,316</b>	48,316

The recoverable amount of the CGU including goodwill and intangible assets (note 18) which are closely related, has been determined using the value-in-use calculations based on cash flow projections from formally approved budgets covering a five-year period. Cash flow beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% for CGU (2016: 3%), which does not exceed the long-term growth rate for the financial services platform in the PRC, and discount rate of 20% (2016: 21%), which is pre-tax and reflect specific risks relating to the relevant CGU. The operating margin has been calculated based on past experience.

	2017	2016
Discount rate	<b>20%</b>	21%
Operating margin	<b>33%</b>	41%

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 18. INTANGIBLE ASSETS

	Customers relationship RMB'000
<b>Cost</b>	
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	<b>33,017</b>
<b>Amortisation and impairment</b>	
At 1 January 2016	<b>825</b>
Amortisation	<b>3,302</b>
At 31 December 2016 and 1 January 2017	<b>4,127</b>
Amortisation	<b>3,302</b>
At 31 December 2017	<b>7,429</b>
<b>Net book value</b>	
At 31 December 2017	<b>25,588</b>
At 31 December 2016	<b>28,890</b>

### 19. INTERESTS IN JOINT VENTURES

	2017 RMB'000	2016 RMB'000
As at 1 January	<b>19,339</b>	20,000
Addition ( <i>note 21(a)(ii)</i> )	<b>30,000</b>	-
Transfer to available-for-sales investment ( <i>note 21(a)(ii)</i> )	<b>(49,964)</b>	-
Gain on deemed disposal of a joint venture	<b>254</b>	-
Share of results of joint ventures	<b>868</b>	(661)
As at 31 December	<b>497</b>	19,339

As at year ended 31 December 2016, the Group invested in 40% and 30% of the entity interest in the joint venture entities, Zhongzhou Huilian Internet Financial Services (Shenzhen) Limited ("Zhongzhou Huilian") and Shenzhen Shangyintong Internet Financial Services Limited ("Shenzhen Shangyintong"), respectively.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 19. INTERESTS IN JOINT VENTURES (Continued)

During the year, the Group reclassified the investment in Zhongzhou Huilian as an available-for-sale investment. Please refer to note 21(a)(ii) for details. As at 31 December 2017, the details of the joint venture are as follows:

Name	Place of incorporation/ establishment	Principal activities	Description of registered capital held	Percentage of ownership interests/voting rights profit share Indirectly
Shenzhen Shangyintong	The PRC	Provision of financial consultation services	RMB10,000,000*	30%

\* The Group has not yet paid up the capital of RMB3,000,000 as at 31 December 2017.

The contractual arrangement provides the Group with only the rights to the net assets of the joint ventures, with the rights to the assets and obligations for the liabilities of the joint ventures resting primarily with Zhongzhou Huilian Internet Financial Services (Shenzhen) limited ("Zhongzhou Huilian") and Shenzhen Shangyintong. Under HKFRS 11, these joint arrangements are classified as joint ventures and have been included in the consolidated financial statements using the equity method.

Aggregated financial information in relation to the joint ventures which are, in the opinion of the Directors, immaterial and presented below:

	2017 RMB'000	2016 RMB'000
Profit/(loss) for the year	3,042	(2,002)
Total comprehensive income for the year	3,042	(2,002)

### 20. HELD-TO-MATURITY INVESTMENT

	2017 RMB'000	2016 RMB'000
Held-to-maturity investment	12,245	17,331
Less: Non-current portion	(6,519)	(12,245)
Current portion	5,726	5,086

The Group holds a held-to-maturity investment with three maturity dates between 2017 and 2019 (2016: four). The investment has a principal amount of approximately RMB20 million and bears fixed interest at 7.92% (2016: 7.92%) per annum. During the year ended 31 December 2017, principal amount of RMB5 million matured (2016: RMB5 million). This amount together with interest earned thereon were transferred to other receivables and fully settled as at the date of this report. The remaining principal amount of the investment will mature in equal amounts in February 2018 and 2019.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 21. AVAILABLE-FOR-SALE INVESTMENTS

	2017 RMB'000	2016 RMB'000
Unlisted equity securities, at cost ( <i>note a</i> )	595,753	419,000
Unlisted debt securities at fair value ( <i>note b</i> )	39,460	40,028
	<b>635,213</b>	<b>459,028</b>

#### Notes:

- (a) The amount comprised investments in limited partnerships and equity interest of an entity in the PRC at amount of approximately RMB533,789,000 (2016: RMB419,000,000) and RMB61,964,000 (2016: Nil) respectively as at 31 December 2017.

- (i) As at 31 December 2017 and 2016, the Group invested in certain limited partnerships in the PRC and acted as a limited partner with capital contributions at a range of RMB6 million to RMB60 million (2016: RMB6 million to RMB60 million). The contribution represented 1% to 11% (2016: 3.98% to 44.44%) of the total contribution of the corresponding limited partnerships. The Group revoked its voting right on decision making over these limited partnerships and therefore, the Directors are of the opinion that the Group did not have any control nor significant influence over these limited partnerships. These limited partnerships are engaged in property development projects in the PRC. These investments were therefore classified as non-current assets for the years ended 31 December 2017 and 2016.

The fair value is not disclosed as the fair value cannot be measured reliably. There is no open market on the unlisted investments.

The limited partnerships are without an investment life and they do not have a fixed maturity date. The Directors also have no intention to dispose of these investments as at 31 December 2017 and 2016.

During the year ended 31 December 2017, the Group received investment income of RMB222 million (note 7) (2016: RMB135 million) from 7 (2016: 6) of the limited partnerships. As at 31 December 2017, there was approximately RMB54.1 million (2016: RMB56.5 million) investment income receivables from these limited partnerships (note 22).

