民銀資本
CMBC CAPITAL HOLDINGS LIMITED

Incorporated in Bermuda with limited liability
Stock Code: 1141

ANNUAL REPORT 2018

Contents

Abbreviations

In this annual report, the following abbreviations have the following meanings unless otherwise specified:

"Board"	the Board of Directors of the Company
"China Minsheng Bank"	China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange (stock code: 1988) and the A shares of which are listed on the Shanghai Stock Exchange (stock code: 600016)
"China Minsheng Bank Group"	China Minsheng Bank and its subsidiaries (excluding the members of the Group)
"CMBC Asset Management"	CMBC Asset Management Company Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company
"CMBC Investment"	CMBC Investment (HK) Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company
"CMBCCF"	CMBC Capital Finance Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company
"CMBCI"	CMBC International Holdings Limited (民生商銀國際控股有限公司), a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company
"CMBCIC"	CMBC International Capital Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company
"CMBC International Investment"	CMBC International Investment Limited, a company incorporated in the British Virgin Islands with limited liability
"CMBCI Group"	CMBCI and its subsidiaries, excluding the members of the Group

Abbreviations

"CMBC Securities"	CMBC Securities Company Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Company
"Company"	CMBC Capital Holdings Limited
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Group"	the Company and its subsidiaries
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"PRC"	the People's Republic of China, for the purpose of this report only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Previous Period"	the nine months ended 31 December 2017
"Reporting Year"	the financial year ended 31 December 2018
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Shareholder"	holder(s) of the Share(s)
"Share"	ordinary shares of HK$0.01 each in the capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

Corporate Information

(as at the date of this report)

BOARD OF DIRECTORS

Executive Directors

Mr. Li Jinze *(Chairman)*
Mr. Ding Zhisuo *(General Manager)*
Mr. Ng Hoi Kam

Non-executive Directors

Mr. Ren Hailong
Mr. Liao Zhaohui

Independent Non-executive Directors

Mr. Lee, Cheuk Yin Dannis
Mr. Wu Bin
Mr. Wang Lihua

AUDIT COMMITTEE

Mr. Lee, Cheuk Yin Dannis *(Chairman)*
Mr. Wu Bin
Mr. Wang Lihua

REMUNERATION COMMITTEE

Mr. Wu Bin *(Chairman)*
Mr. Ren Hailong
Mr. Wang Lihua

NOMINATION COMMITTEE

Mr. Wu Bin *(Chairman)*
Mr. Ren Hailong
Mr. Wang Lihua

COMPANY SECRETARY

Mr. Dong Qizhen
(resigned on 3 September 2018)
Ms. Yang Na
(appointed on 3 September 2018 and resigned on 6 December 2018)
Mr. Ho Yau Cheung
(appointed on 6 December 2018)

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited (Stock Code: 1141)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 6601A and 6607-6608
Level 66
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

PRINCIPAL BANKERS

China Minsheng Banking Corp., Ltd
OCBC Wing Hang Bank Limited
Shanghai Pudong Development Bank Co., Ltd
CMB Wing Lung Bank Limited

LEGAL ADVISER

Jun He Law Offices

AUDITOR

KPMG
Certified Public Accountants
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

http://www.cmbccap.com

Chairman's Statement

ECONOMIC, MARKET AND BUSINESS REVIEW

Due to the trade conflicts between the PRC and the United States ("US"), the slowdown of global growth and the successive US interest rate hikes, the global economy and the equity markets in the Asia-Pacific region experienced a period of volatility in 2018. The relatively steady performance of the US equity market as compared with those in the rest of the world was largely attributable to the tax reduction and employment promotion initiatives implemented by the Trump administration at the end of 2017. However, quite a number of decisions made by the US President Donald Trump in 2018 have in fact influenced investors' confidence. Aside from the Sino-US trade war, the views of President Trump and the Federal Reserve on whether to raise interest rates were divergent. In addition, the US Congress has failed to approve the funding sought by President Trump to build a wall along the border between the US and Mexico, leading to a shutdown in the US government and the ensuing downturn in the US equity market at the end of 2018. While the US Dow Jones Index recorded a cumulative decrease of 5.6% in 2018, the Standard & Poor's 500 and the Nasdaq dropped by 6.2% and 3.9% respectively. Europe has a rather uncertain outlook as a result of the issues concerning Brexit amidst obscurity, such as, Italy's disagreement with the European Union over the country's budgets, the outgoing Chancellor of Germany Angela Merkel and the "Yellow Vests" protests in France. The United Kingdom also saw its second interest rate hike within 12 months in August 2018 in order to control inflation. The United Kingdom's Financial Times Stock Exchange 100 Index dropped by 12.5% in 2018.

In the PRC, while both domestic demand and investment growth showed some signs of downturn, there has been a modest increase in commodity prices, and both the growth in fixed assets investment and the cumulative growth in total retail sales of consumer goods have recorded certain slowdown. Under the influence of the Sino-US trade conflicts, the capital market was relatively sluggish in general. the SSE Composite Index recorded an overall drop of 24.6% in 2018. As constrained by the external environment, the Hong Kong Heng Sang Index declined by 13.6% in 2018. Fortunately, the performance of the Hong Kong stock market did not discourage Mainland and overseas companies from seeking to be listed in Hong Kong. The listing reforms carried out by the Hong Kong Stock Exchange, such as the significant reform targeting biotechnology companies and the weighted voting right structure, have brought new opportunities to the already vibrant and prosperous capital market in Hong Kong. According to the annual statistics of the Hong Kong Stock Exchange, total funds raised by IPO in Hong Kong amounted to HK$286.5 billion in 2018, representing a year-on-year increase of 123%, with which the Hong Kong Stock Exchange has once again been ranked the first in terms of funds raised by IPO among all stock exchanges in the world. There were 218 newly listed companies in total in 2018, representing a year-on-year increase of 25% in terms of the number of such companies.

Chairman's Statement

The Group had built a cooperative development system with China Minsheng Bank in a regular and efficient manner, through which it can leverage the vast network and the enormous customer base of China Minsheng Bank to facilitate the comprehensive and rapid development of the Group in the areas of securities trading and brokerage, asset management, investment banking, structured finance, direct investment, etc. Despite an average performance of the Hong Kong stock market, with the strenuous support by China Minsheng Bank and well-coordinated execution of the management, the Company recorded encouraging results of operation.

During the Reporting Year, the Group's total revenue (including net gains or losses from investment) was approximately HK$718.0 million, representing an increase of approximately 207.1% from approximately HK$233.8 million in the Previous Period. Net profit for the Reporting Year increased from approximately HK$118.3 million in the Previous Period to approximately HK$245.2 million, representing an increase of 107.3%. Total assets increased steadily from approximately HK$5.31 billion as at 31 December 2017 to approximately HK$10.44 billion as at 31 December 2018, representing an increase of 96.5%. During the Reporting Year, the Group actively seized the opportunities to strike a balance among the development of various business segments and continued to optimise its risk control and management. It recorded all-round growth including our securities business, investment and financing business, asset management, corporate finance and advisory business.

During the Reporting Year, segment revenue of the securities business recorded a growth of 86.1% to approximately HK$136.0 million, as compared to HK$73.1 million in the Previous Period. During the Reporting Year, the Group completed 25 underwriting transactions of public offering bonds for Chinese enterprises and financial institutions. Among which, we acted as the global coordinator in 12 projects. On the other hand, the scale of the Group's margin client investment portfolio has been expanded, which brought about an increase in interest income derived from margin financing for the Reporting Year.

During the Reporting Year, the annual income of the investment and financing segment recorded a significant increase of 233.2% to approximately HK$392.1 million, as compared to HK$117.7 million in the Previous Period. The Group's solid investment portfolio mainly comprised of listed bonds, listed equities, unlisted equity investments, quoted investment funds, unlisted funds, unlisted convertible notes and debt investments, and loans. We emphasize reaping the direct and indirect benefit of investment and financing business, with an aim to integrate the business with the securities, and asset management, corporate finance and consulting segments, as clients involved in our investment business often are companies which have much needs in respect of securities, corporate finance and advisory, and asset management.

Chairman's Statement

During the Reporting Year, the annual revenue of asset management, corporate finance and advisory segment increased drastically by 341.1% to approximately HK$189.9 million, compared to HK$43.1 million in the Previous Period. Among which, our investment bank business rolled out rapidly in just over a year upon obtaining the sponsor's license in late September 2017. Up to present, we have entered into contract for a number of new share sponsorship projects, and two of the companies for which we had sponsored have successfully listed on the main board of the Hong Kong Stock Exchange in the Reporting Year. In addition to the sponsorship programs, the Company also served as a financial advisor to a number of merger and acquisition advisory projects during the Reporting Year. The Group's capability as a sponsor and merger and acquisition advisor is not inferior to many Chinese brokerage firms which have been developing in Hong Kong for many years. Asset management business income benefited from the launch of new fixed income private equity fund products, which led to a significant increase in assets under management.

PROSPECTS

Following the year 2018 which was marked by turmoil, the global economy and equity markets all over the world have, by and large, digested certain adverse impacts. Whether a recovery is upcoming after a period of stagnation hinges greatly on the aftermath of the Sino-US trade war. The US President Donald Trump and President of the PRC Xi Jinping have reached an agreement to cease the trade war between the two countries after a meeting held in December 2018. The US side then showed its goodwill by postponing the deadline of imposing additional tariff to sustain its negotiation with the PRC, which heralded the first glimmer of amicable resolution of the trade conflicts. On the other hand, following the four interest rate hikes by the US Federal Reserve last year, at a meeting of the Federal Reserve in January 2019, a motion to leave the Fed funds target rate unchanged was unanimously passed. The Federal Reserve has downplayed its remarks on rate hikes and committed to remain patient with further rate hikes. In light of the development and changes in the economic and financial markets, it is probable that the details on balance sheet reduction by the US Federal Reserve will be amended, including adjustments to the size of investment portfolio and the portfolio itself, so as to support the economy to develop in a healthy manner.

Chairman's Statement

For the PRC, given the slowdown of the global economy, the upsurge of protectionism and unilateralism, and the drastic fluctuation in international bulk commodity prices, the PRC government has indicated that it will adopt appropriate macroeconomic policies and continue to implement proactive fiscal policies and prudent monetary policies. It will also implement policies that prioritize employment in its agenda while strengthening policy coordination and promoting sustainable and healthy social and economic development. In order to facilitate the formation of a strong domestic market and release potential domestic demand, the government has reduced the tax burden of and social security contributions from enterprises by nearly RMB2 trillion during the year. The government has proposed a GDP growth target of 6%-6.5% in 2019. It is expected that the domestic economy will benefit from the structural optimization and continue to maintain a stable development with upward momentum in the coming year.

The future trend of Hong Kong economy, being a highly externally oriented one, will be largely influenced by external economies, especially the economy in the PRC. As long as the PRC's economy stays robust while Europe's and the US's economy steadily revive, Hong Kong economy is likely to maintain a stable growth in the future, on the condition that there is no serious financial risk. Following the development of the "Guangdong-Hong Kong-Macao Greater Bay Area", the "stock connect" between the PRC and Hong Kong becomes ever more mature, which shall attract more domestic and international investors to the Hong Kong market.

The global economy is still under the process of revival in 2019, and the future risk factors shall not be underestimated. On the basis of strict risk management and compliance and with its existing business foundation, the Group will continue to expand and optimize its business structure and the cross-selling synergetic effects and scale effects so as to support the strong growth of its existing business, maintaining the Group's momentum of rapid development. Adhering to the principle of "Standardization, Efficiency, Innovation, Excellence", the Company will capitalize on the advantages of being a fully licensed broker and a member of China Minsheng Bank to provide efficient and high-quality professional services in the fields of cross-border merge and acquisition, listing, investment and financing for the emerging outstanding private enterprises in Mainland China. We will continue to create better and greater long-term return to our shareholders and endeavor to establish the Company as a top comprehensive financial services institution by carrying out mergers and acquisitions which are beneficial to the Group's long-term development.

Management Discussion and Analysis

BUSINESS REVIEW

The Group is currently licensed to engage in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, as well as the licensed money lending business and has all material licenses required for services expected to be required by most of its existing and potential clients at current stage.

During the Reporting Year, the Group's profit attributable to the owners of the Company was approximately HK$245.2 million (the Previous Period: profit of HK$118.3 million), representing an increase of 107.3%. The Group's basic and diluted earnings per share were HK0.53 cents (31 December 2017: basic and diluted earnings per share of HK0.30 cents).

The Group's revenue increased by 379.0% to approximately HK$791.2 million during the Reporting Year, compared to approximately HK$165.2 million in the Previous Period. It was mainly due to the growth of the three major businesses of the Group, including the securities segment, the investment and financing segment and the asset management, corporate finance and advisory segment.

The table below presents the breakdown of segment revenue (including net gains or losses from investment) and segment results:

	Segment Revenue		Segment Results	
	For the year ended 31 December 2018 HK$'000	For the nine months ended 31 December 2017 HK$'000	**For the year ended 31 December 2018 HK$'000**	For the nine months ended 31 December 2017 HK$'000
Securities	**135,982**	73,059	**81,770**	49,137
Investment and financing	**392,122**	117,679	**110,900**	91,933
Asset management, corporate finance and advisory	**189,922**	43,052	**148,646**	39,783
Total	**718,026**	233,790	**341,316**	180,853

Management Discussion and Analysis

Securities

The Group's securities business mainly includes the provision of brokerage services, securities margin financing services, futures and options contracts dealing services and securities underwriting/placing services to clients. During the Reporting Year, the Group completed 25 public offering bonds underwriting transactions for Chinese enterprises and financial corporates. The Group acted as a global coordinator in 12 projects out of those transactions. The bond products include the establishment, drawdown and issuance of interim notes and the issuance of senior bonds, hybrid perpetual bonds and bank capital instruments. The Group's debt capital market business segment also provides some significant bonds issuer clients with international rating advisory services.

During the Reporting Year, the revenue and profit contributed by the securities segment were approximately HK$136.0 million and HK$81.8 million, respectively, compared to the revenue and profit of approximately HK$73.1 million and HK$49.1 million, respectively in the Previous Period. The profit in the segment was mainly attributed to the increase in commission income generated by the underwriting services for the bonds and new shares issued by the clients.

The Group solidly developed securities brokerage business and margin financing business. Our securities brokerage business includes trading securities, bonds and other marketable securities of listed companies on behalf of clients. Margin financing business includes provision of stock secured financing for retail, corporate clients and high-net-worth clients who need finance for purchasing securities. Since the overall market in 2018 was relatively static, the Group adopted a relatively cautious development strategy as to our securities brokerage business and margin financing business.

The scale of the Group's margin client investment portfolio was enlarged. Loan balance at the end of the year and average monthly loan balance have increased when compared with those in the Previous Period. Margin value and collateral market value have also increased to generate growth in interest income from margin financing for the Reporting Year.

Investment and financing

During the Reporting Year, revenue from the investment and financing segment, which included coupon, dividend and distribution income from listed bonds, listed equities, unlisted equity investments, quoted investment funds, unlisted funds, unlisted convertible notes and debt investments, as well as interest income from loans, amounted to HK$392.1 million in aggregate as compared to HK$117.7 million in the Previous Period. The segment profit increased from HK$91.9 million in the Previous Period to HK$110.9 million in the Reporting Year. The segment profit was mainly attributable to dividend and interest income from investments of approximately HK$465.3 million and net loss on investments of approximately HK$73.2 million (Previous Period: dividend and interest income from investments of HK$49.1 million and net gain on investments of approximately HK$68.6 million, respectively). The increase in segment profit was mainly attributable to the enlargement of diversified investment and financing portfolio size.

The following table sets out the breakdown of investment and financing:

	31/12/2018 HK$'000	31/12/2017 HK$'000
Investment		
Listed equities	4,311	2,597
Unlisted equity interests	224,601	–
Listed bonds (measured at FVOCI)	3,006,050	829,965
Listed bonds (measured at FVTPL)	129,398	–
Quoted investment funds	–	1,327,882
Unlisted funds	193,135	–
Unlisted convertible notes	23,495	–
Unlisted convertible debt investments	482,039	–
Total	4,063,029	2,160,444
Financing		
Loans and advances	3,995,037	1,661,876

As at 31 December 2018, the Group's investment portfolio mainly comprised listed bonds, listed equities, unlisted equity investments, unlisted funds, unlisted convertible notes and convertible debt investments, covering a wide range of sectors such as industrial, pharmaceuticals, technology, consumer goods, real estate and finance.

Management Discussion and Analysis

As at 31 December 2018, the assets of the proprietary investment of the Company amounted to HK$4,063.0 million, including bond investment of HK$3,135.4 million.

The Company maintains a solid proprietary bonds investment style and is committed to a revenue-based (including charging fixed contractual interest income and receiving gains on disposal) trading strategy. Adopting a consistent top-down/bottom-up approach in its investment analysis, the Company pursues high-level and sustainable revenue distribution with limited volatility. It implements a prudent risk management strategy to strike a balance between risk management and revenue and diversify investment to a broad portfolio. Position in any single bond shall not account for more than 5% of the overall position, thereby avoiding the risk of substantial market adjustment.

At the same time, the private direct investment business of the Group, including non-listed equity, funds and convertible note projects, centred around trending industries, such as high-end technology, great healthcare and artificial intelligence, and recorded stable growth in terms of overall value of investment projects held during the Reporting Year.

Through the selection of quality customers and projects and focus on short-to-mid term financing, the loan business maintained the liquidity of assets of the Company. Loans were granted to various industries, such as finance, technology, medical healthcare, sports and well-being, education and real estate, to create a diversified loan portfolio. Concentration, maturity profile and risk-to-revenue ratio of the asset portfolio were under constant monitoring. Thorough pre-, peri- and post-investment management were implemented to put in place practicable and effective risk prevention and control measures, for the purpose of credit risk prevention.

Asset management, corporate finance and advisory

The Group's asset management, corporate finance and advisory segment represents the provision of asset management services, corporate finance and financial advisory services. During the Reporting Year, revenue of approximately HK$189.9 million and profit of approximately HK$148.6 million were recorded for this segment respectively, as compared to revenue of approximately HK$43.1 million and profit of approximately HK$39.8 million in the Previous Period respectively. The increase in segment profit was mainly attributable to the growth of corporate finance and sponsorship services and the expansion of assets under management during the Reporting Year.

Management Discussion and Analysis

(I) Asset management

During the Reporting Year, with the establishment of a number of fixed-income private funds, unlisted equity investment funds and corporate discretionary accounts, the Group saw a drastic increase in assets under management to approximately US$600 million, which contributed to a significant increase in management fee income.

In 2018, the capital market in Hong Kong was marked by a general trend of an eventual decline following an initial upswing with an overall poor performance. The investment team from the asset management segment of the Group adopted a prudent investment approach and achieved excellent overall performance in its investment products. While the two fixed-income private funds recorded absolute positive returns, the unlisted equity investment business made steady progress. The asset management segment focused on investment opportunities involving high growth fields such as technology and healthcare. Two of the companies engaging in financial technology in which the Group had invested saw considerable value appreciation. The Group will also continuously expand the scale of its investment in the healthcare sector in the future.

(II) Corporate finance and advisory

The corporate finance and advisory segment is mainly responsible for listing of enterprises in Hong Kong, merger and acquisition and issuance in the secondary market. It covers a full range of work including project design, leading and coordinating respective parties and execution of securities issuance, with a view to establishing a win-win cooperative relationship with clients over the long term. The investment banking team has introduced outstanding sponsors, merger and acquisition advisors and teams for the equity capital market with diversified backgrounds (including sizeable investment banks, regulatory bodies and accountants) to the capital market in Hong Kong.

The Group maximises market value for our clients by providing all-round execution and advisory services of first-class standards. Amidst the persistent tensions in international trade and the abnormal fluctuations in global stock markets, the corporate finance department has been maintaining rapid and healthy development since its establishment and keeping itself abreast of the latest trends of industry development. During the Reporting Year, three projects have been successfully listed on the main board of the Hong Kong Stock Exchange, in two of which CMBCIC, a wholly-owned subsidiary of the Company, acted as the sponsor and global coordinator and in the remaining one as the joint bookrunner. Aside from IPO sponsorship and underwriting, our team from the corporate finance department also acts as a financial advisor for merger and acquisition projects of listed companies, including their appointment as the financial advisor of the offeror and that of the subject listed company in two projects which received considerable market response.

Management Discussion and Analysis

Administrative Expenses and Finance Costs

Administrative expenses and finance costs for the year ended 31 December 2018 amounted to HK$406.9 million in aggregate (for the nine months ended 31 December 2017: HK$105.7 million). The analysis is set out below:

	For the year ended 31 December 2018 HK$'000	For the nine months ended 31 December 2017 HK$'000
Staff costs	**71,775**	34,855
Depreciation and amortisation	**6,280**	1,895
Other administrative expenses	**66,800**	39,952
Finance costs	**262,029**	29,044
Total	**406,884**	105,746

Staff costs increased by 105.9% due to the investment in human resources to support the expansion of each business segment.

As the estimated recovery costs for office premises increased, depreciation and amortisation increased accordingly.

The increase in finance costs was mainly due to the expansion of the size of investment portfolio and loan financing business, which resulted in the increase in borrowings (including bank and other borrowings and financial assets sold under repurchase agreements).

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK0.2 cents per share for the year ended 31 December 2018 (31 December 2017: Nil), subject to the approval by the shareholders of the Company at the forthcoming annual general meeting (the "AGM"). A circular, among other things, further details and the information required by the Listing Rules, together with a notice of AGM, will be despatched to the shareholders in due course.

Management Discussion and Analysis

FINANCIAL REVIEWS

Capital Structure

During the Reporting Year, the Company had (i) placed 577,220,000 new shares at HK$0.363 per share on 20 July 2018 pursuant to the placing agreement; and (ii) allotted and issued 1,350,000,000 new shares at HK$0.363 per share on 15 October 2018 pursuant to the 2018 subscription agreement.

As at 31 December 2018, the total number of the issued share capital with the par value of HK$0.01 each was 47,705,977,729 and total equity attributable to shareholders was approximately HK$1,876.1 million (31 December 2017: HK$1,280.2 million).

During the Reporting Year, no shares had been purchased or granted to the selected persons of the Group under the share award scheme which was adopted in February 2016 (the "Share Award Scheme").

Liquidity and Financial Resources

The Group primarily financed its operations with internally-generated cash flows, borrowings, and by its internal resources and shareholder's equity.

As at 31 December 2018, the Group had current assets of approximately HK$9,526.0 million (31 December 2017: HK$4,829.0 million) and liquid assets comprising cash (excluding segregated bank accounts) and investment in listed equity securities and listed debt investments totalling approximately HK$4,027.3 million (31 December 2017: HK$2,287.2 million). The Group's current ratio, calculated based on current assets of approximately HK$9,526.0 million (31 December 2017: HK$4,829.0 million) over current liabilities of approximately HK$8,507.7 million (31 December 2017: HK$3,886.0 million), was at a ratio of approximately 1.1 at the end of the Reporting Year (31 December 2017: 1.2).

The Group's finance costs for the Reporting Year mainly represented the effective interest on notes payable of approximately HK$8.3 million (Previous Period: HK$6.2 million), effective interest on promissory notes of Nil (Previous Period: HK$0.3 million), interest on bank borrowings and bank overdrafts of approximately HK$19.7 million (Previous Period: HK$2.4 million), interest on loans from an intermediate holding company of approximately HK$207.3 million (Previous Period: HK$20.0 million), and interest on financial assets sold under repurchase agreements of approximately HK$26.7 million (Previous Period: HK$8,000).

Management Discussion and Analysis

As at 31 December 2018, the Group's indebtedness comprised loans from an intermediate holding company, bank borrowing, notes payable and financial assets sold under repurchase agreements of approximately HK$7,869.3 million (31 December 2017: HK$3,487.4 million). The loans principal from an intermediate holding company of approximately HK$6,314.4 million (31 December 2017: HK$3,032.5 million) were denominated in Hong Kong dollars and United States dollars, due on the second anniversary from the drawdown date, and borne interest at 4% per annum. The notes payable in the aggregate principal amount of HK$150 million (31 December 2017: HK$150 million) was denominated in Hong Kong dollars, due on the seventh anniversary from the respective issue dates of the notes, and borne interest at 5% fixed rate per annum.

The Group's gearing ratio, calculated on the basis of total indebtedness divided by the sum of total indebtedness and equity attributable to the Company's owners, was at a ratio of approximately 80.7% (31 December 2017: 73.1%).

With the amount of liquid assets on hand, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

Use of proceeds from the subscription of new shares on 31 May 2017

On 7 March 2017, the Company entered into a subscription agreement with CMBC International Investment and Brilliant Decent Limited ("Brilliant Decent"), pursuant to which the Company conditionally agreed to issue and CMBC International Investment and Brilliant Decent conditionally agreed to subscribe for a total of 26,950,000,000 new shares in cash at a subscription price of HK$0.032 per share for a total consideration of HK$862,400,000 (the "2017 New Share Subscription"). For details, please refer to the circular issued by the Company dated 10 April 2017 (the "2017 New Share Subscription Circular"). The new share subscription was completed on 31 May 2017.

Use of proceeds from the subscription of new shares on 31 May 2017 (continued)

The use of proceeds from the subscription of new shares as at 31 December 2018 are as follows:

(a) Actual Use of Proceeds

Details of the use of proceeds as at 31 December 2018 are set out below:

	Original intended use of the proceeds as disclosed in the 2017 New Share Subscription Circular (Note 1)	Actual use of the proceeds up to 31 December 2018	Balance of proceeds as at 31 December 2018
1.	Approximately 40% (approximately HK$340 million) of the proceeds was used to support and develop the securities business (including brokerage and margin financing)	Approximately HK$340 million	Nil
2.	Approximately 10% (approximately HK$85 million) used to develop proprietary trading business	Approximately HK$85 million	Nil
3.	Approximately 10% (approximately HK$85 million) of the proceeds was used to develop and expand the capital-based intermediary business (Note 2)	Approximately HK$27.7 million	Approximately HK$57.3 million
4.	Approximately 25% of the proceeds (approximately HK$212.5 million) was used to further develop the Group's asset management business (Note 3)	Approximately HK$212.5 million	Nil
5.	Approximately 10% of the proceeds (approximately HK$85 million) is used to finance the required working capital needed for underwriting	Approximately HK$85 million	Nil
6.	Approximately 5% of the proceeds (approximately HK$42.5 million) is used for general working capital	Approximately HK$42.5 million	Nil

Use of proceeds from the subscription of new shares on 31 May 2017 (continued)

(a) Actual Use of Proceeds (continued)

Notes:

1. For details of the original use of proceeds, please refer to the 2017 New Share Subscription Circular.

2. On 27 July 2017, the Company entered into an acquisition agreement with its controlling shareholder, CMBCI, to acquire the entire issued share capital of CMBCIC, which is licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. The acquisition was disclosed in the announcement of the Company dated 27 July 2017 (the "Announcement on 27 July 2017"). For details, please refer to the Announcement on 27 July 2017. As at 31 December 2018, the amount of acquisition proceeds was HK$19.9 million, and was included in the above analysis of use of the proceeds.

3. The Company has used all of the proceeds (approximately HK$212.5 million) to acquire certain assets (through proprietary trading), and intended to place such asset under the management of its subsidiary, CMBC Asset Management, to further development the Group's asset management business. Therefore, on 15 June 2018, CMBC Investment (as the client) entered into an investment management agreement (the "Management Agreement") with CMBC Asset Management (as the investment manager). Pursuant to the terms of the Management Agreement, CMBC Investment engaged CMBC Asset Management to provide certain asset management services to CMBC Investment regarding its investment portfolio (including the abovementioned assets acquired by CMBC Investment).

As at 31 December 2018, except for item 3 in the above table, the proceeds have been fully utilized in accordance with the original purposes disclosed in the 2017 New Share Subscription Circular.

(b) Unutilized Proceeds

As set out in the above table (i.e. item 3), approximately HK$57.3 million of the proceeds has not been utilized.

As at the date of this annual report, all unutilized proceeds were intended to be used for the same specific purposes as disclosed in the 2017 New Share Subscription Circular. As stated in the 2017 New Share Subscription Circular, the actual timing of utilization is subject to the market environment and the pace of our business development. The Company has been closely monitoring the market conditions and its business development and is expected to make use of the unutilized amount around the end of 2019.

Use of proceeds from the completion of the placing and the allotment and issue of new shares under a special mandate on 20 July 2018 and 15 October 2018 respectively

On 3 July 2018, the Company entered into a placing agreement (the "Placing Agreement") and a subscription agreement (the "2018 Subscription Agreement") with the placing agents regarding the placing of new shares.

Use of proceeds from the completion of the placing and the allotment and issue of new shares under a special mandate on 20 July 2018 and 15 October 2018 respectively (continued)

Pursuant to the Placing Agreement, the placing agents conditionally entered into an agreement with the Company, whereby a maximum of 830,000,000 new shares would be placed, through the placing agents, on a best effort basis, to not less than 6 independent placees at a placing price of HK$0.363 per share (the "Placing Price"). The total consideration for the Shares is approximately HK$205 million (the "Placing"). For details, please refer to the announcement issued by the Company on 3 July 2018 (the "Placing Announcement"). The Placing was completed on 20 July 2018.

Pursuant to the 2018 Subscription Agreement, the Company conditionally agreed to allot and issue, and CMBC International Investment conditionally agreed to subscribe for 1,350,000,000 new Shares in cash at a subscription price of HK$0.363 per share for a total consideration of approximately HK$490 million (the "2018 Subscription"). The 2018 Subscription was completed on 15 October 2018. For details, please refer to the announcements issued by the Company on 3 July 2018, 20 September 2018, 5 October 2018 and 15 October 2018 (the "2018 Placing Announcements") and the Company's circular dated 3 September 2018 (the "2018 Subscription Circular").

As of 31 December 2018, the proceeds from the Placing and the 2018 Subscription have been utilised as follows:

(a) *Actual Use of Proceeds*

Set out below is the detailed breakdown of the use of the proceeds as of 31 December 2018:

	Original intended use of the proceeds as disclosed (Note 1)	Actual use of the proceeds up to 31 December 2018	Remaining balance of the proceeds as at 31 December 2018
1.	60% of the proceeds from the Placing and the 2018 Subscription (approximately HK$417 million) to expand the loan and financing business of the Group	Approximately HK$417 million	Nil
2.	10% of the proceeds from the Placing and the 2018 Subscription (approximately HK$69.5 million) to further strengthen the Group's brokerage service capability	Approximately HK$69.5 million	Nil
3.	10% of the proceeds from the Placing and the 2018 Subscription (approximately HK$69.5 million) to expand the Group's corporate finance advisory business	Approximately HK$17.3 million	Approximately HK$52.2 million

Use of proceeds from the completion of the placing and the allotment and issue of new shares under a special mandate on 20 July 2018 and 15 October 2018 respectively (continued)

(a) Actual Use of Proceeds (continued)

	Original intended use of the proceeds as disclosed (Note 1)	Actual use of the proceeds up to 31 December 2018	Remaining balance of the proceeds as at 31 December 2018
4.	10% of the proceeds from the Placing and the 2018 Subscription (approximately HK$69.5 million) to develop the asset management business	Approximately HK$69.5 million	Nil
5.	10% of the proceeds from the Placing and the 2018 Subscription (approximately HK$69.5 million) to be used as the general working capital of the Group	Approximately HK$37.5 million	Approximately HK$32 million

Note:

1. For details of the original intended use of the proceeds, please refer to the Placing Announcement, the 2018 Placing Announcements and the 2018 Subscription Circular.

(b) Unutilised Amount of the Proceeds

As shown in the table above (i.e. items 3 and 5), approximately HK$84.2 million has not been utilised.

As at the date of this annual report, all the remaining unutilised proceeds are intended to be utilised for the same specific use as disclosed in the Placing Announcement, the 2018 Placing Announcements and the 2018 Subscription Circular.

Pledge of Asset

Except as otherwise disclosed, as at 31 December 2018, the Group did not have other pledge or charge on asset (31 December 2017: Nil).

Contingent Liability

Except as otherwise disclosed, as at 31 December 2018, the Group did not have other significant contingent liability (31 December 2017: Nil).

Capital Commitment

As at 31 December 2018, the Group had capital commitment of approximately HK$5,200,000 (31 December 2017: Nil).

Significant Investments Held

For the year ended 31 December 2018, the Group did not hold any single significant investment which accounted for over 5% of the total assets.

Material Acquisitions and Disposals of Subsidiaries and Associates

For the year ended 31 December 2018, the Group had no material acquisitions or disposals of subsidiaries and associates.

FOREIGN CURRENCY RISK MANAGEMENT

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

HUMAN RESOURCES AND REMUNERATION POLICY

As at 31 December 2018, the Group had about 80 (31 December 2017: about 60) employees including the Directors. For the Reporting Year, the total staff costs, including the Directors' remuneration, was approximately HK$71.8 million (Previous Period: HK$34.9 million). Remuneration packages for the employees and the Directors are structured by reference to market terms, individual competence, performance and experience. Benefits plans maintained by the Group include mandatory provident fund scheme, subsidised training programme, share option scheme, share award scheme and discretionary bonuses.

PROSPECTS

The Company will further enhance its profitability by establishing and optimising the investment and financing business and fostering a comprehensive upgrade in the corporate finance and advisory and asset management business. In particular, the Group intends to, inter alia:

(1) optimize the structure of the investment and financing business, focus on ancillary investment and financing services for high-quality clients who have needs regarding corporate finance and advisory and asset management. Upon selection of target industries and companies, the Company will focus on providing all-round financial services for enterprises with sustainable and steady growth in the fields of new technology, healthcare and bulk consumption, with a view to fostering the rapid growth of the investment banking and asset management business by capitalising on the investment and financing business;

(2) further develop services related to sponsorship for listing and merger and acquisition advisory. Based on the foundation the Company built by successfully providing various enterprises with listing sponsorship and merger and acquisition services in the Reporting Year, the Company will provide elite enterprises in Mainland China with highly efficient services, fully bring into play the high-quality private enterprise client resources cultivated in Mainland China by China Minsheng Bank and provide services for their cross-border listing and merger and acquisition; the Company will focus on team building, launching projects in strict compliance with the law, effectively preventing any risk of violating the laws and regulations. With these efforts, the Company will gain recognition from both clients and regulatory bodies so that the Company may gradually become the leading Hong Kong-based Chinese financial services provider in the field of sponsorship for listing and merger and acquisition advisory;

(3) make use of innovative products and services as well as the advantages of China Minsheng Bank in terms of clientele and networks, taking into account the diversified needs of high-net-worth clients in Greater China and leveraging the diversified portfolio of private equity products to effectively foster the upgrade and development of asset management business, with a view to providing different kinds of high-net-worth individual clients or high-quality corporate clients with diversified asset management services; and

(4) pay close attention to the investment targets or partners which create synergy with the Group and China Minsheng Bank in order to enhance the quality and pace of the Group's development. The Group will expedite its development and enhance its competitiveness among its peers through strategic financial investments or establishment of close cooperation. The Group will continue to focus on emerging enterprises with synergy, healthy fundamentals and continuous increase in both revenue and profit as potential targets for cooperation.

On the whole, the Group will press ahead with the upgraded "one-body and two-wings" strategy to develop its business. The upgraded "one-body" refers to the optimisation of the existing investment and financing structure with a focus on addressing the balance of direct benefits and indirect benefits from investment and financing activities and promoting close integration between the investment and financing business and businesses such as merger and acquisition, listing and asset management. Closer ties between the development of the investment and financing business and that of the investment banking and asset management business will be established. While the upgraded "two-wings" strategy will strengthen the development of the investment banking and asset management business in such aspects as human resources, financial resources and various systems and mechanisms, due attention will be paid to the enhancement of quality and branding in the development of the corporate financing and advisory and asset management segment, instead of a mere consideration in respect of the number of projects handled or revenue.

RISK MANAGEMENT CAPABILITIES

The Board recognises risk management as one of the key elements to the success of the Company and endeavours to improve risk management system to align with its business development strategically. The Group takes a pragmatic approach to manage different risks including credit risks, market risks and operation risks. As at the date of this report, the Group has implemented various risk management policies and procedures, covering different business sectors. The Group has also established centralised internal control and compliance management system to effectively monitor the Group's operation and dealings. The Board has established the risk management and internal control committee to, inter alia, oversee the overall risk management framework of the Group. The Group will continue to enhance the risk management practices and internal control system and adopt a stringent governance framework with reference to the best practices in the market.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Li Jinze ("**Mr. Li**"), aged 49, is the current chief executive officer of CMBCI. Mr. Li has obtained a doctorate in international law from Wuhan University, and a postdoctor certificate in international finance from Nankai University. Since then, Mr. Li has passed Paper 1 and 2 of the Licensing Examination for Securities and Futures Intermediaries, and is a licensed fund practitioner and has a certificate for qualified lawyer in the People's Republic of China. Mr. Li previously worked at Industrial and Commercial Bank of China Limited ("ICBC"), serving as the deputy general manager of its legal department, the vice president of its Shanxi branch, and the deputy general manager of the international business department of its head office. In addition, Mr. Li was previously employed as the head of the preparatory group for the incorporation of the Singapore branch of China Minsheng Bank. Major projects that Mr. Li was involved in include the reorganization of ICBC and the introduction of strategic investors in relation to its domestic and foreign listing, the reorganisation of the business of a Hong Kong investment bank, the establishment of a domestic trust involving the securitisation of non-performing assets, and the cases that involved oil proceeds which were subject to the sanction imposed by the Office of Foreign Assets Control of the United States government. Mr. Li has also published nearly 100 legal and financial articles in various publications including the People's Daily, China Legal Science and Studies of International Finance.