- (ii) During the year ended 31 December 2017, the Group made an additional capital contribution of RMB30,000,000 to the joint venture entity, Zhongzhou Huilian Internet Financial Service (Shenzhen) Limited ("Zhongzhou Huilian"), due to a restructuring of this company. Prior to the capital contribution, the Group invested in 40% of the equity interest in Zhongzhou Huilian as joint venturer as at 31 December 2016. Upon completion of the capital contribution and restructures of Zhongzhou Huilian on 17 May 2017, the Group's equity interest was diluted to 5%. As the Group no longer act as joint venturer, interest was changed from a joint venture to an available-for-sale investment at the fair value of RMB49,964,000 during the year ended 31 December 2017 (note 19).
- (iii) Besides, the Group invested in 10% of the equity interest of Shanghai Yiliang Technology Co., Ltd ("Shanghai Yiliang"), an entity incorporated in the PRC with limited liability, during the year ended 31 December 2017. The consideration of the investment was RMB12,000,000.
- (b) On 29 December 2016, the Group entered into an agreement with an independent third party to subscribe for assets-backed securities ("ABS") in the PRC for a consideration of approximately RMB40 million. The subscription amount represented 10.5% of the entire units of the ABS which is secured by a loan receivable held by a trust company in the PRC. According to the agreement, the Group will receive a variable return over the agreement period. The ABS will expire in September 2026 and the Directors had no intention to dispose of this investment as at 31 December 2017 and 2016. The investment was therefore classified as a non-current asset as at 31 December 2017 and 2016. The ABS is a debt security and stated at fair value as at 31 December 2017 and 2016. The Group engaged an external expert to assess the fair value of the ABS as at 31 December 2017, by using the discounted cash flow valuation model (note 39). The change in fair value at amount of approximately RMB810,000 was recognised in the other comprehensive income during the year ended 31 December 2017. During the year ended 31 December 2017, the Group received an amount of approximately RMB1,378,000 as partial settlements from the ABS.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 22. LOANS AND ACCOUNTS RECEIVABLES

	Notes	2017 RMB'000	2016 RMB'000
Pawn loan receivables	<i>a</i>	–	972
Entrusted loan receivables	<i>b</i>	8,133	22,338
Financial consultation services income receivables	<i>c</i>	67,638	21,196
Investment income receivables	<i>d</i>	54,128	56,500
Platform services income receivables	<i>e</i>	27,919	10,904
Finance lease receivables	<i>f</i>	34,335	35,580
Factoring loan receivables	<i>g</i>	–	93,385
Other loan receivables	<i>h</i>	14,782	16,770
		<b>206,935</b>	257,645
Less: non-current portion			
Entrusted loan receivables		(2,763)	(8,549)
Finance lease receivable		(8,808)	(18,933)
Other loan receivables		(10,273)	(12,538)
		<b>(21,844)</b>	(40,020)
Less: Impairment of loans and accounts receivables		<b>(3,074)</b>	–
Current portion		<b>182,017</b>	217,625

- a. Pawn loan receivables represented the short-term loans of approximately RMB972,000 as at 31 December 2016 arranged in the PRC. Customers were obliged to settle the amounts according to the terms set out in relevant contracts, with the option to renew the loans granted for a period up to 183 days. Interest rates offered were based on the assessment of a number of factors including the borrowers' creditworthiness and repayment ability, collaterals as well as the general economic trends. The pawn loans bore effective interest at 1.5% per month as at 31 December 2017 (2016: 1.5%) and the maturity date for each loan contract was not more than 183 days.
- b. Entrusted loan receivables represent loans to borrowers through certain banks or other financial institutions in the PRC. In an entrusted loan arrangement, the Group enters into a loan agreement with the borrower and a bank or another financial institution. The borrower repays the loan to the bank or the other financial institution and then the bank or financial institution returns the principal and accrued interest to the Group. While the bank or the other financial institution exercises supervision over the arrangement and receives repayment from the borrower, the bank or the other financial institutions does not assume any risk of default by the borrower. The effective interest payable on entrusted loan receivables ranged from 0.46% to 0.67% (2016: 0.46% to 0.67%) per month as at 31 December 2017. Independent third parties have guaranteed these entrusted loans with maturity dates between 6 months to 8 years (2016: 1 month to 9 years).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 22. LOANS AND ACCOUNTS RECEIVABLES (Continued)

- c. For financial consultation services income receivables, there is no credit period and customers are obliged to settle the amounts according to the terms set out in the relevant contracts.
- d. Investment income receivables represent income from the investment in limited partnerships as described in note 21(a)(i). The receivables are settled subject to the arrangement of the limited partnerships which are normally settled upon the date of board meeting of the limited partnerships (2016: 3 months after the approval of the investment income at the board meeting of the limited partnerships).
- e. Platform services income receivables represent service income charged to the platform users who are obliged to pay service fees to the Group. There is no credit period and customers are obliged to settle the amount according to the terms set out in the relevant contracts.
- f. For finance lease receivables, borrowers are obliged to settle the amounts according to the terms set out in relevant contracts and acquire the leased assets at the end of the lease period. The interest rates ranged from 8% to 12.5% per annum as at 31 December 2017 with lease periods of 1 to 3 years (2016: 2 to 3 years).

The finance lease receivables as at 31 December 2017 and 2016 are further analysed as follows:

	Minimum lease payments 2017 RMB'000	Interest income 2017 RMB'000	Present value 2017 RMB'000
Not later than one year	30,789	(5,262)	25,527
Later than one year and not later than two years	10,336	(1,528)	8,808
Later than two years and not later than five years	–	–	–
	<b>41,125</b>	<b>(6,790)</b>	<b>34,335</b>

	Minimum lease payments 2016 RMB'000	Interest income 2016 RMB'000	Present value 2016 RMB'000
Not later than one year	18,685	(2,038)	16,647
Later than one year and not later than two years	16,761	(864)	15,897
Later than two years and not later than five years	3,128	(92)	3,036
	<b>38,574</b>	<b>(2,994)</b>	<b>35,580</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 22. LOANS AND ACCOUNTS RECEIVABLES (Continued)

f. (Continued)

The present value of future lease income is analysed as:

	2017 RMB'000	2016 RMB'000
Current assets	25,527	16,647
Non-current assets	8,808	18,933
	<b>34,335</b>	<b>35,580</b>

Finance lease receivable balances are secured over the equipment leased and guaranteed from independent third parties. The Group is not permitted to sell or repledge the collateral in the absence of default by the leasees.

- g. Factoring loan receivables represented the ownership of a beneficial right of an accounts receivable and bore fixed interest of 12% per annum for the year ended 31 December 2016. The Group held certain accounts receivable as collaterals. The balances were fully settled in 2017.
- h. Other loan receivables represent loans to borrowers including individuals and entities at fixed interest ranging from 5% to 15% per annum with loan periods of 1 to 10 years. Included in the other loan receivables were long-term loan of approximately RMB11,024,000 (including current and non-current portion) as at 31 December 2017 (2016: RMB11,985,000). The loan bears fixed interest of 6.09% (2016: 6.09%) per annum and will be repaid over a period of 10 years (2016: 10 years).