Mr. Ding Zhisuo ("**Mr. Ding**"), aged 53. Mr. Ding has extensive experience in investment banking industry. From July 1994 to January 2001, Mr. Ding had served as a senior staff, deputy director and director of the management information department of ICBC. From January 2001 to September 2007 and from December 2011 to July 2017, Mr. Ding had worked for China Huarong Asset Management Co. Ltd., a company whose shares are listed on the Stock Exchange (Stock Code: 2799), where he had served as the vice general manager and the general manager at the research and development department, assessment consulting department, the Shanghai office, the securities business department, the development and planning department and the operations evaluation department. From September 2007 to December 2011, Mr. Ding had served as the general manager of Huarong Securities Co., Ltd. (華融證券股份有限公司), a subsidiary of China Huarong Asset Management Co. Ltd. and principally engaged in the securities business. Mr. Ding joined China Minsheng Bank in July 2017.

Mr. Ding graduated from Chinese Academy of Social Sciences and holds a doctorate degree in economic and political science.

Directors and Senior Management

Mr. Ng Hoi Kam ("**Mr. Ng**"), aged 45, is the deputy general manager of the Group. Mr. Ng has over 20 years of experience in the investment banking and financial industry focusing on the areas of initial public offerings, mergers and acquisitions, corporate restructuring and other financial advisory services to listed companies and listing applicants in Hong Kong. He has led a number of capital markets deals in various sectors including healthcare, technology, utilities and financial, as well as large-scale and complicated merger and acquisition deals including those involving state-owned enterprises of the PRC. Mr. Ng served as the managing director of corporate finance in Haitong International Capital Limited before joining the Group in September 2017. From July 1997 to December 2000, he worked in Arthur Anderson & Co (now known as PricewaterhouseCoopers). Mr. Ng is a member of the Hong Kong Institute of Certified Public Accountants. He received his Master of Economics from the University of Hong Kong and Bachelor of Business Administration from the Chinese University of Hong Kong.

Mr. Ng is a Responsible Officer of type 6 regulated activity of CMBCIC, a direct wholly-owned subsidiary of the Company and a company licensed by the SFC to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities.

NON-EXECUTIVE DIRECTORS

Mr. Ren Hailong ("**Mr. Ren**"), aged 54, is the current general manager of the transaction banking department of China Minsheng Bank. Mr. Ren holds a master's degree from the Graduate School of People's Bank of China. He previously served as the senior staff member and principal staff member of the State Administration of Foreign Exchange, the deputy director and director of Guangxi Beihai Industrial Development Zone Credit Cooperatives; the president of China Minsheng Bank's Wanshoulu Subbranch; the deputy director of the business department of China Minsheng Bank's head office (being in charge of specific work); the vice president, vice president (being in charge of specific work), deputy party secretary (being in charge of specific work) and party secretary of China Minsheng Bank's Hangzhou branch; and the general manager of e-banking department of China Minsheng Bank.

Mr. Liao Zhaohui ("**Mr. Liao**"), aged 51, is the current deputy general manager of financial market risk management department of China Minsheng Bank. Mr. Liao holds a doctor's degree from the Graduate School of People's Bank of China. He has nearly 30 years of working experience in banking. Mr. Liao previously worked for the Bank of Communications Beijing Branch and the People's Bank of China Jiangxi Branch. He has since held positions at the international business, risk management and financial market departments of China Minsheng Bank since 1999. He was conferred the title of "Advanced Worker (Producer)" and a third prize by China Minsheng Bank, and won the third prize granted by China Foundation for Development of Financial Education in 2000.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee, Cheuk Yin Dannis ("**Mr. Lee**"), aged 48, is a first class honor graduate with a bachelor's degree in Business Administration from Texas A&M University, and a member of the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants (AICPA). He currently holds the positions of managing director of DLK Advisory Limited, independent non-executive director and chair of the audit committee of Geely Automobile Holdings Limited (Stock Code: 175) and Tiangong International Company Limited (Stock Code: 826) and independent non-executive director of China Unienergy Group Limited (Stock Code: 1573). He once served as the CFO of AMVIG Holdings Limited and the senior manager of Arthur Andersen (now known as PricewaterhouseCoopers LLP). Mr. Lee has over 10 years of experience in business operations and expansion, operations in the capital market and accounting, and successfully planned and completed many important initial public offerings and corporate financing projects.

Mr. Wu Bin ("**Mr. Wu**"), aged 46, is the current president and partner of Zhongping Capital, and holds a doctor's degree in Economics from Fudan University. From September 1998 to February 2014, Mr. Wu served as the vice president of Haitong International Securities Group Limited (Stock Code: 665), the chairman of Haitong UniTrust International Leasing Corporation, the chairman of Haitong Asset Management Corporation and the director of Haitong International Finance Holdings Limited. He also successively served as the vice president of Shanghai Media Group (SMG), the vice chairman of Shanghai Oriental Pearl Group Co., Ltd., the chairman of Shanghai Media Development Corporation, the chairman of Shanghai EPIC Music, a director of Shanghai Shendi (Group) Co., Ltd. (Shanghai Disney Holdings Limited) and a director of CBN China Business News. Named as the Shanghai Financial Industry Leader, Mr. Wu was the former vice chairman of compliance committee of Securities Association of China, a member of asset management committee and an expert member of China Securities Investor Protection Fund.

Mr. Wang Lihua ("**Mr. Wang**"), aged 56, is the current managing partner of Tian Yuan Law Firm and a part time professor at Peking University. Mr. Wang holds a master's degree in Economic Law from Peking University. He previously served as the president of the 1st Beijing Xicheng Lawyers Association, a standing member of the All China Lawyers Association, a member of the Experts Panel of the Beijing Municipal Government, an expert of the International Chamber of Commerce China, a member of the Review Committee for Mergers and Acquisitions and Restructurings of Listed Companies of China Securities Regulatory Commission ("CSRC") for the 2nd and 3rd sessions, and the independent director of Shandong Xingmin Wheel Co., Ltd. Mr. Wang was previously the director of the Scientific Research Office of Peking University Law School, the vice president of the 7th Council of Beijing Lawyers Association, a member of the Public Offering Review Committee of CSRC for the 7th and 8th sessions, a member of the Mergers and Acquisitions and Restructuring Review Committee of Listed Companies of CSRC for the 3rd and 4th sessions and the independent director of Xinjiang Chalkis Co. Ltd.

Directors and Senior Management

SENIOR MANAGEMENT

Mr. Li Jianyang ("**Mr. Li Jianyang**"), aged 43, is the head of securities of the Group. Mr. Li Jianyang joined the Group in July 2017. Mr. Li Jianyang is mainly responsible for the Group's securities business. Mr. Li Jianyang has 8-year experience in Hong Kong capital market. Prior to joining the Group, Mr. Li Jianyang has worked in Hong Kong investment banking arm of ICBC group. Mr. Li Jianyang graduated from University of International Business and Economics (UIBE) with Master of Finance.

Mr. Chen Yi ("**Mr. Chen**"), aged 37, is the head of financial institution and market development. Mr. Chen joined the Group in July 2017. Mr. Chen is mainly responsible for the communication with the financial institutions and market development of the Group's business. Mr. Chen has more than 10-year experience in financial industry. Since April 2006, Mr. Chen has worked in China Minsheng Bank and served as deputy head and head of secretary department of general office and head of investor relationship management department. Mr. Chen graduated from the University of Wales Swansea with Master of science in Mathematics and Computing for Finance.

Ms. Qi Xiangli ("**Ms. Qi**"), aged 42, is the chief risk officer of the Group. She joined the Group in July 2017. Ms. Qi is mainly responsible for the Group's risk management and internal control matters. Ms. Qi has around 20 years of experience in the financial industry. Prior to joining the Group, Ms. Qi has worked in Agriculture Bank of China, China ICBC and the Bank of Nova Scotia, and is responsible for the financial business marketing and risk management of corporate and retail business. Ms. Qi graduated from Tsinghua University with Master of Business Administration.

Report of the Directors

The Directors present their report and the audited consolidated financial statements of the Group for the Reporting Year.

EVENT AFTER THE REPORTING PERIOD

As disclosed in the Company's announcement dated 21 February 2019, after arm's length negotiation, CMBCCF has entered into the Amendment Agreement with the Borrower to extend the Facility Agreement entered into between CMBCCF and the Borrower on 17 August 2018 and extend the date of repayment to 21 August 2019, subject to the terms and conditions of the amendment agreement. The amount of the loan in relation to the facility agreement was HK$500 million. For details, please refer to the announcements published by the Company in 17 August 2018 and 21 February 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding. Details of principal activities of its principal subsidiaries are set out in note 43 to the consolidated financial statements.

During the Reporting Year and up to the date of this report, the Group expanded its businesses and operations by fully utilising its licenses issued under the SFO (Types 1, 2, 4, 6 and 9 licences) as well as the money lender's license.

RESULTS AND DIVIDENDS

The Group's profit for the Reporting Year and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 85 to 228.

The Board has recommended a payment of final dividend of HK0.2 cents per share, with a total of approximately HK$95,412,000 (31 December 2017: Nil).

BUSINESS REVIEW

The business review of the Group for the Reporting Year is set out in the section headed "Management Discussion and Analysis" on pages 9 to 23 of this annual report, the discussion thereof form part of the Report of the Directors.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, and assets, liabilities and non-controlling interests of the Group for the last five financial period/years, as extracted from the audited consolidated financial statements and reclassified as appropriate, is set out on pages 229 to 230 of this annual report. The summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Reporting Year are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Reporting Year are set out in note 33 to the consolidated financial statements.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 37 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the bye-laws of the Company (the "Bye-laws") or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Year.

RESERVES

Details of movements in the reserves of the Company and of the Group during the Reporting Year are set out in note 45 to the consolidated financial statements and in the consolidated statement of changes in equity on pages 90 and 91, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2018, the Company's distributable reserves to the shareholders included a contributed surplus of HK$2,318.8 million (2017: HK$2,318.8 million). Pursuant to the provisions of the Companies Act 1981 of Bermuda, contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of its assets would thereby be less than the aggregate of its liabilities.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Year, the total revenue attributable to the Group's five largest customers represented 18.7% of the Group's total revenue (The Previous Period: 35.9%) and the revenue attributable to the largest customer included therein amounted to 4.5% (The Previous Period: 14.3%).

None of the Directors of the Company or any of their close associates or any shareholders (who, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's largest customers. The Group is engaged in the provision of financial services. In the opinion of the Directors, it is of no value to disclose details of the Group's suppliers.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors are of the view that the business operations of the Group are highly dependent on various internal or external factors, including the economic and market environment in China and Hong Kong. The principal risks and uncertainties faced by the Group include but not limited to:

(i) credit risk that may arise from possible default of the Group's business counterparties, including borrowers, trading counterparties and note issuers;

(ii) market risk that may arise when there is fluctuation of the equity and bond price invested by the Group;

(iii) legal and compliance risk that may arise when the Group is not able to comply with changes in laws, regulations and rules of regulatory authorities that are applicable to it and its business on a timely manner due to the Group's rapid expansion and development of its business;

(iv) liquidity risk that may arise when the funding requirements are not effectively assessed and predicted and when the funding fails to pay the debts in time as they fall due, fulfil the payment obligations and meet the funding requirements; and

(v) operation risk that may arise in the Group's operation when factors such as the system, staff and technology lead to unexpected events.

ENVIRONMENTAL POLICIES

The Board and the management of the Company are committed to better protect the environment by encouraging its employees to reduce consumption of electricity and paper, reduce waste, and use environmental friendly products whenever possible. Details of the relevant policies are set out in the Environmental, Social and Governance Report on pages 58 to 73 of this annual report.

Report of the Directors

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's legal department and compliance department had established and implemented compliance policies for the Group. Various steps have been taken to ensure that each potential business transaction engaged by the relevant business teams is in compliance with the applicable laws, regulations and rules, including but not limited to the SFO, the Listing Rules and the anti-money laundering laws.

RELATIONSHIP WITH EMPLOYEES

The Group recognises the unique position and value of its employees. In addition to the offering of market competitive remuneration, the Group also provides positive working environment and organises leisure activities such as birthday parties and annual dinner to build up strong connection with the employees. Details of the policies in relation to employment are set out in the Environmental, Social and Governance Report on pages 58 to 73 of this annual report.

RELATIONSHIP WITH CUSTOMERS

The Group is committed to provide excellent services to our customers with a view to maintaining steady business and asset growth as well as long term profitability.

DIRECTORS

The Directors who held office during the Reporting Year and up to the date of this report are:

Executive Directors

Mr. Li Jinze *(Chairman)*
Mr. Ding Zhisuo *(General Manager)*
Mr. Ng Hoi Kam

Non-executive Directors

Mr. Ren Hailong
Mr. Liao Zhaohui

Independent Non-executive Directors

Mr. Lee, Cheuk Yin Dannis
Mr. Wu Bin
Mr. Wang Lihua

DIRECTORS' SERVICE CONTRACTS

None of the Directors being proposed for re-election at the forthcoming AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set out in note 10 to the consolidated financial statements.

CONNECTED TRANSACTIONS

During the Reporting Year, the summary of the connected transactions of the Group which do not fall under Rule14A.76(1) of the Listing Rules is as follows:

For details, please refer to the Company's announcements dated 5 February 2018, 3 July 2018, 1 October 2018, 5 October 2018, 15 October 2018 and 22 October 2018 and circular dated 3 September 2018.

(I) The Fee Letter

On 5 February 2018, CMBC Securities, a direct wholly-owned subsidiary of the Company, has entered into the fee letter with China Minsheng Bank Hong Kong Branch ("CMBC HK Branch"), pursuant to which, CMBC HK Branch agreed to pay CMBC Securities the commission of US$1 million. In relation to the commission, CMBC Securities agreed to act as one of the lead managers for CMBC HK Branch's issuance of US$450 million Floating Rate Notes and US$250 million Fixed Rate Notes issued under a US$5 billion medium term note programme and to procure the investors to subscribe for the Floating Rate Notes and the Fixed Rate Notes.

China Minsheng Bank is a controlling Shareholder and is therefore a connected person of the Company. As such, the transactions under the Fee Letter constitute connected transactions of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios (as defined under the Listing Rules) exceed 5% but is less than 25% and the Commission is less than HK$10 million, the transactions under the Fee Letter are subject to reporting and announcement requirement, but are exempted from independent shareholders' approval requirement of the Company under Chapter 14A of the Listing Rules.

For details, please refer to the announcement of the Company dated 5 February 2018.

(II) Subscription of New Subscription Shares

On 3 July 2018, the Company entered into the 2018 Subscription Agreement with CMBC International Investment. Pursuant to the 2018 Subscription Agreement, the Company conditionally agreed to allot and issue, and CMBC International Investment conditionally agreed to subscribe for 1,350,000,000 new Shares. The Subscription Shares would be issued at HK$0.363 per new Share.

The 2018 Subscription was passed by the independent shareholders (shareholders excluding CMBC International Investment and its associates) at the special general meeting held on 20 September 2018. The conditions set out in the 2018 Subscription Agreement were fulfilled on 8 October 2018. According to the 2018 Subscription Agreement, completion shall take place on the tenth Business Day (or such other date as mutually agreed between the Company and the subscriber) after the fulfillment all the conditions of the Subscription (or such other later date as may be agreed by the Company and the subscriber in writing). On 15 October 2018, the Company and CMBC International Investment entered into the second supplemental agreement to change the date of completion to 15 October 2018 (or such other date as the subscriber and the Company may further agree). The 2018 Subscription Agreement was completed on 15 October 2018.

CMBC International Investment is a controlling shareholder of the Company and therefore a connected person under Chapter 14A of the Listing Rules. Accordingly, the 2018 Subscription constitutes a connected transaction of the Company under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

For details, please refer to the Company's announcements dated 3 July 2018, 5 October 2018 and 15 October 2018, circular dated 3 September 2018 and announcement in relation to the poll results of the special general meeting dated 20 September 2018.

(III) The Advisory Service

On 1 October 2018, CMBCCF, a wholly-owned subsidiary of the Company, entered into the advisory agreement with the parent company of the borrower, pursuant to which, the parent company of the borrower agreed to appoint CMBCCF as advisor to perform certain services and CMBCCF has agreed to perform the services to the parent company of the borrower. Under the advisory agreement, the parent company of the borrower agreed to pay CMBCCF an advisory fee of HK$7 million.

The advisory agreement is in connection with arranging the loans which comprises a senior syndicated loan in the amount of HK$390 million, among which, HK$264.5 million to be provided by CMBCC Investment Fund SPC – CMBCC Stable Investment Fund SP1 and the mezzanine syndicated loan in the amount of HK$310 million, among which, HK$200 million to be provided by CMBCI.

CMBCC Investment Fund SPC – CMBCC Stable Investment Fund SP1 is an associate of China Minsheng Bank and China Minsheng Bank is an indirect controlling Shareholder of the Company. CMBCC Investment Fund SPC – CMBCC Stable Investment Fund SP1 is therefore a connected person of the Company. CMBCI is also an indirect controlling Shareholder of the Company and is therefore a connected person of the Company. As such, the transaction under the advisory agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As all the applicable ratios is less than 25% and the advisory fee is less than HK$10 million, the transaction under the advisory agreement is subject to reporting and announcement requirement, but are exempted from the independent Shareholders' approval requirement of the Company under Chapter 14A of the Listing Rules.

For details, please refer to the announcement of the Company dated 1 October 2018.

(IV) The Placing Notes

On 22 October 2018 (after trading hours), the issuer as the issuer, CMBC Securities, a wholly-owned subsidiary of the Company, as the placing agent, and the subscribers, being CMBCI and CMBCC Investment Fund SPC – CMBCC Stable Investment Fund SP1, entered into a placing and subscription agreement, pursuant to which CMBCS agreed to act as a placing agent, on a commercially reasonable efforts basis, to procure the subscribers to subscribe for the notes at the issue price in an aggregate principal amount of US$80,000,000.

CMBCC Investment Fund SPC – CMBCC Stable Investment Fund SP1 is an associate of China Minsheng Bank and China Minsheng Bank is an indirect controlling Shareholder of the Company. CMBCC Investment Fund SPC – CMBCC Stable Investment Fund SP1 is therefore a connected person of the Company. CMBCI is also an indirect controlling Shareholder of the Company and is therefore a connected person of the Company.

As such, the transaction under the Placing and Subscription Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As all the applicable ratios is less than 25% and the placement fee is less than HK$10 million, the transaction under the placing and subscription agreement is subject to reporting and announcement requirement, but are exempted from independent Shareholders' approval requirement of the Company under Chapter 14A of the Listing Rules.

For details, please refer to the announcement of the Company dated 22 October 2018.

CONTINUING CONNECTED TRANSACTIONS

The continuing connected transactions that took place during the Reporting Year which do not fall under the Rule 14A.76(1) of the Listing Rules are summarized as follows:

For details, please refer to the Company's announcements in relation to the continuing connected transactions dated 3 October 2017 and 30 July 2018 respectively, circulars in relation to the continuing connected transactions dated 10 October 2017 and 28 August 2018 respectively, and announcements in relation to the poll results of the special general meeting dated 26 October 2017 and 20 September 2018 respectively.

(I) Asset Management Service and Underwriting Referral Services

During the Reporting Year, pursuant to the service agreement (the "Service Agreement") entered into by the Company (for itself and on behalf of other members of the Group) and CMBCI (for itself and on behalf of other members of CMBCI Group) on 3 October 2017, the Company carried out, among others things, the following continuing connected transactions:

(i) the Group provided the asset management services to CMBCI, its associates or any third parties who are deemed to be connected with the Company under the Listing Rules;

(ii) CMBCI Group provided the underwriting referral services to the Group.

CMBCI is a controlling shareholder of the Company. Therefore, each member of CMBCI Group is a connected person of the Company. Accordingly, the transactions above constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

For more details, please refer to the announcement dated 3 October 2017, the circular dated 10 October 2017 and the announcement in relation to the poll results of the special general meeting dated 26 October 2017 made by the Company.

(II) Deposit Services

During the Reporting Year, the Company (for itself and on behalf of other members of the Group) and CMBC HK Branch entered into the deposit services agreement dated 30 July 2018 ("Deposit Services Agreement"), pursuant to which, among other things, CMBC HK Branch agreed to provide the Group with the Deposit Services subject to the terms and conditions provided in the Deposit Services Agreement.

For more details, please refer to the announcement dated 30 July 2018, the circular dated 28 August 2018 and the announcement in relation to the poll results of the special general meeting dated 20 September 2018 made by the Company.

Set out below are the annual caps for the financial period/year ended 31 December 2017 and 2018 and the actual amount received/paid for 2018 in relation to the continuing connected transactions contemplated under the Service Agreement and Deposit Services Agreement:

The annual caps of the Group's transactions and balance and the actual amount for 2018 generated by the following items are as follows:

		Annual Caps As at 31 December		Actual Amount
		2017 (HK$ million)	**2018 (HK$ million)**	2018 (HK$ million)
(1)	CMBCI Underwriting Referral Services expense	10	**20**	4.6
(2)	Listco AM Services income	17	**41**	24.2
	– Distribution fee	9	**9**	–
	– Management fee	8	**32**	24.2
(3)	Deposit Services balance	1,900	**1,900**	not exceeding the cap amount
Total:		1,927	**1,961**	

Report of the Directors

Annual Review

The independent non-executive directors of the Company have reviewed and confirmed that the continuing connected transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or on terms no less favorable to the Group than terms available to/from independent third parties; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in interests of the shareholders of the Company as a whole.

In accordance with paragraph 14A.56 of the Listing Rules, the Directors engaged the auditor of the Company to report on the above mentioned continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagement 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" ("HKSAE 3000") and with reference to Practice Note 740 "Auditor's letter on Continuing Connected Transactions under the Hong Kong Listing Rules" ("PN740") issued by the Hong Kong Institute of Certified Public Accountants.

The auditor has reported to the Directors in accordance with HKSAE 3000 and with reference to PN740 that the transactions:

(i) have been approved by the Board of the Company;

(ii) are in accordance with the pricing policies of the Company;

(iii) have been entered into in accordance with the relevant agreements governing such transactions; and

(iv) have not exceeded the relevant annual caps approved by the independent shareholders at the special general meeting of the Company.

The auditors have issued an unqualified letter in relation to the continuing connected transactions according to Rule14A.56 of the Listing Rules, which contains their investigation results and conclusion. The auditors have reported their investigation results and conclusion to the Board. The Company has submitted a copy of the auditors' letter to the Stock Exchange.

Regarding the related party transactions as set out in note 42 to the consolidated financial statements, the loans from the intermediate holding company and the corresponding interest are connected transactions exempted from announcement, reporting and independent shareholders' approval requirements under the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contract of significance between the Company or any of its subsidiaries and the Company's controlling shareholder or any of its subsidiaries, in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted during or at the end of the Reporting Year.

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

None of the Directors is interested in any business apart from the Group's business which competes or is likely to compete, either directly or indirectly with the business of the Group.

REMUNERATION POLICY

The Group remunerates its employees based on their competence, performance, experience and prevailing market terms. Other employee benefits included provident fund scheme, medical insurance, share option scheme, share award scheme as well as discretionary bonuses.

The determination of the Directors' remuneration has taken into consideration of their respective responsibilities and contributions to the Company and with reference to market terms.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Year.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2018, none of the Directors nor chief executive of the Company or their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of 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 which were required to be and were recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures" and the "Share Option Scheme", at no time during the Reporting Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the Reporting Year.

PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-laws, every Director shall be entitled to be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, provided that the indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to the said persons. Save as disclosed herein, the Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group during the Reporting Year and up to the date of this annual report.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2018, save as disclosed below, according to the list of substantial shareholders extracted from the website of the Stock Exchange and the announcement of the Company, the following companies or persons had an interest or short position in the Shares and the register of interests kept by the Company under section 336 of the SFO and as far as is known to the Directors, no person had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group or had any option in respect of such capital:

Name of Shareholder	Capacity/Nature of interest	Number of shares held	Approximate percentage of the issued share capital of the Company	Long position/ Short position
China Minsheng Banking Corp., Ltd	Interest of controlled corporation	28,918,649,093 (Note 1)	60.62%	Long position
CMBC International Holdings Limited	Interest of controlled corporation	28,918,649,093 (Note 1)	60.62%	Long position
CMBC International Investment (HK) Limited	Interest of controlled corporation	28,918,649,093 (Note 1)	60.62%	Long position
CMBC International Investment Limited	Beneficial Owner	28,918,649,093 (Note 1)	60.62%	Long position
China Soft Power Technology Holdings Limited	Interest of controlled corporation	3,869,535,829 (Note 2)	8.11%	Long position

Notes:

1. CMBC International Investment Limited was beneficially and wholly-owned by CMBC International Investment (HK) Limited, which was in turn beneficially and wholly-owned by CMBCI. CMBCI was beneficially and wholly owned by China Minsheng Bank. As such, each of CMBC International Investment (HK) Limited, CMBCI and China Minsheng Bank was deemed to be interested in the Shares held by CMBC International Investment Limited.

2. China Soft Power Technology Holdings Limited beneficially and wholly held the entire issued share capital of Hoshing Limited, which in turn beneficially and wholly held the entire issued share capital of Main Purpose Investments Limited and Desert Gold Limited. Main Purpose Investments Limited and Desert Gold Limited held 1,587,895,829 Shares and 2,281,640,000 Shares, respectively. As such, China Soft Power Technology Holdings Limited was deemed to be interested in the Shares held by Main Purpose Investments Limited and Desert Gold Limited.

CONFIRMATION OF INDEPENDENCE

The Company has received the confirmation of independence from each of the independent non-executive Directors as required under Rule 3.13 of the Listing Rules. The Company considered all independent non-executive Directors to be independent.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital is held by the public as at the date of this report.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2018 have been reviewed by the Audit Committee of the Company before they are duly approved by the Board under the recommendation of the Audit Committee.

INDEPENDENT AUDITOR

The financial statements for the Reporting Year have been audited by KPMG.

On behalf of the Board

Li Jinze
Chairman

Hong Kong, 28 March 2019

Corporate Governance Report

The Group has made continued efforts to incorporate the key elements of sound corporate governance into its management structure and internal procedures. The Board is committed to maintaining a high level of corporate governance practices in accordance with applicable regulations.

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the CG Code as set out in Appendix 14 to the Listing Rules throughout the Reporting Year except for the following deviation with reasons as explained:

ATTENDANCE OF THE ANNUAL GENERAL MEETING

Code Provision E.1.2

Code Provision E.1.2 stipulates that the chairman of the Board should invite for the chairmen of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairmen of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting of the Company.

It further stipulates that the chairman of the independent board committee should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that requires independent shareholders' approval.

Deviation

The chairmen and members of the nomination committee and the remuneration committee were unable to attend the annual general meeting of the Company held on 29 June 2018 (the "2017 AGM") due to their other business engagement. However, the chairman of the Board had chaired the 2017 AGM and answered questions from the shareholders of the Company. The 2017 AGM has provided a channel for communication between the Board and the shareholders.

The chairman of the independent board committee did not attend the special general meetings of the Company held on 22 August 2018 and 20 September 2018 due to other important business engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions by the Directors of the Company. In response to specific enquiry made by the Company, all Directors confirmed that they have fully complied with the required standards as set out in the Model Code throughout the Reporting Year.

THE BOARD

The Board of Directors is currently composed of eight Directors, comprising three Executive Directors, two non-executive Directors and three independent non-executive Directors, whose names and offices are listed on page 4 of this annual report.

During the Reporting Year, the Directors had devoted sufficient time and attention to the Company's affairs.

An updated list of the Directors identifying their roles and functions is maintained on the websites of the Company and the Stock Exchange. Independent non-executive Directors are identified as such in all corporate communications containing the name of the Directors.

For biographical details of all current Directors and senior management of the Group, please see "Directors and Senior Management". To the best knowledge of the Directors, save as disclosed in the biographies of the Directors, there is no financial, business, family or other material or relevant relationships among the members of the Board during the Reporting Year.

Functions of the Board and Delegation of Powers

The principal function of the Board is to, among others, consider and approve the Group's overall business plans and strategies, develop and implement the corporate governance function and supervise the implementation of these policies and strategies and the overall management of the Group. The Board, while reserving certain key matters when making decisions for its approval, has delegated the day-to-day operation of the Group to the executive Directors and the management team, which is led by a team of senior management with substantial experience and expertise in the Group's business.

THE BOARD (continued)

Board and General Meetings

The Directors can attend meetings in person or through other means of electronic communication in accordance with the Bye-laws. All materials of the Board meetings were recorded in sufficient details of the matters considered by the Board and the decisions made.

Pursuant to the Code Provisions A.1.1, the Board should meet regularly and board meetings should be held at least four times a year. During the Reporting Year, the Board held 15 meetings. The attendance record of each Director at the Board meetings, the Audit Committee meetings, the Remuneration Committee meetings, the Nomination Committee meetings, Risk Management and Internal Control Committee meetings, and Development Strategy Committee meetings of the Company held during the Reporting Year is as follows. The figures in the denominators indicate the total number of meetings held in the period in which the individual was a Director.

Name of Directors	Board meeting	Audit Committee Meetings	Remuneration Committee meetings	Nomination Committee meetings	Risk Management and Internal Control Committee	Development Strategy Commission
Executive Directors						
Mr. Li Jinze *(Chairman)*	8/8*	N/A	N/A	N/A	N/A	1/1
Mr. Ding Zhisuo *(General Manager)*	8/8*	N/A	N/A	N/A	2/2	1/1
Mr. Ng Hoi Kam	8/8*	N/A	N/A	N/A	N/A	1/1
Non-executive Directors						
Mr. Ren Hailong	3/8*	N/A	3/3	3/3	N/A	N/A
Mr. Liao Zhaohui	3/8*	N/A	N/A	N/A	2/2	1/1
Independent Non-executive Directors						
Mr. Lee, Cheuk Yin Dannis	10/15	2/2	N/A	N/A	2/2	N/A
Mr. Wu Bin	10/15	2/2	3/3	3/3	N/A	1/1
Mr. Wang Lihua	10/15	2/2	3/3	3/3	N/A	N/A

* The executive Directors and the non-executive Directors were required to abstain from attending and voting in the board meetings which were held for the approval of the Group's connected transactions.

THE BOARD (continued)

Independent Non-Executive Directors

The Company has three independent non-executive Directors which complies with Rules 3.10(1) and 3.10A of the Listing Rules. Furthermore, among these three independent non-executive Directors, Mr. Lee, Cheuk Yin Dannis has appropriate professional qualifications or accounting or related financial management expertise as required by Rule 3.10(2) of the Listing Rules. In accordance with Rule 3.13 of the Listing Rules, the Company has received from each of its independent non-executive Directors a written confirmation of his independence. The Company, based on such confirmations, considers each of Mr. Lee, Cheuk Yin Dannis, Mr. Wu Bin and Mr. Wang Lihua continues to be independent.

Chairman and General Manager

The chairman of the Board is responsible for overseeing all Board functions, while the executive Directors and senior management are under the leadership of the general manager to oversee the day-to-day operations of the Group and implement the strategies and policies approved by the Board.

The positions of the chairman of the Board and the general manager are currently held by Mr. Li Jinze and Mr. Ding Zhisuo, respectively.

Directors' and Officers' Liabilities

The Company has arranged for appropriate insurance covering the liabilities in respect of legal action against the Directors and officers that may arise out of its corporate activities. The insurance coverage is reviewed on an annual basis.

Continuing Professional Development

The Company will provide a comprehensive, formal and tailored induction to each newly appointed director on his or her first appointment in order to enable him or her to have appropriate understanding of the business and operations of the Company and that he or she is fully aware of his or her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Moreover, all directors are provided with periodic information on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

BOARD COMMITTEES

The Company currently has six Board committees, namely the Audit Committee, Remuneration Committee, Nomination Committee, Executive Committee, Risk Management and Internal Control Committee and Development Strategy Committee for overseeing particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Audit Committee

Terms of reference of the Audit Committee are in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statements, provide advice in respect of financial reporting, review the risk management and internal control systems.

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Lee, Cheuk Yin Dannis (the chairman of the Audit Committee), Mr. Wu Bin and Mr. Wang Lihua.

The Audit Committee has reviewed, inter alia, the annual results during the Reporting Year of the Group.

During the Reporting Year, the Audit Committee held two meetings, with all members present.

BOARD COMMITTEES (continued)

Remuneration Committee

Terms of reference of the remuneration committee are in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Remuneration Committee are to make recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group, review performance based remuneration and ensure none of the Directors determine their own remuneration.

The Remuneration Committee comprises two independent non-executive Directors, namely, Mr. Wu Bin (the chairman of the Remuneration Committee) and Mr. Wang Lihua, and one non-executive Director, namely, Mr. Ren Hailong.

The Remuneration Committee has performed the following works during the Reporting Year and up to the date of this report:

(i) to review, inter alia, the performance and remuneration package of the Directors; and

(ii) to review the Company's policy and structure for remuneration of all members of senior management of the Group.

During the Reporting Year, the Remuneration Committee held 3 meetings, with all members present.

According to Code Provision B.1.5, the remuneration of the members of the senior management (other than Directors) by band for the Reporting Year is set out below:

Remuneration bands (HK$)	Number of individual(s)
Up to 1,000,000	–
1,000,001 to up to 2,000,000	2
Above 2,000,000	2

Remuneration Policy for Directors and Senior Management

The remuneration payable to the employees includes salaries and allowances. The Group's remuneration policies are formulated based on the performance of individual employees and are reviewed regularly. Subject to the Group's profitability, the Group may also provide a discretionary bonus to employees as an incentive for their contribution to the Group. The primary goal of the remuneration policy with regard to the remuneration packages of the executive Directors is to enable the Group to retain and motivate the executive Directors by linking their compensation with performance as measured against corporate objectives achieved. Each of the executive Directors is entitled to the remuneration packages including basic salaries and discretionary bonuses.

BOARD COMMITTEES (continued)

Nomination Committee

Terms of reference of the nomination committee are in compliance with the CG Code and are available on the websites of the Stock Exchange and the Company. The primary duties of the Nomination Committee include reviewing the structure, size, and composition of the Board, assessing the independence of independent non-executive Directors and making recommendations to the Board on matters relating to the appointment of Directors.

The Board is empowered under the bye-law of the Company to appoint any person as a Director either to fill a casual vacancy or, as an additional member of the Board. Qualified candidates will be proposed by the Nomination Committee to the Board for consideration and the selection criteria are mainly based on the assessment of their professional qualifications and experience. The Board selects and recommends candidates for directorship to the Shareholders having regards to the balance of skills and experience appropriate to the Group's business.

The Nomination Committee comprises two independent non-executive Directors, namely, Mr. Wu Bin (the chairman of the Nomination Committee) and Mr. Wang Lihua, and one non-executive Directors, namely Mr. Ren Hailong.

The Nomination Committee has performed, inter alia, the following works during the Reporting Year and up to the date of this report:

(i) to review the structure, size and composition (including the skills, knowledge and experience) of the Board as well as the policy concerning the diversity of the members of Board; and

(ii) to assess the independence of the independent non-executive Directors.

During the Reporting Year, the Nomination Committee held three meetings, with all members present.

BOARD COMMITTEES (continued)

Executive Committee

The Executive Committee was established in July 2017. The Executive Committee consists of all executive Directors and is chaired by the chairman of the Board.

The roles and functions of the Executive Committee includes, amongst others, (1) to make investment decision delegated to the Executive Committee; (2) to monitor dayto-day operation of the Group on behalf of the Board; (3) to handle relevant matters that shall not be necessarily dealt with through regular Board meetings or too late to be dealt with through provisional Board meetings as considered by the chairman of the Board; and (4) to handle any other matters authorised by the Board to the Executive Committee.

During the Reporting Year, the Executive Committee considered and approved investment projects under their delegated authority and other day-to-day operations as assigned by the Board.

Risk Management and Internal Control Committee

The Risk Management and Internal Control Committee was established in November 2017. The Risk Management and Internal Control Committee consists of Mr. Liao Zhaohui, Mr. Ding Zhisuo and Mr. Lee, Cheuk Yin Dannis and is chaired by Mr. Liao Zhaohui.

The roles and functions of the Risk Management and Internal Control Committee includes, amongst others, (1) to consider and make the Group's risk management and internal control strategies; (2) to make, review and approve the Group's risk management and internal control policies and guidance; (3) to assess and decide the risk appetite and tolerance of the Group and the relevant resource allocation; (4) to review and monitor the Group's risk management and internal control system, and evaluate its sufficiency; and (5) to handle any other matters authorised by the Board.

During the Reporting Year, the Risk Management and Internal Control Committee had held two meeting with all members present.

BOARD COMMITTEES (continued)

Development Strategy Committee

The Development Strategy Committee was established in November 2017. The Development Strategy Committee consists of Mr. Li Jinze, Mr. Ding Zhisuo, Mr. Ng Hoi Kam, Mr. Wu Bin and Mr. Ren Hailong and is chaired by the chairman of the Board.

The roles and functions of the Development Strategy Committee includes, amongst others, (1) to conduct research on and advise the mid-to-long term development strategy of the Company; (2) to conduct research on and advise the material investment plans; and (3) to handle any other matters authorised by the Board.