Based on the commencement date of the loans as stated in the relevant contracts, the age analysis of the Group's loans and accounts receivables is as follows:

	2017 RMB'000	2016 RMB'000
0 to 30 days	132,383	73,780
31 to 90 days	2,729	51,668
91 to 180 days	10,067	83,475
Over 180 days	61,756	48,722
	<b>206,935</b>	<b>257,645</b>

Ageing analysis of the Group's loans and accounts receivables that were not impaired is as follow:

	2017 RMB'000	2016 RMB'000
Neither past due nor impaired	129,921	233,306
0 to 30 days past due	69,345	1,440
31 to 90 days past due	2,393	13,820
91 to 180 days past due	1,068	4,563
Over 180 days past due	4,208	4,516
	<b>206,935</b>	<b>257,645</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 22. LOANS AND ACCOUNTS RECEIVABLES (Continued)

Impairment losses in respect of loans and accounts receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amounts is remote, in which case the impairment losses are written off against loans and accounts receivables directly. Based on this assessment, the movements in impairment of loans and accounts receivables are as follows:

	2017 RMB'000	2016 RMB'000
At 1 January	-	-
Impairment losses recognised ( <i>note 8</i> )	3,074	38
Amount written off as uncollectible	-	(38)
At 31 December	3,074	-

Included in the above provision for impairment of loans and accounts receivables is a provision for individual loans and accounts receivables of RMB3,074,000 (2016: nil) with a carrying amount before provision of RMB21,568,000.

The individually impaired loan and accounts receivables relate to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of receivables is expected to be recovered.

The Group held collaterals over the pawn loan receivables, factoring loan receivables and finance lease receivables. At the end of each of reporting date, the fair value of the pledged assets whereby the Group was not permitted to sell or re-pledge in the absence of default by the borrowers in respect of all loans and accounts receivables was as follows:

	2017 RMB'000	2016 RMB'000
Equities (for pawn loan receivables)	-	3,175
Accounts receivable (for factoring loan receivables)	-	105,440
Accounts receivable (for finance lease receivables)	110,285	91,680
At 31 December	110,285	200,295

As at 31 December 2017, the Group received guarantee from independent third parties to secured the balance of loans and accounts receivables approximately RMB36,334,000 (2016: RMB52,061,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 23. DEPOSITS PAID, PREPAYMENTS AND OTHER RECEIVABLES

	2017 RMB'000	2016 RMB'000
Deposits paid ( <i>note a</i> )	2,000	1,634
Prepayments	2,898	1,440
Other receivables ( <i>note b</i> )	38,832	46,203
	<b>43,730</b>	<b>49,277</b>

Notes:

- (a) As at 31 December 2017, deposits paid comprised rental and various deposits amounting to RMB2,000,000 (2016: RMB1,634,000).
- (b) As at 31 December 2017, other receivables mainly comprised (i) an amount due from a former non-controlling interest of approximately RMB14.7 million; (ii) a cash deposit in a trust company of approximately RMB15.5 million in relations to the entrusted loan business; (iii) a fund advanced to a limited partnership for potential projects investment of approximately RMB2.0 million, which was fully refunded in February 2018; and (iv) cash advance to staff at amount of approximately RMB2.6 million, of which RMB1.5 million was refunded in February 2018.

As at 31 December 2016, other receivables mainly comprised (i) portion of held-to-maturity investment of RMB5 million which had matured before 31 December 2016 and related interested income of RMB1.6 million; (ii) an amount due from a former non-controlling interest of approximately RMB14.7 million; (iii) cash deposit in a trust company of approximately of RMB6.0 million in relations to the entrusted loan business; (iv) cash deposit on potential projects of approximately RMB7.0 million, of which RMB4.1 million was refunded in January 2017.

### 24. AMOUNTS DUE FROM A SHAREHOLDER/A NON-CONTROLLING INTEREST/A JOINT VENTURE

The balances due were unsecured, interest free and repayable on demand.

### 25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represented cash in hand and bank balance. As at 31 December 2017, the Group had cash and cash equivalents denominated in RMB amounting to approximately RMB64,699,000 (2016: RMB28,266,000), and were kept in the PRC. RMB is not freely convertible into other currencies and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

#### Segregated clients' accounts

The Group maintains segregated client's accounts with independent online financial centers which are affiliated to licensed banks in the PRC to hold clients' deposits arising from normal business transactions in connection with the provision for financing platform business. As at 31 December 2017, clients' account not dealt within these consolidated financial statements amounted to approximately RMB9,982,000 (2016: RMB113,267,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 26. RECEIPTS IN ADVANCE, ACCRUALS AND OTHER PAYABLES

	2017 RMB'000	2016 RMB'000
Receipts in advance	1,863	695
Accruals	7,337	5,652
Other payables ( <i>note</i> )	48,862	46,733
	58,062	53,080
Less: Other payables, non-current portion	(7,214)	(11,672)
Current portion	50,848	41,408

*Note:*

As at 31 December 2017, other payables mainly comprised (i) deposits received from financial lessees of approximately RMB14.5 million and RMB7.2 million in current and non-current portion respectively which will be released to the lessees at the expiry date of the finance lease agreement; (ii) the balance of approximately RMB12.4 million related to the partial cost of the properties received on behalf of the property developer from the property buyers as at 31 December 2017 (2016: RMB13.0 million).

### 27. BANK BORROWING

	2017 RMB'000	2016 RMB'000
Current		
Bank borrowing due for repayment within one year	2,154	2,693
Non-current		
Bank borrowing (i)	16,514	18,668

- (i) The bank borrowing is secured by the Group's investment properties (note 16) and bore interest at the rate of 5.39% (2016: 5.39%) per annum for the year ended 31 December 2017.

The bank borrowing is scheduled to be repaid as follows:

	2017 RMB'000	2016 RMB'000
On demand or within one year	2,154	2,693
More than one year, but not exceeding two years	2,154	2,154
More than two years, but not exceeding five years	6,462	6,462
After five years	7,898	10,052
	18,668	21,361

*Note:* The amounts due are based on the scheduled repayment dates in the loan agreements.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 28. CONVERTIBLE BONDS

On 27 July 2016, the Company issued the 7% convertible bonds (the “Convertible Bonds”) with principal amount in aggregate of HK\$100,000,000 (equivalent to RMB86,594,000) at the conversion price of HK\$1.01 for each new share of the Company, with a maximum of 99,009,900 conversion shares to be allotted and issued. The convertible bonds will be matured in 2 years with an early redemption options as presented below:

#### a. Redemption at maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem each bond on the second anniversary of the issue date in 2018 at its principal amount together with accrued and unpaid interest thereon and, where none of the bonds have been previously converted, the Additional Amount at defined below.

The maturity date can be brought forward to any time after the first anniversary of the issue date at the sole discretion of the investor by giving notice in writing to the Company at least 15 calendar days prior to the intended maturity date.