During the Reporting Year, the Development Strategy Committee held one meeting, with all members present.

BOARD DIVERSITY POLICY

The Board adopted a board diversity policy (the "Policy") in September 2013 which sets out the approach to achieve diversity on the Board. All Board appointments shall be based on meritocracy, and candidates will be considered against selection criteria, having regard for the benefits of diversity on the Board. Selection of candidates will be based on range of diversity perspectives, which would include but not limited to educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee will monitor the implementation of the Policy and will from time to time review the policy, as appropriate, to ensure the effectiveness of the Policy. The attendance record of each member at the Nomination Committee meetings is set out in the sub-section of the Board and General Meetings of the Corporate Governance Report.

ACCOUNTABILITY AND AUDIT

Directors' and Auditor's Responsibilities for the Consolidated Financial Statements

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial year to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the Reporting Year, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. A statement by auditor about their reporting responsibilities on the consolidated financial statements is set out in the independent auditor's report. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and 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.

External Auditors

The consolidated financial statements of the Company for the year ended 31 December 2018 have been reviewed by KMPG.

For the Reporting Year, the total fee charged by KPMG for audit services was HK$2,750,000 and non-audit services was HK$1,496,000 for the review of the interim financial statements and other services.

ACCOUNTABILITY AND AUDIT (continued)

Corporate Governance Functions

The Board has performed the following corporate governance duties of the Company in accordance with the written terms of reference adopted by the Board during the Reporting Year and up to the date of this report:

(i) to develop and review the policies and practices on corporate governance of the Company and make recommendations;

(ii) to review and monitor the training and continuous professional development of Directors and senior management;

(iii) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

(iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to Directors and employees; and

(v) to review the Company's compliance with the CG Code and the disclosure in the corporate governance report of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has established a mature corporate governance and has set up comprehensive risk and management and internal control procedures to monitor, assess and manage the major risks that may occur in the process of business operation. The Company has established a multi-level structure of risk management and internal control, including: (1) the Risk Management and Internal Control Committee established by the Board, with its main duties being considering, reviewing and approving the risk management and internal control policies and guidelines; review and monitor the system of risk management and internal control and assess the effectiveness of its implementation; (2) decision-making committees that operate at the management level, which is responsible for performing daily management and control duties and deciding and approving matters within its authority; (3) relevant departments which execute risk management works, including each the business line department, law compliance, risk management and audit departments, normalizing business operations at the front, the middle and the back.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

The company attaches great importance to corporate governance effectiveness, legal compliance management and comprehensive risk management. To ensure the healthy and sustainable development of our business, our risks management in all business segments are implemented through a clear governance structure, policy procedures and reporting mechanism.

We continue to establish and improve our system. In 2018, on the basis of the comprehensive review of existing system and with multidimensional prospective regarding products, processes and internal fine management etc., we have supplemented and improved a series of systematic measures to effectively control credit and market risks, and prevent legal compliance risks and other major risks. Hence, we can meet the overall liquidity management requirements and improve the overall risk management level of the Company while providing effective solutions for identification, assessment and treatment of risks to enhance the risk management and internal control systems.

As for credit risk, the Company attaches great importance to the development and continual management of businesses that have exposures to credit risks. In 2018, the establishment of a basic risk management structure was completed for the optimization of credit risk management system and provided institutional guidance and policy basis for business development. At the same time, we have carried out in-depth reviews of our project risks, and further strengthened our post-investment tracking and management while continuously optimizing investment portfolios by incorporating them into a monitoring mechanism while focusing on tracking management and grouping analysis management throughout project duration. The file management process was improved through a comprehensive review of the project files designation and gathering system.

As for market risk, a preliminary market risk management framework was established to strengthen the supervision of the Company's existing exposure to market risks. A management mechanism for ancillary market risk indicators is forming gradually. In response to the global capital market volatility this year, we have established a permanent global financial market dynamic follow-up analysis mechanism to collect and respond in a timely manner to various factors affecting the stability of the financial market.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

The Group's legal department and compliance department always pay attention to new developments of applicable laws, regulations and rules. They develop, improve and implement compliance policies for the Group and provide the management team and relevant business teams with advice on compliance matters. By highlighting our legal compliance management philosophy and safeguard mechanisms, and updating and compiling a series of system rules on conflicts of interest, prevention of money laundering, connected transactions and information disclosure, we ensured the legal compliance of the Company's operations and business, and standardized the company's related transactions and information disclosure requirements. Also, with persistent compliance monitoring, ethics training for employees, we strengthened the Company's legal compliance awareness and operational practices. The Group has also engaged external legal counsel to advise on the development of laws, regulations and rules applicable to the Group and its business.

As for liquidity risk, the Group monitors liquidity risk and assesses funding needs through internal measures, to ensure that relevant subsidiaries are in compliance with the SFO. All kinds of liquidity indicators are monitored, measured, and effectively managed in aspects including centralized management, financing structure, stress testing, early warning mechanism and contingency planning.

As for operational risk, process management and internal management mechanism of each business segment undergoes continuous optimization, emphasizing risk management awareness and effective execution of our business process from the front desk to the back office as a whole. We comb through key elements in our core business regarding risk prevention and control, identify basic operations sequence and its vital risk control points while emphasizing the standardized and transparent management of the process. Our information security policies and information system security are enhanced. Through improvement of information security policies and standard operating procedures, upgrading new software and hardware, improvement of network structure, and implementation of defensive, detection and monitoring measures, we are able to safeguard our trading systems and data.

PROCEDURES AND INTERNAL CONTROLS FOR HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Group complies with requirements of SFO and the Listing Rules. The Group has established a "Guidelines on the Management of Disclosure of Inside Information" to ascertain the Company's internal information disclosure responsibilities and work processes, prevent the risk of insider information not being disclosed in a timely manner and safeguard the interests of all shareholders. The Group's internal information team, including the executive directors, is responsible for the following matters: ensuring that appropriate systems and controls are in place to collect, review and verify potential inside information, reviewing potential inside information which requires disclosure and advise the Board regarding whether the Group can delay the publication of such information, examines the contents of such public disclosure, decides whether to take other actions to clarify the uncertainties, proposes to appoint consultant on such matter and from time to time review the Group's compliance with the insider information disclosure management guidelines.

The Group discloses inside information to the public according to the guidelines as soon as reasonably practicable unless the information falls within any of the Safe Harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential according to the guidelines.

COMMUNICATIONS WITH SHAREHOLDERS

The Company values communication with the Shareholders. The Company uses two-way communication channels to account to Shareholders for the performance of the Company. Enquiries and suggestions from Shareholders are welcomed, and enquiries may be put to the Board through the following channels to the Company Secretary:

(i) By mail to the Company's principal place of business at Units 6601A & 6607-6608, Level 66, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong; or

(ii) By telephone number 3728 8000.

The Company uses a number of formal communication channels to account to the Shareholders for the performance of the Company. These include (i) the publication of interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for the Shareholders to raise comments and exchange views with the Board; (iii) updated key information of the Group available on the websites of the Stock Exchange and the Company; (iv) the Company's website offering communication channel between the Company and its Shareholders; and (v) the Company's branch share registrar in Hong Kong serving the Shareholders in respect of all share registration matters.

COMMUNICATIONS WITH SHAREHOLDERS (continued)

The Company aims to provide its Shareholders with high standards of disclosure and financial transparency. The Board is committed to providing clear, detailed, timely manner and on a regular basis information of the Group through the publication of interim and annual reports and/or dispatching circulars, notices, and other announcements.

The Company strives to take into consideration its Shareholders' views and inputs, and address Shareholders' concerns. Shareholders are encouraged to attend the annual general meeting for which at least 20 clear business days' notice shall be given.

PROCEDURES FOR SHAREHOLDERS TO CONVENE A SPECIAL GENERAL MEETING

According to the Company's Bye-laws, shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty one days of such deposit the Board fails to proceed to convene such meeting the requisitionists themselves may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda (the "Companies Act").

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT GENERAL MEETINGS

Pursuant to the Companies Act, any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates or not less than one hundred shareholders, can request the Company in writing to: (a) give to shareholders of the Company entitled to receive notice of the next annual general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to shareholders of the Company entitled to have notice of any general meeting send to them any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition must be deposited to the Company not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in case of any other requisition.

CONSTITUTIONAL DOCUMENTS

There are no changes to the Articles of Association of the Company in 2018. The latest version of the articles of association is posted on the Company's website and the Stock Exchange's website.

COMPANY SECRETARY

Mr. Dong Qizhen resigned and Ms. Yang Na was appointed as the Company Secretary on 3 September 2018.

Ms. Yang Na resigned and Mr. Ho Yau Cheung was appointed as the Company Secretary on 6 December 2018.

Mr. Ho reports to the General Manager directly and is responsible to the Board for ensuring that the Board procedures, applicable laws, rules and regulations are followed and the Board activities are efficiently and effectively conducted. He is also responsible for ensuring that the Board is fully appraised of the relevant corporate governance developments relating to the Group and facilitating the induction and professional development of the Directors.

According to the Rule 3.29 of the Listing Rules, Mr. Ho has taken no less than 15 hours of relevant professional training for the Reporting Year.

PROCEEDINGS IN THE HONG KONG MARKET MISCONDUCT TRIBUNAL

The Securities and Futures Commission of Hong Kong (the "SFC") has instituted disclosure proceedings (the "Proceedings") in the Market Misconduct Tribunal of Hong Kong against the Company and six of its former directors (the "Former Directors").

It is in the opinion of the SFC that, in the year of 2014, the Company and the Former Directors, had or may have breached the relevant disclosure requirement within the meaning of sections 307B and 307G of Part XIVA of the SFO (the "Incident"). The Incident happened in 2014, three years prior to CMBCI becoming the controlling shareholder of the Company in 2017, and none of the current directors of the Company is a "specified person" against whom the Proceedings were commenced.

For details, please refer to the announcement published by the Company on 18 December 2018.

Environmental, Social and Governance Report

ABOUT THIS REPORT

This Environmental, Social and Governance Report (the "ESG Report") aims to provide the stakeholders with an overview of the Group's efforts regarding the environmental, social and governance ("ESG") aspects.

Scope of the Report

This ESG Report provides a balanced description of the Group's policies and performance regarding the environmental and social aspects. Unless otherwise stated, the ESG Report covers the Reporting Year. For corporate governance, please refer to the section headed "Corporate Governance Report" on pages 42 to 57 of this annual report.

Reporting Guide

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "Guide") under Appendix 27 of the Listing Rules and has complied with the "Comply or Explain" Provisions of the Guide.

Communication with Stakeholders

The Group is aware of the important role of stakeholders in sustainable development, thus the Group has set up different communication channels for shareholders, customers, employees, suppliers and other stakeholders. The Group also strives to provide stakeholders with updated information in relation to its business operation through these channels, which includes but not limit to announcements, circulars, financial reports, general meetings, company websites and electronic communication.

Environmental, Social and Governance Report

OPERATION PRACTICES

Strict Compliance with Laws and Regulations

The Group believes that strict compliance with the relevant laws and regulations is important, therefore the Group attaches great importance to business ethics and strictly abides by laws, regulations and regulatory requirements (such as Securities and Futures Ordinance and its subsidiary legislations, Prevention of Bribery Ordinance and Codes and Guidelines issued by the Securities and Futures Commission) in its daily operations. The Group requires the management to ensure that the business is conducted in accordance with applicable laws and regulations. The legal department together with the compliance department are required to review and monitor the business operation of the Group to ensure its compliance with the relevant laws and regulations that have significant impacts on the Group, and arrange internal trainings for the relevant personnel from time to time in order to ensure every operation department is kept abreast of the development of all applicable laws, regulations and rules.

The Group holds all material licenses required for the provision of services expected to be required by most of its clients, such as dealing in securities and futures contracts; advising on securities; and advising on corporate finance and asset management, etc.

Besides, the Group always values the protection of its intellectual property rights by constantly monitoring domain names and renewing upon their expiration in a timely manner in order to build up and protect its intellectual property rights.

Anti-corruption/Anti-money Laundering

With a view to strengthening the Group's compliance culture and combating money laundering and financial crimes effectively, the Group has established policies and procedures for anti-corruption and anti-money laundering. These policies set forth customer screening and monitoring requirements, "know your customer" policy, record keeping requirements, and procedures for reporting suspicious circumstances in accordance with the relevant laws, regulations and guidelines issued by the regulatory authorities (such as the Guideline on Prevention of Money Laundering). The Group requires that every new customer, upon account opening, shall be subject to a name search in an anti-money laundering database provided by an independent third party vendor, in order to ascertain if the new customer is involved in the current terrorist or sanction list, and to check whether the customer is a Politically Exposed Person (PEP). New account applications lodged by terrorists or sanctioned entities would be rejected. The Group conducts regular reviews on the transactions carried out by high-risk customers to identify suspicious transactions. Any suspicious transaction, if noted, will be reported to the Joint Financial Intelligence Unit in due course.

The Group has set up whistle-blowing policy to allow whistle-blowers to report any irregularities, such as unlawful conduct, incident of corruption and circumvention of internal controls, under protection. The whistle-blowing and disciplinary policies provide that where an employee has committed serious irregularities, such employee will be subject to disciplinary actions, including immediate dismissal. During the Reporting Year, none of the members of the Group nor its employees was engaged in any litigation regarding corruption, extortion, fraud or money laundering, nor was there any report of criminal offences or misconduct.

Case: Anti-money laundering training conducted by the Company

With the aim of further facilitating anti-money laundering work of all employees, assuring the compliance and effectiveness of anti-money laundering work and improving the anti-money laundering monitoring system mechanism of the Group, on 8 November 2018, the Group arranged for an anti-money laundering training to its senior management, department heads and employees. Through the training, the participants improved their knowledge on the compliance requirements and measures of anti-money laundering, as well as the awareness of anti-money laundering work, resulting in the avoidance of financial and business losses caused by violations of relevant regulations or activities related to money laundering.

Supplier Management

The Group is committed to maintaining mutually beneficial long term cooperation with suppliers that comply with quality, environmental, health and safety standards, which is vital to the development of the Group. The major suppliers of the Group include law firms, accounting firms, various professional consulting companies and a number of financial advisory solution suppliers.

The Group sets out various evaluation standards, such as pricing, stability of the trading platform, response speed and experience of the customer service team, to enable the Group to carry out selection and assessment effectively. In addition, to encourage suppliers to fulfill their social responsibility, the Group will take into account the measures taken by the counterparty with respect to environment protection during the selection process. When practicable, the Group will give priority to the ones who have adopted environmental protection measures.

The Group has formulated the "Administrative Measures for Bulk Purchase", which is targeted at contracts that has a value of HK$100,000 or above. Specifically, where a contract has a value of HK$100,000 or above, it needs to be submitted to the procurement committee for review and approval.

Customer Oriented

Professional Services

Customers are the foundation of the Group's sustainable development. As a comprehensive financial services provider, the Group utilises its profound experience, expertise, internal resources and platforms to create value for its customers and achieve service excellence in a consistent manner, thereby earning the trust of domestic and international customers.

The Group comprises teams of professionals with diversified backgrounds including major investment banks, regulatory institutions, lawyers and accountants. With its expertise, experience and extensive networks, the Group provides flexible, diversified and comprehensive investment banking services for customers. As at 31 December 2018, approximately 47 employees of the Group were licensed with the SFC in various regulated activities: dealing in securities (Type 1), dealing in futures contracts (Type 2), advising on securities (Type 4), advising on corporate finance (Type 6) and asset management (Type 9).

Along with continuous enhancement of its professional services, the Group is keen on innovation and has carried out an extensive upgrade in various aspects, including business development, management and operation, risk control, market monitoring, product services, etc. It endeavors to establish a leading international financial investment service platform.

Case: The Group successfully assisted its customer to issue its first offshore USD bond

On 10 October 2018, amid the stern circumstance of a turbulent global capital market, the Group assisted a customer in launching a bond with one of the largest volume at prime rate in recent times, which reflected the capability of its professional teams and established a foundation for its long term cooperation with the customer.

Smooth Communication

Understanding the demands of clients can help improve the Group's business and services, thus the Group listens carefully to its clients' feedback and tries to improve its services. To maintain communication with its clients in a more effective and systematic way, the Group sets out the internal procedures and staff duties, so as to ensure that the clients' feedback, advice and recommendations are received and handled in a timely manner.

The Group has established designated channels, including hotline, fax and e-mail for clients' complaints. All complaints received will be forwarded to the supervisors for handling. The supervisors will investigate in a timely manner and report the investigation results to the senior management. The senior management will then review the complaints and, decide whether any internal control and procedures shall be strengthened, or whether any other appropriate actions shall be taken.

Information Security

The Group attaches great importance to the protection of clients' privacy. Pursuant to the relevant laws and regulations including the Personal Data (Privacy) Ordinance, the Group has adopted a series of technical and management measures to safeguard clients' privacy.

In terms of management, the Group provides relevant training to its staff so as to enable the staff to understand the importance of protecting clients' privacy; in addition, the Group prevents the staff from carrying out unauthorised operation or leaking clients' information. The Group sends the Information Security Reminders to its clients so as to remind them to manage their account passwords with caution, avoid logging into their accounts in public computers and networks, change their passwords regularly and contact the Group's staff for consultation when necessary. During the Reporting Year, there was no non-compliance with the relevant laws and regulations as to clients' privacy and information security in the Group.

Employee Care

Employment and Labour Practices

Our employees play a very important part in the Group's continuous success. To recruit different talents, the Group actively expands its recruitment channels and formulates the recruitment procedures to ensure that the recruitments are done in an orderly fashion.

The Group complies with the relevant rules and regulations, such as the Employment Ordinance, endeavours to establish to a fair, active and highly efficient work environment and provides all employees with equal opportunities with respect to recruitment, remuneration and benefits, training, promotion and various subsidies.

The basic remuneration of employees includes salary, bonuses and subsidies (such as meal allowance). Other benefits include medical insurance, provident funds and other competitive fringe benefits. The salary is determined with reference to the market rate, and the bonus is determined with reference to the factors including position, individual performance and department performance. The employees are entitled to all public holiday announced by the Government of the Hong Kong Special Administrative Region. They are also entitled to paid annual leave, sick leave, maternity leave, etc. To maintain a balance between work and life, the Group adopts a five-day working week policy.

The employees comprise of different age groups and have a diverse cultural background that brings individual traits as well as diversity to facilitate the business development. The Group adheres to the principle of equality and do not tolerate discrimination based on gender, pregnancy, race, marital status, family status or disability, and strives to provide employees with a working environment free of discrimination and harassment. If any employee is discriminated against or suffers from harassment, he/she can file a protected complaint through a designated channel.

The Group prohibits the employment of child labour and forced labour and strictly abides by the relevant labour laws and regulations, including the Employment of Children Regulations. The Group takes measures (such as review of applicant's background information during the recruitment process) to prevent the employment of child labour and forced labour. During the Reporting Year, the Group did not have any non-compliance with relevant laws and regulations regarding employment.

Environmental, Social and Governance Report

Health and safety

The Group complies with the Occupational Safety and Health Ordinance. The Group attaches great importance to the health and well-being of its employees and is committed to maintaining a safe working environment. The Group has formulated policies regarding employees' working environment and protection, which stipulate the reporting procedure for industrial accidents, and adopted various measures to ensure the safety of employees, such as providing safety medical kits in case of injuries and posting conspicuously the Work Safety and Health Guidelines to inform employees of the importance of workplace safety.

The Group has taken various initiatives. The Group has arranged for the staff to learn related safety information and emergency measures which can help increase their alertness and ability of self-protection for effective prevention against possible accidents, creating a healthy and safe working environment for the employees.

During the Reporting Year, there were no work-related casualty or loss of working day arising therefrom.

Development and Training

The Group believes that professional skills and knowledge are crucial to the employees' development as well as the Group's long-term development. Therefore, the Group continually provides its employees with training, which cover topics including anti-money laundering, updates on laws, codes, rules and regulations, and other relevant topics, thereby allowing its employees to maintain the highest professional conduct and ethical standard in the course of its business operation.

In additions, during the Reporting Year, the Group organized a variety of seminars and training programmes in relation to the latest developments of the market for its employees which included cross-broader investment laws, investment and financing business, funds operations, high-yield bond, account opening procedure and the Listing Rules.

Case: The Group held asset management legal compliance training

In November 2018, Clifford Chance LLP provided the Group with a training on offshore fund establishment and fund regulatory in Hong Kong. Through this training, the participants were able to acquire a deeper knowledge and understanding of offshore private equity funds and fund regulations in Hong Kong, thereby enhancing their legal and compliance awareness in the course of business operations such as asset management.

Leading Employees to Colourful Life

The Group always believes that maintaining a work-life balance is essential for sustainability and well-being for every employee. To this end, the Group provides a variety of activities for its employees, such as Mid-Autumn party, Christmas party and Lunar New Year party. The Group also organizes birthday celebration for its staff every month. These activities not only strengthen relationship between employees, but also help them relieve stress.

Example: The Group held team building boat cruise

In early September 2018, the Group held a team building boat cruise in Clearwater Bay, Hong Kong, for its employees. Through the team building activity, the employees can relax, strengthen communication, enhance team cohesion and inspire everyone to work together to create success.

Facilitating Employee Development

The Group believes that career development is important to its employees. Therefore, the Group provides its employees with a nurturing environment. By providing trainings, the Group hopes that it would enable its employees to acquire the necessary skills and knowledge thereby enabling them to progress with their career development. In addition, the Group conducts ongoing performance assessments and/or formal annual reviews. Where an employee achieves an appropriate level of competency/excellence, he/she will be considered for promotion. The Group strives to ensure that hard work does not go unnoticed and actively recognises its employees' performance by prudently planning their career path.

Case: The Company held investment and financing business training seminar

In January 2018, the Group held a training seminar on investment loan agreements and investment and financing project operation procedures. This training provided the employees with in-depth guidance on investment and financing business.

Community Investment

The Group is passionate about participating in public activities and is committed to contributing to the creation of a harmonious community. A harmonious and stable community is important for the healthy and sustainable corporate development. The Group places great importance on community investment and is committed to the mission of "From the Community, To the Community", with a view to sharing the fruit of corporate development with the society and contributing to social harmony.

The Group's management team plays an important role in mobilising staff to join any community activities. The Group always believes that encouraging staff to participate in a wide range of charitable events is a good way to boost their compassion to the community, as well as inspire more people to take part in community services.

We actively encourage staff members to take part in social welfare activities and urge young volunteers to contribute their positive energy to the society.

Environmental, Social and Governance Report

Environmental Responsibility

Green Office[1,2]

The Group strictly complies with the laws and regulations in relation to the environment, such as the Air Pollution Control Ordinance. The Group has made continuous efforts on leading its staff to pursue a low-carbon lifestyle by actively responding to the call for environmental protection, and promoting the idea of low-carbon environment and green conservation, with a view to jointly advancing the development of green public welfare. As the Group's operation is office-based, its daily operation only involves vehicle emissions, office electricity and paper consumption. The Group strives to implement energy-saving and other environmental friendly measures in the course of business operation to minimize carbon emissions.

Greenhouse gas emissions of the head office in Hong Kong (area 1 and area 2)

Vehicle emissions (area 1)	approx. 10.11 metric tonne
Electricity consumption emissions (area 2)	approx. 61.08 metric tonne
Total volume of greenhouse gas emissions	approx. 71.19 metric tonne
Total intensity of greenhouse gas emissions	approx. 0.007 metric tonne/ sq.ft. office area

Air pollutants from vehicle emissions

CO emissions	approx. 10.9 kg
NO_X emissions	approx. 1.21 kg
SO_X emissions	approx. 0.06 kg
$PM_{2.5}$ emissions	approx. 0.03 kg

1 The Group primarily sourced water from the water supply system of building and has encountered no difficulty in water sourcing. There was no individual water meter due to its minimal water consumption. Thus, data of water consumption is not available.

2 Packaging material is not applicable to the business of the Group.

The Group believes that green buildings play a vital role in the implementation of sustainable development strategy. The core value of green buildings is to minimize the consumption of energy and resources and reduce damage to the environment while maximizing the application of new technologies and new materials that are conducive to better living quality. At the stage of site selection and planning, green buildings are required to make the utmost effort to protect the existing ecosystem and reduce impact to the surroundings, while taking consideration into factors like natural wind ventilation, sunlight and transportation. During the Reporting Year, the Group's principal place of business was at International Commerce Centre in Hong Kong, which was given a top platinum BEAM ranking by the BEAM Society. The Company has actively participated in various environmental activities held by the property management company. In addition, the Company has initiated a number of internal environmental measures, some of which are listed below:

- Adjust air conditioner's temperature to 25°C
- Switch off unused appliances, lightings and office equipment
- Place a notice of water preservation in pantry
- Use energy-saving appliances with Grade 1 Energy Efficiency Label
- Utilise natural sunlight in office
- Encourage the use of electronic mail and digital file management system
- Reuse and recycle paper and encourage double-sided printing

Amount of resource consumption in the head office in Hong Kong in 2018:

Office electricity consumption	approx. 113,000 Kwh
Office electricity consumption intensity	approx. 11.3 Kwh/ft^2

Waste Management [3]

Due to the characteristics of its business, the Group has not produced any hazardous waste, while the non-hazardous waste generated during the course of operation mainly consists of paper and general domestic waste. The Group actively participates in the recycling campaigns of the property management of the building. The Group also encourages its staff to reduce the use of plastics and disposable products.

The Group plays an active role in promoting paper-free operation to reduce the use of paper in office. Also, it encourages its staff to collect and reuse paper. In addition, the Group also collects and assesses the usage data of the printers in the office on regular basis in order to monitor the effectiveness of paper-free environment.

The Group is keen on environmental awareness promotion not only within the organisation, but also through customer engagement, encouraging a co-operative approach to minimise its environmental impact. Given that the formalities for opening a securities account involve a considerable amount of paperwork, the Group improved the account opening form to minimise paper usage. The advancement of information technology has led to the increasing popularity of e-commerce and paperless office. Online electronic system provides customers with a convenient, reliable and robust trading platform and enables the Group to achieve paperless operation. As part of the paperless operation initiative, the Group offers free electronic bill to our customers and charge additional fees for printed bills to encourage customers to adopt electronic bill.

Volume of resources recycled in the head office in Hong Kong in 2018:

Paper consumption	approx. 3,000 kg
Paper consumption intensity	approx. 0.3 kg/ft^2
Paper recycled	approx. 840 kg

Indicator Index

The Group has complied with the "Comply or Explain" provisions of the Guide set out in Appendix 27 of the Listing Rules. The table below provides a summary of the report compliance.

3 As the domestic waste of the Company is subject to centralised processing by property management of building, such statistics are not available.

Aspect	Indicator No.	Indicator Description	Disclosures	Pages/ Remarks
Environmental				
	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	✓	Pg.67
	A1.1	The types of emissions and respective emissions data.	✓	Pg.67
	A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	✓	Pg.67
A1: Emissions	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	N/A, The business of the Group does not involve hazardous waste discharge.	
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	✓	Pg.69
	A1.5	Description of measures to mitigate emissions and results achieved.	✓	Pg.67
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	✓	Hazardous wastes: not applicable to the Group Non-hazardous wastes: Pg.69

Aspect	Indicator No.	Indicator Description	Disclosures	Pages/ Remarks
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	✓	Pg.67-68
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	✓	Pg.68
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	No data was collected due to low water consumption and no individual water meter.	
	A2.3	Description of energy use efficiency initiatives and results achieved.	✓	Pg.68
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	✓	Pg.67
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Packaging material not applicable to the Group's business.	
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	✓	Pg.67-68
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	✓	Pg.67-68

Environmental, Social and Governance Report

Aspect	Indicator No.	Indicator Description	Disclosures	Pages/ Remarks
Social				
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	✓	Pg.63
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	✓	Pg.64
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	✓	Pg.64-66
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	✓	Pg.63

Aspect	Indicator No.	Indicator Description	Disclosures	Pages/ Remarks
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	✓	Pg.60-61
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	✓	Pg.61-62
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	✓	Pg.59-60
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	✓	Pg.66

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CMBC CAPITAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of CMBC Capital Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 85 to 228, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other 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 2018 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 ("HKSAs") 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") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 judgement, were of 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.

Revenue recognition – fee income

Refer to note 4 to the consolidated financial statements and the accounting policies on pages 115 to 116.

The Key Audit Matter	How the matter was addressed in our audit
Fee income represented over 33% of the total revenue of the Group for the year ended 31 December 2018. Fee income mainly comprises financial advisory fee, sponsorship fee, arrangement fee and other service income arising from its financial advisory and financial arrangement services and management fee from asset management business. The determination of when and how revenue from providing certain financial advisory service, sponsorship service, arrangement service and other services should be recognized can involve significant management judgement in determining whether the performance obligations identified in those services are satisfied over time or at a point in time, and the measure of progress if the performance obligations are satisfied over time.	Our audit procedures to assess the recognition of fee income included the following: • assessing the design, implementation and operating effectiveness of key internal controls which govern revenue recognition; • performing the following procedures to assess the recognition of revenue for a sample of specific revenue transactions recorded during the current year: o inspecting the client service agreements and evaluating whether revenue was recognised in accordance with the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards;

KEY AUDIT MATTERS (continued)

Revenue recognition – fee income (continued)

The Key Audit Matter	How the matter was addressed in our audit
We identified the recognition of fee income as a key audit matter because revenue is one of the key performance indicators of the Group and subject to management judgement and therefore there is an inherent risk that the recognition of revenue could be subject to manipulation to meet targets or expectations.	o inspecting the relevant documentation such as correspondence with customers to assess the extent to which the service had been performed and completed in accordance with the terms of the executed service agreements; o evaluating management's documentation to support the assertion that the service fee is charged for separate services provided by the Group and is not part of the effective interest of the loans and advances for service fees receivable from clients to whom the Group has provided credit facilities; • obtaining an analysis of financial advisory fee, sponsorship fee, arrangement fee, management fee and other service income recognised after the reporting date and inspecting relevant documentation, including circulars issued by listed companies and correspondence with customers, to assess whether any income should have been recognised in the current year; and • comparing details of journal entries raised during the current year which affected revenue with underlying documentation on a sample basis.

KEY AUDIT MATTERS (continued)

Transition adjustments and disclosures in relation to the changes in financial instruments standards

Refer to note 2(c)(i) to the consolidated financial statements and the accounting policies on pages 99 to 104.

The Key Audit Matter	How the matter was addressed in our audit
The Group has applied Hong Kong Financial Reporting Standards 9 Financial Instruments (referred to as "the new financial instruments standards" as below) since 1 January 2018. The new financial instruments standard has amended the previous classification and measurement framework of financial instruments and introduced a more complex expected credit loss model to assess impairment. The Group is required to retrospectively apply the classification and measurement (including impairment) requirements and recognise any difference between the original carrying amount and new carrying amount at the date of initial application (i.e. 1 January 2018) in the opening retained earnings or other components of equity. We identified the transition adjustments and disclosures in relation to the change of financial instruments standards as a key audit matter, because of the complexity of the transition process which involved changes in internal controls of the financial reporting process, accounting treatment, application of new data and management judgment.	Our audit procedures relating to the transition adjustments for the changes in financial instruments standards included the following: • understanding and assessing the key internal controls of the financial reporting process related to the changes in the financial instruments standards; • evaluating the accuracy of the classification of financial instruments. We obtained information on how management applied the classification requirements of the new financial instruments standard and the classification results. We assessed, on a sample basis, the contractual cash flow characteristics of the financial assets and relevant documents in relation to the business model; • assessing the reliability of the expected credit loss model used by management in determining loss allowances on transition with the assistance of our internal specialists, and assessing the completeness and accuracy of data used for the key parameters in the expected credit loss model; and • assessing whether the disclosures are in compliance with the relevant accounting standards.

KEY AUDIT MATTERS (continued)

Allowance for expected credit loss of financial assets measured at amortised cost and financial assets at fair value through other comprehensive income

Refer to notes 19, 20 and 22 to the consolidated financial statements and the accounting policies on pages 129 to 136.

The Key Audit Matter	How the matter was addressed in our audit
The Group has applied *Hong Kong Financial Reporting Standards 9 Financial Instruments* since 1 January 2018 which introduced a new expected credit loss ("ECL") model, which is applicable to the Group's financial assets measured at amortised cost and financial assets at fair value through other comprehensive income. These financial assets mainly refer to the loans and advances, debt securities and accounts receivable from margin clients of HK$4,023 million, HK$2,571 million and HK$972 million respectively. The Group calculates the allowance for ECL of stage 1 and 2 financial assets using an ECL model. The allowance for ECL of stage 3 financial assets is calculated using the discounted cash flow method. As at 31 December 2018, the ECL of stage 1, 2 and 3 financial assets are HK$29.6 million, Nil and HK$26.2 million respectively.	Our audit procedures to assess expected credit loss for financial assets measured at amortised cost and financial assets at fair value through other comprehensive income included the following: • understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the calculation, approval and recording of allowance for ECL; • assessing the reliability of the ECL model used by management in determining loss allowances with the assistance of our internal specialists, including assessing the appropriateness of the key parameters and assumptions in the ECL model, including the identification of loss stages, probability of default, loss given default, exposure at default, discount rate, adjustments for forward-looking information and other management adjustments;

KEY AUDIT MATTERS (continued)

Allowance for expected credit loss of financial assets measured at amortised cost and financial assets at fair value through other comprehensive income (continued)

The Key Audit Matter	How the matter was addressed in our audit
The determination of loss allowances using the ECL model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default, discount rate, adjustments for forward-looking information and other adjustment factors. Management judgment is involved in the selection of those parameters and the application of the assumptions. Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include available remedies for recovery, the financial situation of the borrower, the recoverable amount of collateral, the seniority of the claim and the existence and cooperativeness of other creditors. The enforceability, timing and means of realisation of collaterals can also have an impact on the recoverable amount of collateral and, therefore, the amount of loss allowances as at the end of the reporting period.	• assessing the completeness and accuracy of data used for the key parameters in the ECL model. For key parameters derived from external data, we selected samples to inspect the accuracy of such data by comparing them with public resources. • for key parameters involving judgement, critically assessing input parameters by seeking evidence from external sources. As part of these procedures, we challenged management's revisions to estimates and input parameters compared with prior period and on transition to the new accounting standard and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development. • evaluating the validity of management's assessment on whether the credit risk of the loans and advances has, or has not, increased significantly since initial recognition and whether the loan is credit-impaired by selecting risk-based samples. We checked overdue information, making enquiries of the Group about the borrowers' business operations, checking borrowers' financial information and researching market information about borrowers' businesses.

KEY AUDIT MATTERS (continued)

Allowance for expected credit loss of financial assets measured at amortised cost and financial assets at fair value through other comprehensive income (continued)

The Key Audit Matter	How the matter was addressed in our audit
We identified the allowance for ECL of financial assets as a key audit matter because of the inherent uncertainty and management judgment involved.	• for selected samples of loans and advances that are credit-impaired, evaluating management's assessment of the value of any property collateral held by comparison with market prices based on the location and use of the property and the prices of neighbouring properties. We also evaluated the timing and means of realisation of collateral, evaluated the forecast cash flows, challenged the viability of the Group's recovery plans and evaluated other credit enhancements that are integral to the contract terms; • recalculating the amount of credit loss allowance for 12 month and life time credit losses using the expected credit loss model based on the above parameters and assumptions for a sample of financial assets where the credit risk of the loan has, or has not, increased significantly since initial recognition, respectively. • evaluating whether the disclosures on the provision of expected credit loss meet the disclosure requirements in the prevailing accounting standards.

KEY AUDIT MATTERS (continued)

Valuation of level 3 financial assets

Refer to notes 23 and 36 to the consolidated financial statements and the accounting policies on pages 122 to 129.

The Key Audit Matter	How the matter was addressed in our audit
The Group held unlisted financial assets which are measured at fair value through profit or loss and classified as level 3 financial assets under the fair value hierarchy. As at 31 December 2018, the fair value of the Group's level 3 financial assets totalled HK$923 million, representing 8.8% of the Group's total assets. The valuation of the Group's financial assets is based on a combination of market data and valuation models which often require a considerable number of inputs. Many of these inputs are obtained from readily available data for liquid markets. Where such observable data is not readily available, estimates need to be developed which can involve significant judgement. We have identified assessing the fair value of level 3 financial assets as a key audit matter because of the degree of complexity involved and the judgement exercised by management in determining the inputs used for the valuation.	Our audit procedures to assess the fair value of financial assets included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the valuation of level 3 financial assets; • involving our internal valuation specialists to perform, on a sample basis, independent valuations of level 3 financial assets and compare these valuations with the Group's valuations. Our independent valuation included developing models, obtaining inputs independently and verifying the inputs; and • assessing whether the disclosures in the consolidated financial statements reflected the Group's exposure to financial assets valuation risk in accordance to prevailing accounting standards.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than 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 this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS 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 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 assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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 Section 90 of the Bermuda Companies Act 1981, 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 HKSAs 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.

As part of an audit in accordance with HKSAs, we exercise professional judgement 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.

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

- 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.

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 Audit Committee, we determine those matters that were of 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 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.