#### b. Redemption for taxation reason

The Company may, having given not less than 30 nor more than 60 days’ notice to the investor to redeem all but not some only of the Convertible Bonds for the time being outstanding, at its principal amount together with accrued and unpaid interest thereon and the Additional Amount, on the tax redemption date if:

- i. the Company satisfies the investor immediately prior to the giving of such notice that it has or will become obliged to pay additional tax amounts as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or Hong Kong or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the issue date of the Convertible Bonds, and
- ii. such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional tax amounts were a payment in respect of the Convertible Bonds then due.

Additional tax amounts as mentioned above means, in the event that deduction or withholding of taxes, duties, assessments or governmental charges is compelled by law, such additional amounts that will be paid by the Company as will result in the receipt by the investor of such amounts as would have been received by them had no such deduction or withholding been required.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 28. CONVERTIBLE BONDS (Continued)

#### c. Redemption on relevant event

Following the occurrence of a relevant event, the investor has the right at its option to require the Company to redeem the Convertible Bonds in whole on the relevant event date at its principal amount together with accrued and unpaid interest thereon and the Additional Amount. The relevant events include:

- i. Mr. Zheng Weijing (“Mr. Zheng”) (an executive Director) and his related persons ceased to be the single largest holders, directly or indirectly, of the voting rights in the Company;
- ii. Mr. Zheng ceases to be a Director and the chairman of the board of Directors;
- iii. the shares ceases to be traded on the Hong Kong Stock Exchange; or
- iv. trading in the shares is suspended for more than 15 consecutive days on which normal trading of securities is carried out.

Additional Amount, broadly means, with respect to any outstanding Convertible Bonds as of any date of redemption, an amount representing the remainder of (i) a premium calculated at an interest rate of 15% per annum calculated on the outstanding principal amount thereof for the period from and including the issue date to but excluding the date of redemption, minus (ii) all interest paid thereon on or prior to the date of redemption. Details of the terms and conditions of the Convertible Bonds including the full meanings of Additional Amount and date of redemption are set out in the Company’s announcement date 14 July 2016.

The fair value of the liability component was determined at the issuance of the convertible bonds. The fair value of the liability component was calculated using the market interest rate for an equivalent non-convertible bond. The residual amount, representing the value of the equity conversion component, is included in shareholders’ equity.

The convertible bonds recognised in the consolidated statement of financial position are calculated as follows:

	2017 RMB’000	2016 RMB’000
Face value of convertible bonds issued on 1 January 2017/27 July 2016	93,123	86,594
Equity component	(5,316)	(5,316)
Fair value of the liability component on initial recognition at 1 January 2017/27 July 2016	87,807	81,278
Effective interest expense (note 9)	15,803	6,266
Interest paid	(6,097)	(2,596)
Exchange realignment	(5,075)	2,859
Liability component at 31 December	92,438	87,807

Interest expense on the convertible bonds is calculated using the effective interest method by applying the effective interest rate of 19% (2016: 19%) to the liability component.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 29. SHARE CAPITAL

	2017		2016	
	Number of ordinary shares '000	Amount RMB'000	Number of ordinary shares '000	Amount RMB'000
Authorised:				
Ordinary share of HK\$0.1 each				
At 1 January and 31 December	5,000,000	407,450	5,000,000	407,450
Issued and fully paid:				
Ordinary share of HK\$0.1 each				
At 1 January	1,731,433	142,004	1,530,833	124,827
Issue of ordinary shares under subscription ( <i>note a</i> )	–	–	200,000	17,126
Issue of ordinary shares upon exercise of share options ( <i>note 30</i> )	–	–	600	51
At 31 December	1,731,433	142,004	1,731,433	142,004

*Note:*

- (a) During the year ended 31 December 2016, the Company entered into subscription agreements with certain independent investors (the "Investors") pursuant to which the Investors have conditionally agreed to subscribe 200,000,000 new shares at the subscription price of HK\$0.945 each. Completion of the subscriptions took place on 10 June 2016 with the net proceeds and transaction costs of approximately HK\$188,800,000 (equivalent to approximately RMB161,838,000) and HK\$200,000 (equivalent to approximately RMB188,000), respectively. The premium received was credited to the share premium account of the Company. The new shares issued under the subscription ranked *pari passu* in all respects with the existing shares.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 30. EQUITY-SETTLED SHARE-BASED PAYMENTS

A share option scheme (the “Share Option Scheme”) was adopted pursuant to a resolution in writing passed by all shareholders on 20 December 2011. The purpose of the Share Option Scheme is to provide incentives or rewards to the eligible participants for their contribution to the Group.

The maximum number of shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme adopted by the Group shall not exceed 30% of the share capital of the Company in issue from time to time. The total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group to each grantee in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of options in excess of the limit is subject to shareholders’ approval in general meeting.

The exercise price of the share options is determinable by the Directors, but may not be less than the highest of (i) the Hong Kong Stock Exchange closing price of the Company’s shares on the date of the offer of the share options; (ii) the average Hong Kong Stock Exchange closing price of the Company’s shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company’s shares on the date of the offer.

#### (a) Equity-settled share option scheme

On 17 December 2015, options to subscribe for an aggregate of 70,000,000 shares of the Company had been granted by the Company to the existing directors and employees of the Group under the Share Option Scheme. 30% of share options have an exercise period from 1 June 2016 to 19 December 2021 (“Share Option 1”), 30% of share options have an exercise period from 1 June 2017 to 19 December 2021 (“Share Option 2”); and the remaining share options have an exercise period from 1 June 2018 to 19 December 2021 (“Share Option 3”). All share options are subject to the fulfillment of relevant profit targets by the Group, as set out below, and share options shall not be vested if any of the profit targets is failed to meet.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 30. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

#### (a) Equity-settled share option scheme (Continued)

Details of the specific categories of options are as follows:

	Date of grant	Vesting Date	Exercise period	Exercise price HK\$	Vesting conditions
Share Option 1	17 December 2015	31 May 2016	1 June 2016 to 19 December 2021	1.046	<p>Profit after income tax (but before share-based payment expenses) according to the audited consolidated financial statement of the Company for the year ended 31 December 2015</p> <ul style="list-style-type: none"> <li>- Equal to more than RMB35 million, 100% of Share Option 1 shall be vested;</li> <li>- Equal to or more than RMB25 million but less than RMB35 million, 50% of Share Option 1 shall be vested; and</li> <li>- Less than RMB25 million, no Share Option 1 shall be vested.</li> </ul>
Share Option 2	17 December 2015	31 May 2017	1 June 2017 to 19 December 2021	1.046	<p>Profit after income tax (but before share-based payment expenses) according to the audited consolidated financial statement of the Company for the year ended 31 December 2016</p> <ul style="list-style-type: none"> <li>- Equal to more than RMB65 million, 100% of Share Option 2 shall be vested;</li> <li>- Equal to or more than RMB50 million but less than RMB65 million, 50% of Share Option 2 shall be vested; and</li> <li>- Less than RMB25 million, no Share Option 2 shall be vested.</li> </ul>
Share Option 3	17 December 2015	31 May 2018	1 June 2018 to 19 December 2021	1.046	<p>Profit after income tax (but before share-based payment expenses) according to the audited consolidated financial statement of the Company for the year ended 31 December 2017</p> <ul style="list-style-type: none"> <li>- Equal to more than RMB100 million, 100% of Share Option 3 shall be vested;</li> <li>- Equal to or more than RMB80 million but less than RMB65 million, 50% of Share Option 3 shall be vested; and</li> <li>- Less than RMB80 million, no Share Option 3 shall be vested.</li> </ul>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 30. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

#### (a) Equity-settled share option scheme (Continued)

Set out below are details of movements of the outstanding options granted under the Share Option Scheme during the years ended 31 December 2017 and 2016:

	Exercise price	Number of share options						
		Outstanding as at 1 January 2016	Exercised during the year	Lapsed during the year*	Outstanding as at 31 December 2016	Exercised during the year	Lapsed during the year*	Outstanding as at 31 December 2017
Directors	HK\$1.046	18,500,000	-	-	18,500,000	-	-	18,500,000
Employees	HK\$1.046	51,500,000	(600,000)	(11,500,000)*	39,400,000	-	(5,900,000)*	33,500,000
Total		70,000,000	(600,000)	(11,500,000)	57,900,000	-	(5,900,000)	52,000,000

\* Lapsed share options were resulted from the resignation of employees

Share options and weighted average exercise price are as follows for the reporting periods presented:

	2017		2016	
	Number	Weighted average exercise price HK\$	Number	Weighted average exercise price HK\$
Outstanding at 1 January	57,900,000	1.046	70,000,000	1.046
Exercised	-	-	(600,000)	1.046
Lapsed	(5,900,000)	1.046	(11,500,000)	1.046
Outstanding at 31 December	52,000,000	1.046	57,900,000	1.046
Exercisable at the end of the year	31,200,000	1.046	16,950,000	1.046

The options outstanding at the end of the year have a weighted average remaining contractual life of 4 years (2016: 5 years) and the exercise price of HK\$1.046 (2016: HK\$1.046).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 30. EQUITY-SETTLED SHARE-BASED PAYMENTS (Continued)

#### (a) Equity-settled share option scheme (Continued)

##### Fair value of share options and assumptions

The total fair value of the share options at the grant date on 17 December 2015 was RMB43,472,000. The following information is relevant in the determination of the fair value of options.

	Share Option 1	Share Option 2	Share Option 3	Weighted average
Option pricing model used				Binomial option pricing
Share price at grant date	HK\$0.51	HK\$0.57	HK\$0.62	HK\$0.572
Exercise price				HK\$1.046
Contractual life				6 years
Expected volatility				83%
Expected dividend rate				–
Risk-free interest rate				1.17%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last three years. Changes in the subjective input assumptions could materially affect the fair value estimate.

Of the total number of share options outstanding as at 31 December 2017, 20,800,000 share options had not vested and were not exercisable as at 31 December 2017 (2016: 40,950,000 share options).

During the year ended 31 December 2017, total share option expenses of approximately RMB6,465,000 (2016: RMB19,151,000) was recognised in expense in relation to share options granted by the Company.

#### (b) Equity-settled service contract

On 17 December 2015, the Company entered into separate services contracts with 5 individual advisors (the “Advisors”) to provide advisory services to the Group for six years. In consideration of the services provided by the Advisors, the Company granted in a total of 6,000,000 share options to them.

Set out below are details of the share options granted to the Advisors:

- (i) All share options are granted with an exercise price of HK\$1.046 per share;
- (ii) All holders of share options have to follow the vesting date, vesting conditions and exercise period as mentioned in note 30(a);
- (iii) There were no exercised or lapsed share options as at 31 December 2017.

The total fair values of the share options granted to the Advisors on 17 December 2015 were approximately RMB3,000,000. These fair values were based on the terms and conditions stated in the service contracts.

The exercise price of the share options is HK\$1.046 per share and the weighted average remaining contractual life is 4 years (2016: 5 years).

The Company recognised the total expense of approximately RMB783,000 (2016: RMB1,858,000) for the year ended 31 December 2017 in relation to share options granted by the Company to the Advisors.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2017 RMB'000	2016 RMB'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Investments in subsidiaries		70,502	70,502
Amounts due from subsidiaries		423,154	432,997
		493,656	503,499
<b>Current assets</b>			
Amount due from a shareholder		–	10,014
Prepayments and other receivables		1,921	515
Cash and cash equivalents		8,562	1,430
		10,483	11,959
<b>Current liabilities</b>			
Accruals		5,574	1,294
Amounts due to subsidiaries		95,350	57,682
Dividend payable		81	149
Convertible bonds		92,438	87,807
		193,443	146,932
<b>Net current liabilities</b>		(182,960)	(134,973)
<b>Total assets less current liabilities</b>		310,696	368,526
<b>NET ASSETS</b>		310,696	368,526
<b>EQUITY</b>			
Share capital	29	142,004	142,004
Reserves	32(b)	139,379	211,170
Proposed dividend		29,313	15,352
<b>TOTAL EQUITY</b>		310,696	368,526

On behalf of the Board

**Zheng Weijing**  
Director

**Zhang Gongjun**  
Director

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 32. RESERVES

#### (a) Group

Details of the movements on the Group's reserve are as set out in the consolidated statement of changes in equity.