The engagement partner on the audit resulting in this independent auditor's report is Chui Ming Wai Vivian.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
28 March 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	Year ended 31 December 2018 HK$'000	9 months from 1 April 2017 to 31 December 2017 HK$'000
Continuing operations			
Revenue	4	**791,190**	165,180
Net (losses)/gains on financial assets at fair value through profit or loss		**(57,365)**	68,610
Net losses on financial assets at fair value through other comprehensive income		**(15,799)**	–
Other income	6	**7,947**	3,810
Other gains and losses	7	**(34,352)**	(1,951)
Administrative expenses		**(144,855)**	(76,702)
Finance costs	8	**(262,029)**	(29,044)
Profit before taxation from continuing operations	9	**284,737**	129,903
Taxation	12	**(39,541)**	(11,540)
Profit for the year/period from continuing operations		**245,196**	118,363
Discontinued operations			
Loss for the year/period from discontinued operations	13	**–**	(95)
Profit for the year/period attributable to owners of the Company		**245,196**	118,268

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2018

	Notes	Year ended 31 December 2018 HK$'000	9 months from 1 April 2017 to 31 December 2017 HK$'000
Profit for the year/period attributable to owners of the Company		**245,196**	118,268
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
– Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)		**(57,555)**	–
Item that may be reclassified subsequently to profit or loss:			
– Financial assets at fair value through other comprehensive income – net movement in fair value reserve (recycling)		**(275,804)**	–
– Unrealised loss on available-for-sale financial assets		**–**	(60)
Other comprehensive income for the year/period, net of tax		**(333,359)**	(60)
Total comprehensive income for the year/period attributable to owners of the Company		**(88,163)**	118,208
Earnings per share (HK cents)	15		
From continuing and discontinued operations			
– Basic		**0.53**	0.30
– Diluted		**0.53**	0.30
From continuing operations			
– Basic		**0.53**	0.30
– Diluted		**0.53**	0.30

The notes on pages 94 to 228 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2018

	Notes	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Non-current assets			
Property, plant and equipment	16	**3,130**	4,596
Goodwill	17	**16,391**	16,391
Intangible assets	18	**4,845**	6,216
Loans and advances	19	**880,260**	449,450
Deferred tax assets	30	**922**	21
Other assets		**10,183**	9,209
		915,731	485,883
Current assets			
Accounts receivable	20	**1,228,278**	827,121
Prepayments, deposits and other receivables	21	**30,383**	1,546
Interests receivable		**67,648**	10,525
Amount due from an intermediate holding company	27	**243**	–
Loans and advances	19	**3,114,777**	1,212,426
Financial assets at fair value through other comprehensive income	22	**3,006,050**	–
Available-for-sale financial assets	22	**–**	829,965
Financial assets at fair value through profit or loss	23	**1,056,979**	1,330,479
Cash and cash equivalents			
– Segregated accounts	24(a)	**134,047**	490,141
– House accounts	24(a)	**887,579**	126,761
		9,525,984	4,828,964

Consolidated Statement of Financial Position

At 31 December 2018

	Notes	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Current liabilities			
Accounts payable	25	**369,693**	319,176
Other payables and accruals	26	**58,683**	191,197
Amount due to an intermediate holding company	27	**–**	7,197
Bank and other borrowings	28	**6,653,340**	3,351,038
Notes payable	29	**99,216**	–
Tax payable		**25,925**	9,423
Financial assets sold under repurchase agreements	31	**1,170,680**	7,966
Financial liabilities at fair value through profit or loss	32	**130,149**	–
		8,507,686	3,885,997
Net current assets		**1,018,298**	942,967
Total assets less current liabilities		**1,934,029**	1,428,850
Non-current liabilities			
Notes payable	29	**50,000**	148,400
Deferred tax liabilities	30	**7,953**	264
		57,953	148,664
NET ASSETS		**1,876,076**	1,280,186

Consolidated Statement of Financial Position

At 31 December 2018

	Notes	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
CAPITAL AND RESERVES			
Share capital	33	**477,059**	457,787
Reserves		**1,399,017**	822,399
TOTAL EQUITY		**1,876,076**	1,280,186

Approved and authorised for issue by the board of directors on 28 March 2019.

Li Jinze	**Ding Zhisuo**
DIRECTOR	DIRECTOR

The notes on pages 94 to 228 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

		Attributable to owners of the Company							
	Notes	Share capital HK$'000	Share premium HK$'000 (Note a)	Contributed surplus HK$'000 (Note b)	Fair value reserve (recycling) HK$'000	Fair value reserve (non-recycling) HK$'000	Other reserve HK$'000 (Note c)	Accumulated profit (losses) HK$'000	Total HK$'000
At 1 January 2018		457,787	1,089,404	2,318,758	(60)	–	761	(2,586,464)	1,280,186
Impact on initial application of HKFRS 9		–	–	–	14,002	–	–	(20,262)	(6,260)
Impact on initial application of HKFRS 15		–	–	–	–	–	–	(9,214)	(9,214)
Adjusted balance at 1 January 2018		457,787	1,089,404	2,318,758	13,942	–	761	(2,615,940)	1,264,712
Changes in equity for 2018:									
Profit for the year		–	–	–	–	–	–	245,196	245,196
Other comprehensive income		–	–	–	(275,804)	(57,555)	–	–	(333,359)
Total comprehensive income		–	–	–	(275,804)	(57,555)	–	245,196	(88,163)
Issue of shares	33(i)	13,500	476,550	–	–	–	–	–	490,050
Placing of shares	33(ii)	5,772	203,705	–	–	–	–	–	209,477
Balance at 31 December 2018		477,059	1,769,659	2,318,758	(261,862)	(57,555)	761	(2,370,744)	1,876,076

Consolidated Statement of Changes in Equity

For the year ended 31 December 2018

		Attributable to owners of the Company								
	Notes	Share capital HK$'000	Share premium HK$'000 (Note a)	Contributed surplus HK$'000 (Note b)	Fair value reserve (recycling) HK$'000	Fair value reserve (non-recycling) HK$'000	Other reserve HK$'000 (Note c)	Share option reserve HK$'000	Accumulated profit (losses) HK$'000	Total HK$'000
Balance at 1 April 2017		180,198	3,220,060	388,137	–	–	761	64,425	(2,704,732)	1,148,849
Changes in equity for 2017:										
Profit for the period		–	–	–	–	–	–	–	118,268	118,268
Other comprehensive income		–	–	–	(60)	–	–	–	–	(60)
Total comprehensive income		–	–	–	(60)	–	–	–	118,268	118,208
Share premium cancellation		–	(2,967,709)	2,967,709	–	–	–	–	–	–
Issue of shares	33(i)	269,500	592,900	–	–	–	–	–	–	862,400
Exercise of share options	33(iii)	8,089	244,153	–	–	–	–	(64,425)	–	187,817
Dividends paid	14	–	–	(1,037,088)	–	–	–	–	–	(1,037,088)
Balance at 31 December 2017		457,787	1,089,404	2,318,758	(60)	–	761	–	(2,586,464)	1,280,186

Notes:

a. Share premium account is governed by Section 40 of the Companies Act 1981 of Bermuda.

b. Amounts represent credits arisen from the capital reduction and share premium cancellation transferred to the contributed surplus account, which had been partially utilised to eliminate the accumulated losses of the Group.

c. The other reserve of the Group represents the difference between the proportionate share of net assets attributable to additional interest in a subsidiary and the consideration paid.

The notes on pages 94 to 228 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Notes	Year ended 31 December 2018 HK$'000	9 months from 1 April 2017 to 31 December 2017 HK$'000
Operating activities			
Cash used in operations	24(b)	**(2,687,583)**	(1,796,213)
Hong Kong Profits Tax paid		**(13,200)**	(36,375)
Interest received		**347,179**	51,156
Dividend received		**17,634**	10,424
Net cash used in operating activities		**(2,335,970)**	(1,771,008)
Investing activities			
Purchases of available-for-sale ("AFS") financial assets		**–**	(829,583)
Purchases of financial assets at fair value through other comprehensive income ("FVOCI")		**(3,633,517)**	–
Purchases of property, plant and equipment		**(443)**	(1,571)
Purchases of financial assets at fair value through profit or loss ("FVTPL")		**(1,530,860)**	(1,398,620)
Net cash inflow arising acquisition of subsidiaries	34(a)	**–**	8,407
Net cash inflow arising from disposal of subsidiaries	34(b)	**–**	205,199
Proceeds from disposals of financial assets at FVOCI		**1,100,702**	–
Proceeds from disposals of financial assets at FVTPL		**2,259,409**	92,691
Net cash used in investing activities		**(1,804,709)**	(1,923,477)

Consolidated Statement of Cash Flows

For the year ended 31 December 2018

	Year ended 31 December 2018 HK$'000	9 months from 1 April 2017 to 31 December 2017 HK$'000
Financing activities		
Proceeds from issue of new shares in share subscription and placing	**699,527**	862,400
Proceeds from exercise of share options	**–**	187,817
New bank and other borrowings raised	**6,125,108**	3,787,192
Proceeds from financial assets sold under repurchase agreements	**2,218,304**	7,960
Repayment of promissory notes	**–**	(29,000)
Repayment of bank and other borrowings	**(2,912,038)**	(458,095)
Repayment of financial assets sold under repurchase agreements	**(1,057,819)**	–
Interest paid	**(168,756)**	(9,704)
Dividend paid	**–**	(612,876)
Net cash generated from financing activities	**4,904,326**	3,735,694
Net increase in cash and cash equivalents	**763,647**	41,209
Cash and cash equivalents at the beginning of year/period	**126,761**	87,416
Effect of foreign exchange rate changes, net	**(2,829)**	(1,864)
Cash and cash equivalents at the end of year/period	**887,579**	126,761
Analyses of cash and cash equivalents at end of year/period:		
Bank balances – house accounts	**887,579**	126,761

The notes on pages 94 to 228 form part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2018

1 GENERAL INFORMATION

CMBC Capital Holdings Limited ("the Company") is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of registered office and the principal place of business of the Company are disclosed in the corporate information section to the annual report.

At 31 December 2018, the directors consider the immediate parent and ultimate controlling party to be CMBC International Investment Limited, which is incorporated in British Virgin Islands and China Minsheng Bank Corp., Ltd, which is incorporated in People's Republic of China, respectively. The ultimate controlling entity produces financial statements available for public use and can be obtained at the website of The Stock Exchange of Hong Kong.

The principal activities of the Company are investment holding and provision of loan financing services. The activities of its principal subsidiaries are set out in note 43 to the consolidated financial statements.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company and all values are rounded to the nearest thousand (HK$'000) except otherwise indicated.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group").

To align with the Company's indirect controlling shareholders, namely, CMBC International Holdings Limited ("CMBCI") and China Minsheng Banking Corp., Ltd. and to better facilitate the preparation of the consolidated financial statements of the Group, the Company determined to change its financial period end date from 31 March to 31 December commencing from the financial period ended 31 December 2017.

This set of consolidated financial statements is prepared for the year from 1 January 2018 to 31 December 2018. The comparative figures, however, due to the change of the end of financial period, are presented for nine months from 1 April 2017 to 31 December 2017, and hence are not comparable.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

– financial instruments classified as financial assets at fair value through other comprehensive income (see note 2(q)); and

– financial instruments classified as financial assets or financial liabilities at fair value through profit or loss (see note 2(q)).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the financial statements (continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may 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. Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

Operations of the real estate segment were discontinued during the last financial period, details of which are disclosed in note 13.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, Financial instruments
- HKFRS 15, Revenue from contracts with customers
- HK(IFRIC) 22, Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to the timing of revenue recognition and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 2(c)(i) for HKFRS 9 and note 2(c)(ii) for HKFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9 and/or HKFRS 15:

	At 31 December 2017	Impact on initial application of HKFRS 9 (Note 2(c)(i))	Impact on initial application of HKFRS 15 (Note 2(c)(ii))	At 1 January 2018
	HK$'000	HK$'000	HK$'000	HK$'000
Loans and advances	449,450	(236)	–	449,214
Deferred tax assets	21	1,230	–	1,251
Total non-current assets	**485,883**	**994**	**–**	**486,877**
Accounts receivable	827,121	(36)	–	827,085
Loans and advances	1,212,426	(7,218)	–	1,205,208
Available-for-sale financial assets	829,965	(829,965)	–	–
Financial assets at fair value through other comprehensive income ("FVOCI")	–	829,965	–	829,965
Total current assets	**4,828,964**	**(7,254)**	**–**	**4,821,710**
Tax payable	9,423	–	(1,821)	7,602
Other payables and accruals	191,197	–	11,035	202,232
Total current liabilities	**3,885,997**	**–**	**9,214**	**3,895,211**
Net current assets	**942,967**	**(7,254)**	**(9,214)**	**926,499**
Net assets	**1,280,186**	**(6,260)**	**(9,214)**	**1,264,712**
Reserves	822,399	(6,260)	(9,214)	806,925
Total equity	**1,280,186**	**(6,260)**	**(9,214)**	**1,264,712**

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(i) HKFRS 9, Financial instruments

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on accumulated losses and reserves and the related tax impact at 1 January 2018.

	HK$'000
Accumulated losses	
Recognition of additional expected credit losses on:	
– financial assets measured at amortised cost	(7,490)
– financial assets measured at FVOCI (recycling)	(14,002)
Related tax	1,230
Net increase in accumulated losses at 1 January 2018	(20,262)
Fair value reserve (recycling)	
Recognition of additional expected credit losses on financial assets measured at FVOCI	14,002
Net increase in fair value reserve (recycling) at 1 January 2018	14,002

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(i) HKFRS 9, Financial instruments (continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. *Classification of financial assets and financial liabilities*

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss ("FVTPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in notes 2(q) and (r).

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVTPL at 1 January 2018. Available-for-sale financial assets measured under HKAS 39 is now presented as financial assets at fair value through other comprehensive income under HKFRS 9.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(i) HKFRS 9, Financial instruments (continued)

b. *Credit losses*

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit loss ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises the expected credit losses ("ECLs") earlier than under the"incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, accounts receivable and loans and advances);

– contract assets as defined in HKFRS 15 (see note 2(c)(ii));

– debt securities measured at FVOCI (recycling); and

– loan commitments issued, which are not measured at FVTPL.

For further details on the Group's accounting policy for accounting for credit losses, see note 2(r).

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(i) HKFRS 9, Financial instruments (continued)

b. Credit losses (continued)

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(i) HKFRS 9, Financial instruments (continued)

b. *Credit losses (continued)*

Opening balance adjustment

As a result of this change in accounting policy, the Group has recognised additional loss allowance amounting to HK$21,492,000, which increased accumulated losses by HK$20,262,000 and increased gross deferred tax assets by HK$1,230,000 at 1 January 2018.

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

	HK$'000
Loss allowance at 31 December 2017 under HKAS 39	300
Additional credit loss recognised at 1 January 2018 on:	
– Accounts receivable	36
– Loans and advances	7,454
– Financial assets at fair value through other comprehensive income	14,002
Loss allowance at 1 January 2018 under HKFRS 9	21,792

c. *Hedge accounting*

The Group does not apply hedge accounting. The adoption of HKFRS 9 hedge accounting model has no significant impact on the Group's financial statements in this regard.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(i) HKFRS 9, Financial instruments (continued)

d. Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current year.

– The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(ii) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The following table summarises the impact of transition to HKFRS 15 on accumulated losses and the related tax impact at 1 January 2018:

	HK$'000
Accumulated losses	
Deferred revenue and profit recognition for financial advisory, sponsorship, arrangement fee and other service income	(11,035)
Related tax	1,821
Net increase in accumulated losses at 1 January 2018	(9,214)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(ii) HKFRS 15, Revenue from contracts with customers (continued)

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. *Timing of revenue recognition*

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(ii) HKFRS 15, Revenue from contracts with customers (continued)

a. Timing of revenue recognition (continued)

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on the Group's recognition of revenue from securities brokerage and underwriting businesses. However, the timing of revenue recognition for sponsorship fee and arrangement fee in relation to margin financing is affected as follows:

- Sponsorship fee: The Group receives sponsorship fee for acting as a sponsor and under the sponsor mandates entered with customers, the Group has the right to be paid for work done to date if the customers were to cancel the contract before the initial public offering ("IPO") is completed. These contracts therefore satisfy the criteria for category C for recognising revenue over time during the IPO process, whereas previously the Group recognised revenue with reference to payment schedule stipulated in the mandates. Accordingly, revenue for these contracts recognised in profit or loss later under HKFRS 15 than under HKAS 18.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(ii) HKFRS 15, Revenue from contracts with customers (continued)

a. *Timing of revenue recognition (continued)*

- Arrangement fee in relation to margin financing: The Group receives upfront arrangement fee in respect of margin financing business and margin loans are revolving in nature without tenor. Margin clients simultaneously receives and consumes the benefits provided by the entity's provision of credit throughout the calendar year. These contracts therefore satisfy the criteria for category A for recognising revenue over time during the financial year/period, whereas previously the Group recognised revenue when the Group arranged the margin loans. Accordingly, revenue for these contracts are recognised in profit or loss later under HKFRS 15 than under HKAS 18.

As a result of this change in accounting policy, the Group has made adjustments to opening balances at 1 January 2018 which increased accumulated losses by approximately HK$9,214,000, increased contract liability by HK$11,035,000 and decreased current tax liabilities by HK$1,821,000.

b. *Significant financing components*

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Where payment schemes include a significant financing component, the transaction price is adjusted to separately account for this component. In the case of payments in advance, such adjustment results in interest expense being accrued by the Group to reflect the effect of the financing benefit obtained by the Group from the customers during the period between the payment date and the completion date of legal assignment.

This change in accounting policy had no material impact on opening balances as at 1 January 2018.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(ii) HKFRS 15, Revenue from contracts with customers (continued)

c. *Presentation of contract assets and liabilities*

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Contract asset relating to sponsorship fee and contract liability relating to arrangement fee in relation to margin financing are presented in the statement of financial position under "prepayments, deposits and other receivables" and "other payables and accruals" respectively, and the revenue was recognised for the reasons explained in paragraph a. above.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of HKFRS 15:

"Contract liability" amounting to HK$11,035,000 is now included under "Other payables and accruals" and as explained in note 2(c)(ii)a above, adjustments to opening balances have been made to increase contract liability approximately by HK$11,035,000 in respect of the Group's arrangement fee in relation to margin financing.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies (continued)

(iii) HK(IFRIC) 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "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 of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Basis of consolidation (continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity including reserves and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted after re-attribution of the relevant equity component, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and 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 and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Business combinations (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another HKFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets and liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

(g) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment at the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Revenue recognition

Income is classified by the Group as revenue when it arises from the provision of services in the ordinary course of the Group's business.