#### (b) Company

	Share premium RMB'000	Exchange reserve RMB'000	Share option reserve RMB'000	Convertible bonds equity reserve RMB'000	Accumulated losses RMB'000	Dividend proposed RMB'000	Total RMB'000
At 1 January 2016	147,160	(4,612)	1,445	-	(232,690)	-	(88,697)
Profit for the year	-	-	-	-	148,433	-	148,433
Exchange difference translating foreign operation	-	9,631	-	-	-	-	9,631
Total comprehensive income for the year	-	9,631	-	-	148,433	-	158,064
Interim dividend paid (note 14)	(14,887)	-	-	-	-	-	(14,887)
Proposed final dividend (note 14)	(15,352)	-	-	-	-	15,352	-
Subscription of new shares (note 29(a))	144,712	-	-	-	-	-	144,712
Share issue costs	(188)	-	-	-	-	-	(188)
Exercise of share options	748	-	(262)	-	-	-	486
Equity settled share-based transactions (note 30)	-	-	21,716	-	-	-	21,716
Share options lapsed (note 30)	-	-	(1,212)	-	1,212	-	-
Issue of convertible bonds (note 28)	-	-	-	5,316	-	-	5,316
At 31 December 2016 and 1 January 2017	262,193	5,019	21,687	5,316	(83,045)	15,352	226,522
Loss for the year	-	-	-	-	(31,140)	-	(31,140)
Exchange difference translating foreign operation	-	(3,559)	-	-	-	-	(3,559)
Total comprehensive income for the year	-	(3,559)	-	-	(31,140)	-	(34,699)
2016 final dividend paid (note 14)	-	-	-	-	-	(15,352)	(15,352)
2017 interim dividend paid (note 14)	(15,027)	-	-	-	-	-	(15,027)
2017 proposed final dividend (note 14)	(29,313)	-	-	-	-	29,313	-
Equity settled share-based transactions (note 30)	-	-	7,248	-	-	-	7,248
Share options lapsed (note 30)	-	-	(1,568)	-	1,568	-	-
At 31 December 2017	217,853	1,460	27,367	5,316	(112,617)	29,313	168,692

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 32. RESERVES (Continued)

#### (c) Nature and purpose of reserves

##### (i) Share premium

Share premium account of the Group represents the excess of the proceeds received over the nominal value of the Company's shares issued.

##### (ii) Merger reserve

Merger reserve of the Group arose as a result of the Reorganisation and represents the difference between the nominal value of the registered capital and capital reserve of Guangdong Huijin and the nominal value of the shares of the Company issued pursuant to the Reorganisation.

##### (iii) Statutory reserve

In accordance with the Company Law of the PRC, the Company's subsidiaries registered in the PRC are required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses) determined in accordance with generally accepted accounting principles in the PRC to the statutory reserve until the balance of the reserve fund reaches 50% of the entity's registered capital. The statutory reserve can be utilized to offset prior years' losses or to increase capital, provided the remaining balance of the statutory reserve is not less than 25% of registered capital.

##### (iv) Exchange reserve

Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

##### (v) Share option reserve

Share option reserve represents the cumulative expenses recognised on the granting of share options to the employees over the vesting period.

##### (vi) Convertible bonds equity reserve

Convertible bond equity reserve represents the equity component of convertible bonds issued during the year end and remained unexercised at the reporting date.

##### (vii) Retained earnings/(accumulated losses)

The amount represents accumulative net gains and losses recognised in profit or loss.

##### (viii) Available-for-sale financial assets reserve

Available-for-sale financial assets reserve comprises all gains/losses arising on the revaluation of unlisted debts securities.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 33. PARTICULARS OF SUBSIDIARIES

Details of the principal subsidiaries are as follows:

Name	Place of incorporation/ establishment	Place of operation and principal activities	Description of fully paid up share capital/registered capital held	Percentage of ownership interest's/ voting rights/profit share	
				directly	Indirectly
Limited liability company					
Mega Rising Investment Ltd	Hong Kong	Provision of financial consultation in Hong Kong	1 share HK\$1	-	100%
Sunny Sino Holdings Limited	Hong Kong	Investment holding and provision of other loan services in Hong Kong	1 share HK\$1	-	100%
Flying Investment	The PRC	Provision of financial consultation and investment income service in the PRC	HK\$50,000,000	-	100%
Yunnan Huilian Business Information Consulting Co.,Ltd	The PRC	Provision of financial consultation in the PRC	RMB\$1,000,000	-	100%
Qianhai Flying Financial PRC Service (Shenzhen) Limited	The PRC	Provision of financial consultation services in the PRC	HK\$300,000,000	-	100%
Huilian E-Home Internet Financial Services (Shenzhen) Co.,Ltd	The PRC	Provision of financial consultation services in the PRC	-	-	90%
Profit Success Technology Limited	The BVI	Investment holding company, in the BVI	US\$1	51%	-
Shenzhen Flying Financial Internet Financial Services Corporation	The PRC	Provision of financial consultation services in the PRC	RMB50,000,000	-	51%
Shenzhen Huilian Huishenghuo Internet Financial Services Limited	The PRC	Provision of financial consultation services in the PRC	-	-	63%
Shenzhen Huilian Huiyoufang Internet Financial Services Limited	The PRC	Provision of financial consultation services in the PRC	RMB7,000,000	-	63%
Zhongxi Rongzi Zulin (Shanghai) Limited	The PRC	Provision of finance lease and factoring loan services in the PRC	RMB200,000,000	-	100%

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 34. NON-CONTROLLING INTERESTS

Profit Success Technology Limited, a 51% owned subsidiary of the Group, has material non-controlling interests ("NCI"). All other NCI of non-wholly owned subsidiaries are considered as immaterial.

Summarised financial information of Profit Success Technology Limited, for the years ended 31 December 2017 and 2016, subsequent to acquisition and before intra-group eliminations, is presented below:

	2017 RMB'000	2016 RMB'000
<b>For the year ended 31 December</b>		
Revenue	42,367	31,172
Profit for the year	3,908	3,605
Total comprehensive income for the year	3,908	3,605
Profit allocated to NCI	1,915	1,766
<b>For the year ended 31 December</b>		
Cash inflows/(outflows) from operating activities	8,581	(1,948)
Cash (outflows)/inflows from investing activities	(29,966)	19,943
Cash inflows from financing activities	20,243	22,885
<b>As at 31 December</b>		
Current assets	42,715	39,130
Non-current assets	76,182	49,767
Current liabilities	(27,022)	(932)
Non-current liabilities	(6,397)	(7,222)
Net assets	85,478	80,743

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 35. COMMITMENTS

#### Operating lease commitments

Future minimum rental payable under non-cancellable operating leases of the Group in respect of buildings at the reporting date is as follows:

	2017 RMB'000	2016 RMB'000
Within one year	2,887	2,299
Within two to five years	822	558
	3,709	2,857

The Group leases certain properties under operating leases. The leases run for an initial period of 1 to 2 years (2016: 1 to 3 years), with options to renew the lease terms at the expiry dates or at dates as mutually agreed between the Group and the respective landlords. None of these leases include any contingent rentals.

### 36. RELATED PARTIES DISCLOSURE

The Group does not have material related party transactions during the years ended 31 December 2017 and 2016.

#### Compensation of key management personnel

The emoluments of directors who are also identified as members of key management of the Group during the year are set out in note 11(a).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 37. NOTE SUPPORTING CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities:

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Bank borrowings (note 27) RMB'000	Dividends payables (note 14) RMB'000	Convertible bonds (note 28) RMB'000	Total liabilities from financing activities RMB'000
At 1 January 2017	21,361	149	87,807	109,317
Changes from cash flows:				
Repayment of bank borrowings	(2,693)	-	-	(2,693)
Interest paid	-	-	(6,097)	(6,097)
Interest elements of bank borrowings	(1,087)	-	-	(1,087)
Dividends paid to shareholders	-	(30,345)	-	(30,345)
Total changes from financing cash flows:	(3,780)	(30,345)	(6,097)	(40,222)
Exchange adjustments:	-	(102)	(5,075)	(5,177)
Changes in fair value:				
Other changes:				
Effective interest expense	1,087	-	15,803	16,890
Dividend declared on ordinary shares	-	30,379	-	30,379
Total other changes	1,087	30,379	15,803	47,269
As at 31 December 2017	18,668	81	92,438	111,187

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 38. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the reporting date are as follows:

	2017 RMB'000	2016 RMB'000
<b>Financial assets</b>		
Held-to-maturity investment	12,245	17,331
Available-for-sale investments	635,213	459,028
Loan and receivables:		
Loans and accounts receivables	203,861	257,645
Other receivables and deposits paid	40,832	47,643
Amount due from a shareholder	7,562	3,787
Amount due from a non-controlling interest	1	1
Amount due from a joint venture	11,400	11,421
Cash and cash equivalents	77,912	34,689
	<b>989,026</b>	<b>831,545</b>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost:		
Accruals and other payables	56,199	52,385
Dividend payable	81	149
Bank borrowing	18,668	21,361
Convertible bonds	92,438	87,807
	<b>167,386</b>	<b>161,702</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 39. FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise held-to-maturity investment, available-for-sale investments, loans and accounts receivables, other receivables and deposits paid, cash and cash equivalents, accruals and other payables, amounts due from a shareholder, a non-controlling interest and joint ventures, bank borrowing and convertible bonds payables. These financial instruments mainly arise from its operations.

The carrying amounts of the Group's financial instruments approximated their fair values as at the reporting date. Fair value estimates are made at a specific point in time and based on relevant market information on the financial instruments.

These estimates are subjective in nature and involve uncertainties and matters of significant judgment, and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. As the Group's exposure to these risks is kept to a minimum, the Group has not used any derivatives and other instruments for hedging purposes. The Group does not hold or issue any derivative financial instruments for trading purposes. The board of directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

#### Interest rate risk

Interest rate risk means the risk on the fluctuation of fair value or future cash flows of financial instruments which arise from changes in interest rates. Floating interest rate instruments will result in the Group facing the risk of changes in market interest rate.

The Group is exposed to interest rate risk in relation to variable-rate bank balance and interest-bearing bank borrowing. The Group currently does not have a policy on cash flow hedges of interest rate risk. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The interest bearing bank borrowing bear floating interest rates and are denominated in RMB. The interest rates and terms of repayment of bank borrowing are disclosed in note 27 above.

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate bank borrowing. The analysis is prepared assuming that the amount of assets and liabilities outstanding at the end of each of the reporting periods were outstanding for the whole year. 100 basis points increase or decrease represents management's assessment of the reasonably possible change in the interest rates of borrowing.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the exposures at the end of the reporting periods do not reflect the exposures during the years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 39. FINANCIAL RISK MANAGEMENT (Continued)

#### Interest rate risk (Continued)

If interest rates on bank borrowing at the end of reporting period had been 100 basis points higher/lower and all other variables were held constant, the potential effect on the Group's post-tax profit for the years ended 31 December 2017 and 2016 are as follow:

	2017 RMB'000	2016 RMB'000
Increase/(decrease) in profit for the year		
– As a result of an increase in interest rate	(613)	(160)
– As a result of a decrease in interest rate	613	160

#### Foreign currency risk

As the Group's revenue and expenses are mainly in RMB which is the functional currency of most of the entities making up the Group, the currency risk resulting from the Group's daily operations is considered not significant. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

#### Credit risk

The Group's credit risk is primarily attributable to its loans and accounts receivables (note 22) and available-for-sale investments (note 21). Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of the Group's available-for-sale investments included unlisted equity securities and debt security held for strategic purposes. Credit risk refers to issuers to these financial instruments failing to discharge their obligations under the terms, leading to a financial loss to the Group. The Group monitors the financial status and credit rating of individual issuers by reviewing the financial information provided by issuers on a regular basis. Please refer to notes 21 and 22 for the details of the Group's investments.

In respect of loans receivable, the Group's policy is that all customers who wish to obtain loans from the Group are subject to management review. The Group holds collaterals directly or indirectly to cover its risks associated with loans receivable.

All collaterals of loans receivable are held directly by the Group.

For accounts receivable, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customers' past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Normally, the Group does not obtain collaterals from customers on accounts receivable.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 39. FINANCIAL RISK MANAGEMENT (Continued)

#### Credit risk (Continued)

As at 31 December 2017, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. The Group's exposure under outstanding loans receivables are secured by the pledged assets of the customers as disclosed in note 22.

The credit risk of the Group's other financial assets, which mainly comprise of cash and cash equivalents and other receivables, arises from potential default of the counterparties, with a maximum exposure equal to the carrying amounts of these instruments. Credit risk in cash and cash equivalents is mitigated as cash is deposited in banks with high credit rating.

#### Liquidity risk

Management of the Group monitors current and expected liquidity requirements to ensure that the Group maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity profile of the Group's financial liabilities as at the reporting date, based on the contractual undiscounted payments, are as follows:

	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Repayable on demand RMB'000	Within 1 year RMB'000	Within 2 to 5 years RMB'000	More than 5 years RMB'000
<b>At 31 December 2017</b>						
Accruals and other payables	56,199	56,199	-	48,985	7,214	-
Dividend payable	81	81	-	81	-	-
Bank borrowing	18,668	23,070	-	3,107	11,267	8,696
Convertible bonds	92,438	104,868	-	104,868	-	-
	<b>167,386</b>	<b>184,218</b>	<b>-</b>	<b>157,041</b>	<b>18,481</b>	<b>8,696</b>
<b>At 31 December 2016</b>						
Accruals and other payables	52,385	52,385	-	40,713	11,672	-
Dividend payable	149	149	-	149	-	-
Bank borrowing	21,361	26,832	-	3,762	11,731	11,339
Convertible bonds	87,807	110,372	-	110,372	-	-
	<b>161,702</b>	<b>189,738</b>	<b>-</b>	<b>154,996</b>	<b>23,403</b>	<b>11,339</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2017	2016	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>				
Available-for-sale investments				
– Debts securities – unlisted	<b>39,460</b>	40,028	<b>39,460</b>	40,028

Management has assessed that the fair values of the above financial assets approximate their carrying amounts largely due to the short term maturities of these instruments.

The Group's risk control team is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The risk control team reports directly to the chief financial officer and the audit committee. At each reporting date, the risk control team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair values of the financial assets are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of debt securities included in available-for-sale investments have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market price or rates. The valuation requires the Directors to make estimates about the expected future cash flows including expected proceeds on subsequent disposal of the debt securities.

The Directors believe that the estimated fair value of the debt securities based on valuation technique, which is recorded in the consolidated statement of financial position, and the related change in fair value, which is recorded in other comprehensive income, reasonable, and represents the most appropriate value at end of the reporting period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at 31 December 2017 and 2016:

	Valuation	Significant unobservable input	Discount rate	Sensitivity of the input to fair value
<b>As at 31 December 2017</b>				
Debt securities – unlisted	Discounted cash flow method	Short term interest rate for cash flow	8%	An increase in the short term interest rate will result in a decrease in the fair value of the unlisted debt securities and vice versa.
<b>As at 31 December 2016</b>				
Debt securities – unlisted	Discounted cash flow method	Short term interest rate for cash flow	7%	An increase in the short term interest rate will result in a decrease in the fair value of the unlisted debt securities and vice versa.

#### Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

#### Assets measured at fair value:

	Fair value measurement using			Total RMB'000
	Quoted price in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
As at 31 December 2017				
Available-for-sale investment:				
Debt securities – unlisted	–	–	39,460	39,460
Investment properties	–	–	46,400	46,400
As at 31 December 2016				
Available-for-sale investment:				
Debt securities – unlisted	–	–	40,028	40,028



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Year Ended 31 December 2017

### 40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

#### Fair value hierarchy (Continued)

	2017 RMB'000	2016 RMB'000
Available-for-sale investment – unlisted debt securities	40,028	–
Addition	–	40,028
Settlement	(1,378)	–
Total gain or losses – in other comprehensive income	810	–
At 31 December	39,460	40,028

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2016: nil).

The Group did not have any liabilities measured at fair value as at 31 December 2017 and 2016.

### 41. CAPITAL RISK MANAGEMENT

The Group's capital management objectives include:

- (i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for owner's benefits for other stakeholders;
- (ii) to support the Group's stability and growth; and
- (iii) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder's returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

Management regards total equity as capital which comprise share capital, reserves and non-controlling interests. The amount of capital as at 31 December 2017 amounted to approximately RMB900,693,000 (2016: RMB771,691,000). Management considers the current capital structure as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

### 42. EVENT AFTER END OF REPORTING PERIOD

On 15 January 2018, the Company granted to certain eligible persons share options that entitle them to subscribe for an aggregate of 98,000,000 ordinary shares of the Company with a nominal value of HK\$0.10 each (upon exercise in full and subject to adjustment in accordance with the share option scheme adopted by the Company on 20 December 2011) under the Share Option Scheme as described in note 30.

### 43. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 29 March 2018.

## FINANCIAL SUMMARY

Below is a summary of the Group's results for the last five financial years and the assets and liabilities of the Group as at 31 December 2017, 2016, 2015, 2014 and 2013, as extracted from the published audited financial statements for the year ended 31 December 2017, 2016, 2015, 2014 and 2013. The amounts set out in this financial summary are prepared as if the current structure of the Group had been in existence throughout the years presented.

	2017 RMB'000	2016 RMB'000	2015 RMB'000	2014 RMB'000	2013 RMB'000
Revenue	<b>384,604</b>	289,162	108,528	32,053	107,980
Other income/(expense), net	<b>643</b>	2,668	2,683	(55,121)	(26,013)
Employee benefit expenses	<b>(59,141)</b>	(48,058)	(23,061)	(18,941)	(19,544)
Administrative expenses	<b>(79,017)</b>	(78,992)	(32,349)	(34,257)	(39,754)
Equity-settled share-based payments	<b>(7,248)</b>	(21,009)	(1,436)	-	-
Share of results of joint venture	<b>868</b>	(661)	-	-	-
Finance costs	<b>(16,890)</b>	(7,790)	(5,635)	(13,327)	(6,593)
Profit/(loss) before income tax expense	<b>223,819</b>	135,320	48,730	(89,593)	16,076
Income tax expense	<b>(70,961)</b>	(31,886)	(4,172)	(5,308)	(9,168)
Profit/(loss) for the year	<b>152,859</b>	103,434	44,558	(94,901)	6,908
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss:					
- Exchange differences on translating foreign operations	<b>(2,870)</b>	3,972	(1,476)	(390)	275
- Change in fair value available-for-sale investment	<b>810</b>	-	-	-	(4,629)
- Reclassified to profit or loss for impairment loss on available-for sale investment	-	-	-	-	4,629
Total comprehensive income for the year	<b>150,798</b>	107,406	43,082	(95,291)	7,183
Profit/(loss) for the year attributable to:					
Owners of the Company	<b>152,762</b>	101,323	43,146	(86,363)	9,697
Non-controlling interests	<b>96</b>	2,111	1,412	(8,538)	(2,789)
	<b>152,858</b>	103,434	44,558	(94,901)	6,908
Total comprehensive income for the year attributable to:					
Owners of the Company	<b>150,702</b>	105,295	41,670	(86,753)	9,972
Non-controlling interests	<b>96</b>	2,111	1,412	(8,538)	(2,789)
	<b>150,798</b>	107,406	43,082	(95,291)	7,183
ASSETS AND LIABILITIES					
Total assets	<b>1,126,165</b>	988,169	530,964	330,395	467,761
Total liabilities	<b>(225,472)</b>	(216,478)	(41,011)	(89,239)	(131,314)
Net assets	<b>900,693</b>	771,691	489,953	241,156	336,447

By the Order of the Board  
**Flying Financial Service Holdings Limited**  
**Zheng Weijing**  
*Chairman and Chief Executive Officer*

Hong Kong, 29 March 2018

*As at the date of this announcement, the executive Directors are Mr. Zheng Weijing (Chairman and Chief Executive Officer), Mr. Zhang Gongjun, and Ms. Guo Chanjiao; and the independent non-executive Directors are Mr. Vincent Cheng, Mr. Leung Po Hon and Dr. Miao Bo.*

*This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

*This announcement will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for a minimum period of seven days from the date of its publication and on the Company’s website at [www.flyingfinancial.hk](http://www.flyingfinancial.hk).*