Revenue is recognised when service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

(i) Revenue arising from financial services is recognised on the following basis:

- Commission income for brokerage business and futures and options contracts dealing services are recognised as income on a trade date basis;

- Underwriting, sub-underwriting, placing and sub-placing commissions are recognised as income in accordance with the terms of the underlying agreement or deal mandate when the relevant significant act has been completed;

- Financial advisory, sponsorship, arrangement fee and other service fee are recognised as income when the services under the underlying agreement has been provided; and

- Asset management fees are recognised on a time-proportion basis with reference to the net asset value of the managed accounts.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Revenue recognition (continued)

(ii) Interest income from a financial asset is recognized as it accrues under the effective interest method using the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. For financial assets measured at amortised cost or FVOCI (recycling) that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

(iii) Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

(iv) The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below (see note 2(j)).

(i) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items are recognised in profit or loss in the period in which they arise.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Leasing

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

Operating lease payment are recognised as an expense on a straight-line basis over the lease term.

(k) Employee benefits

(i) Retirement benefit costs

Payment to Hong Kong Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

(ii) Short-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

(l) Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit or loss before taxation as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income and expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, 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. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Taxation (continued)

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

Current and deferred tax are recognised in profit or loss. Where current tax or deferred tax arises from initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(o) Intangible assets

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and impairment losses, on the same basis as intangible assets that acquired separately. Alternatively, intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Impairment of tangible and intangible assets other than goodwill and financial assets

At the end of each reporting period, the Group reviews the carrying amount of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to other assets on a pro-rata basis based on the carrying amount of each asset in unit. The carrying amount of an asset is not reduced below the highest of its fair value less cost of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the assets is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Impairment of tangible and intangible assets other than goodwill and financial assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

(q) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

A financial asset and a financial liability is offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial instruments (continued)

(i) Financial assets

Policy applicable from 1 January 2018

Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest ("SPPI"). Interest income from the investment is calculated using the effective interest method;

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

– FVTPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial instruments (continued)

(i) Financial assets (continued)

In assessing whether the contractual cash flows are SPPI, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment the Group considers:

– Contingent events that would change the amount and timing of cash flows;

– Leverage features;

– Prepayment and extension terms;

– Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse loans); and

– Features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVOCI (non-recycling), are recognised in profit or loss as revenue.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial instruments (continued)

(i) Financial assets (continued)

Policy applicable prior to 1 January 2018

The Group's financial assets include financial assets at FVTPL, AFS financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of loans and receivables and debt instruments and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of loans and receivables or the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for loans and receivables and debt instruments.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be received from an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial instruments (continued)

(i) Financial assets (continued)

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading or contingent consideration that may be received from an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "net loss on investments at fair value through profit or loss" or "other gains and losses" line item.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial instruments (continued)

(i) Financial assets (continued)

AFS financial assets

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at FVTPL.

Dividends on AFS equity instruments are recognised in profit or loss when the Group's rights to receive the dividends is established.

AFS 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 investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment of financial assets below).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including accounts receivable, deposits and other receivables, loans and advances and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial instruments (continued)

(ii) Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at amortised cost

Financial liabilities (including accounts payable, other payables, bank and other borrowings, bank overdrafts, notes payable and financial assets sold under repurchase agreements) are subsequently measured at amortised cost, using the effective interest method.

Financial liabilities at FVTPL

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss, except for changes in fair value attributable to changes in own credit risk which are presented in other comprehensive income. The Group did not have financial liabilities at FVTPL prior to 1 January 2018.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial instruments (continued)

(ii) Financial liabilities and equity instruments (continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(r) Credit losses and impairment of financial assets

(i) Policy applicable from 1 January 2018

The Group recognises a loss allowance for ECLs on the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, accounts receivable and loans and advances);

– contract assets as defined in HKFRS 15 (see note 2(c)(ii));

– debt securities measured at FVOCI (recycling); and

– loan commitments issued, which are not measured at FVTPL.

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVTPL, and equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Credit losses and impairment of financial assets (continued)

(i) Policy applicable from 1 January 2018 (continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets and accounts receivable: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

– loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Credit losses and impairment of financial assets (continued)

(i) Policy applicable from 1 January 2018 (continued)

Measurement of ECLs (continued)

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

For all financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Credit losses and impairment of financial assets (continued)

(i) Policy applicable from 1 January 2018 (continued)

Significant increases in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Credit losses and impairment of financial assets (continued)

(i) Policy applicable from 1 January 2018 (continued)

Significant increases in credit risk (continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Credit losses and impairment of financial assets (continued)

(i) Policy applicable from 1 January 2018 (continued)

Basis of calculation of interest income (continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Credit losses and impairment of financial assets (continued)

(ii) Policy applicable prior to 1 January 2018

Prior to 1 January 2018, an "incurred loss" model was used to measure impairment losses on financial assets not classified as at FVTPL (e.g. accounts receivable, available-for-sale financial assets and loans and advances). Under the "incurred loss" model, an impairment loss was recognised only when there was objective evidence of impairment.

Objective evidence of impairment included:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

For certain categories of loans and receivables, such as accounts receivable, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Credit losses and impairment of financial assets (continued)

(ii) Policy applicable prior to 1 January 2018 (continued)

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivable, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Share-based payment transactions

(i) Share options granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 37 to the Group's consolidation financial statements.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss, with a corresponding increase in equity (share option reserve).

(ii) Share options granted to agents and consultants/vendors

Share options issued in exchange for goods or services are measured at the fair value of the goods or services received, unless that fair value cannot be estimated reliably, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses, with a corresponding increase in equity (share options reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings/accumulated losses.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in note 2(r).

Segregated accounts maintained by the Group to hold clients' monies are recognised as an asset in financial statements and are disclosed in note 24 to the consolidated financial statements.

(u) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. It also occurs if the operation is abandoned.

Where an operation is classified as discontinued, a single amount is presented on the face of the statement of profit or loss, which comprises:

– the post-tax profit or loss of the discontinued operation; and

– the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) 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 the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(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 employees of either 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 the 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 Group'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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(x) Financial assets sold under repurchase agreements

Financial assets sold under repurchase agreements continue to be recognised, which do not result in derecognition of the financial assets, and are recorded as financial assets at FVOCI/AFS financial assets and financial assets at FVTPL. Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognised in the consolidated statement of financial position. The proceeds from selling such assets are presented as "financial assets sold under repurchase agreements". Financial assets sold under repurchase agreements are initially measured at fair value and are subsequently measured at amortised cost.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may 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. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of goodwill

An annual assessment is made, as set out in note 17, as to whether the current carrying value of goodwill is impaired.

Fair value of level 3 financial instruments

Notes 2(q) and 36(e) provide further information on the Group's fair value accounting policy and how the fair values of financial instruments are determined.

Impairment of financial assets

Policies on impairment of financial assets are set out in note 2(r).

4 REVENUE

An analysis of the Group's revenue for the year/period from continuing operations is as follows:

	Year ended 31 December 2018 HK$'000	9 months from 1 April 2017 to 31 December 2017 HK$'000
Commission income from brokerage and related services	**2,412**	5,036
Commission income from underwriting, sub-underwriting, placing and sub-placing	**58,353**	26,035
Interest income from debt securities investments	**178,354**	17,295
Interest income from FVTPL investments	**25,460**	–
Interest income from provision of finance and securities margin financing	**279,185**	47,391
Dividend income and other investment income	**44,244**	10,424
Financial advisory, sponsorship, arrangement fee and other service income	**178,026**	58,999
Asset management fee income	**25,156**	–
	791,190	165,180

5 SEGMENT INFORMATION

In a manner consistent with the way in which information is reported internally to the Group's management, being the chief operating decision makers, for the purpose of resources allocation and assessment of segment performance focusing on types of services provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- the securities segment representing the business line of provision of brokerage services, securities margin financing services, futures and options contracts dealing services to clients and securities underwriting/placing;
- the investment and financing segment representing investment and trading activities in equity securities, futures, bonds, funds and provision of loan financing services; and
- the asset management, corporate finance and advisory segment representing provision of asset management services, sponsorship, financial advisory and financial arrangement services to clients.

5 SEGMENT INFORMATION (continued)

The real estate segment was discontinued in the last reporting period. The segment information reported does not include any amounts for the discontinued operations, which are described in more details in note 13.

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by service lines is as follows:

	Year ended 31 December 2018 HK$'000	9 months from 1 April 2017 to 31 December 2017 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by service lines		
– Commission income from brokerage and related services	2,412	5,036
– Commission income from underwriting, sub-underwriting, placing and sub-placing	58,353	26,035
– Financial advisory, sponsorship, arrangement fee and other service income	178,026	58,999
– Asset management fee income	25,156	–
	263,947	90,070
Revenue from other sources		
– Interest income from debt securities investments	178,354	17,295
– Interest income from FVTPL investments	25,460	–
– Interest income from provision of finance and securities margin financing	279,185	47,391
– Dividend income and other investment income	44,244	10,424
	527,243	75,110
	791,190	165,180

5 SEGMENT INFORMATION (continued)

(i) Disaggregation of revenue (continued)

The Group's revenue from continuing operations from external customers are located in Hong Kong.

Disaggregation of revenue is set out below:

	Securities		Investment and financing		Asset management, corporate finance and advisory		Total	
	Year ended 31 December 2018 HK$'000	9 months from 1 April 2017 to 31 December 2017 HK$'000	**Year ended 31 December 2018 HK$'000**	9 months from 1 April 2017 to 31 December 2017 HK$'000	**Year ended 31 December 2018 HK$'000**	9 months from 1 April 2017 to 31 December 2017 HK$'000	**Year ended 31 December 2018 HK$'000**	9 months from 1 April 2017 to 31 December 2017 HK$'000
Disaggregated by timing of revenue recognition within the scope of HKFRS 15								
Point in time	**45,367**	47,018	**–**	–	**161,125**	43,052	**206,492**	90,070
Over time	**28,658**	–	**–**	–	**28,797**	–	**57,455**	–
	74,025	47,018	**–**	–	**189,922**	43,052	**263,947**	90,070

5 SEGMENT INFORMATION (continued)

(i) Disaggregation of revenue (continued)

Disaggregation of revenue is set out below: (continued)

	Securities		Investment and financing		Asset management, corporate finance and advisory		Total	
	Year ended 31 December 2018 HK$'000	9 months from 1 April 2017 to 31 December 2017 HK$'000	Year ended 31 December 2018 HK$'000	9 months from 1 April 2017 to 31 December 2017 HK$'000	Year ended 31 December 2018 HK$'000	9 months from 1 April 2017 to 31 December 2017 HK$'000	Year ended 31 December 2018 HK$'000	9 months from 1 April 2017 to 31 December 2017 HK$'000
Revenue from other sources								
– Interest income from debt securities investments	–	–	178,354	17,295	–	–	178,354	17,295
– Interest income from FVTPL investments	–	–	25,460	–	–	–	25,460	–
– Interest income from provision of finance and securities margin financing	61,957	26,041	217,228	21,350	–	–	279,185	47,391
– Dividend income and other investment income	–	–	44,244	10,424	–	–	44,244	10,424
	61,957	26,041	465,286	49,069	–	–	527,243	75,110
Reportable segment revenue	135,982	73,059	465,286	49,069	189,922	43,052	791,190	165,180

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 (see note 2(c)(ii)).

5 SEGMENT INFORMATION (continued)

(ii) Segment revenue and results

The following is an analysis of the Group's revenue and results by operating and reportable segments:

	For the year ended 31 December 2018			
	Securities HK$'000	Investment and financing HK$'000	Asset management, corporate finance and advisory HK$'000	Total HK$'000
Continuing operations				
Segment revenue				
– Reportable segment revenue	135,982	465,286	189,922	791,190
– Net losses on financial assets at fair value through profit or loss	–	(57,365)	–	(57,365)
– Net losses on financial assets at fair value through other comprehensive income	–	(15,799)	–	(15,799)
	135,982	392,122	189,922	718,026
Segment results	81,770	110,900	148,646	341,316
Unallocated other income				1,325
Unallocated other gains and losses				2,961
Unallocated expenses				(32,856)
Unallocated finance costs				(28,009)
Profit before taxation				284,737

5 SEGMENT INFORMATION (continued)

(ii) Segment revenue and results (continued)

	For the nine months ended 31 December 2017			
	Securities HK$'000	Investment and financing HK$'000	Asset management, corporate finance and advisory HK$'000	Total HK$'000
Continuing operations				
Segment revenue				
– Reportable segment revenue	73,059	49,069	43,052	165,180
– Net gains on financial assets at fair value through profit or loss	–	68,610	–	68,610
	73,059	117,679	43,052	233,790
Segment results	49,137	91,933	39,783	180,853
Unallocated other income				420
Unallocated other gains and losses				(1,484)
Unallocated expenses				(41,200)
Unallocated finance costs				(8,686)
Profit before taxation				129,903

5 SEGMENT INFORMATION (continued)

(iii) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by operating and reportable segments:

	As at 31 December 2018			
	Securities HK$'000	Investment and financing HK$'000	Asset management, corporate finance and advisory HK$'000	Total HK$'000
Assets				
Segment assets	1,744,932	8,396,156	62,630	10,203,718
Unallocated assets:				
– Property, plant and equipment				2,897
– Prepayments, deposits and other receivables				19,617
– Amount due from an intermediate holding company				243
– Cash and cash equivalents				215,240
				237,997
Total				10,441,715
Liabilities				
Segment liabilities	861,710	7,519,121	13,971	8,394,802
Unallocated liabilities:				
– Other payables and accruals				15,028
– Notes payable				149,216
– Deferred tax liabilities				1,926
– Tax payable				4,667
				170,837
Total				8,565,639

5 SEGMENT INFORMATION (continued)

(iii) Segment assets and liabilities (continued)

	As at 31 December 2017			
	Securities HK$'000	Investment and financing HK$'000	Asset management, corporate finance and advisory HK$'000	Total HK$'000
Assets				
Segment assets	1,364,640	3,867,092	8,470	5,240,202
Unallocated assets:				
– Property, plant and equipment				4,189
– Prepayments, deposits and other receivables				8,392
– Cash and cash equivalents				62,064
				74,645
Total				5,314,847
Liabilities				
Segment liabilities	730,470	3,129,421	2,146	3,862,037
Unallocated liabilities:				
– Other payables and accruals				21,460
– Notes payable				148,400
– Deferred tax liabilities				264
– Tax payable				2,500
				172,624
Total				4,034,661

5 SEGMENT INFORMATION (continued)

(iii) Segment assets and liabilities (continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. Segment results represent the profit earned by/(loss from) each segment without allocation of central administrative costs, directors' emoluments, certain other income, certain other gains and losses and finance costs. This is the measure reported to the chief operating decision makers for the purpose of resources allocation and performance assessment.

Assets and liabilities, excluding intragroup receivables and payables, are allocated to reportable and operating segments other than the unallocated items listed above.

(iv) Other segment information

	For the year ended 31 December 2018				
	Securities HK$'000	Investment and financing HK$'000	Asset management, corporate finance and advisory HK$'000	Unallocated HK$'000	Total HK$'000
Continuing operations					
Depreciation of property, plant and equipment	174	–	–	4,735	4,909
Addition of property, plant and equipment	–	–	–	3,443	3,443
Amortisation of intangible asset	1,371	–	–	–	1,371
Impairment loss in respect of loans and advances	–	20,735	–	–	20,735
Impairment loss in respect of accounts receivable	1,709	–	–	–	1,709
Impairment loss in respect of financial assets at fair value through other comprehensive income	–	11,519	–	–	11,519

5 SEGMENT INFORMATION (continued)

(iv) Other segment information (continued)

	For the nine months ended 31 December 2017				
	Securities HK$'000	Investment and financing HK$'000	Asset management, corporate finance and advisory HK$'000	Unallocated HK$'000	Total HK$'000
Continuing operations					
Depreciation of property, plant and equipment	139	–	–	728	867
Addition of property, plant and equipment	51	–	–	1,520	1,571
Amortisation of intangible asset	1,028	–	–	–	1,028
Impairment loss in respect of accounts receivable	300	–	–	–	300
Loss on disposal of property, plant and equipment	–	–	–	7	7

(v) Geographical information

The Group's continuing operations are carried out in Hong Kong.

The Group's revenue from continuing operation from external customers and its non-current assets are located in Hong Kong.

(vi) Information about major customers

No customer contributed over 10% of the total revenue of the Group for the year ended 31 December 2018.

Revenue of approximately HK$23,591,000 for the period ended 31 December 2017 was derived from loan financing service to a customer and accounted for more than 10% of the total revenue.

6 OTHER INCOME

	Year ended 31 December 2018 HK$'000	9 months from 1 April 2017 to 31 December 2017 HK$'000
Continuing operations		
Bank interest income	2,070	5
Other income	5,877	3,805
	7,947	3,810

7 OTHER GAINS AND LOSSES

	Year ended 31 December 2018 HK$'000	9 months from 1 April 2017 to 31 December 2017 HK$'000
Continuing operations		
Impairment losses		
– Loans and advances	(20,735)	–
– Accounts receivable	(1,709)	(300)
– Financial assets at fair value through other comprehensive income	(11,519)	–
Loss on early settlement of promissory notes (Note)	–	(2,852)
Loss on disposal of subsidiaries (note 34(b))	–	(789)
Loss on disposal of property, plant and equipment	–	(7)
Other gains on purchase of group companies (note 34(a))	–	1,477
Net exchange (loss)/gain	(389)	520
	(34,352)	(1,951)

Note: During the last reporting period, the promissory notes in the principal amount of HK$29,000,000 were early settled and have resulted in a loss of HK$2,852,000.

8 FINANCE COSTS

	Year ended 31 December 2018 HK$'000	9 months from 1 April 2017 to 31 December 2017 HK$'000
Continuing operations		
Interest expense on:		
Notes payable (note 29)	8,316	6,239
Promissory notes	–	348
Borrowings and bank overdrafts	19,694	2,439
Financial assets sold under repurchase agreements	26,714	8
Loans from an intermediate holding company	207,305	20,010
	262,029	29,044

9 PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS

	Year ended 31 December 2018 HK$'000	9 months from 1 April 2017 to 31 December 2017 HK$'000
Profit before taxation from continuing operations is arrived at after charging:		
Staff costs (including directors' remuneration):		
Wages and salaries	70,583	34,239
Retirement benefits contributions	1,192	616
Total staff costs	71,775	34,855
Auditor's remuneration	3,298	2,749
Depreciation of property, plant and equipment	4,909	867
Amortisation of intangible assets	1,371	1,028
Minimum lease payments in respect of land and buildings	12,087	9,366

10 DIRECTORS' REMUNERATION

The remuneration paid or payable to the executive directors, non-executive directors and independent non-executive directors of the Company is disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, as follows:

	For the year ended 31 December 2018								
	Executive directors			Non-executive directors		Independent non-executive directors			
	Mr. Li Jinze	Mr. Ding Zhisuo	Mr. Ng Hoi Kam	Mr. Ren Hailong	Mr. Liao Zhaohui	Mr. Lee Cheuk Yin Dannis	Mr. Wu Bin	Mr. Wang Lihua	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	Note (v)	Note (vi)	Note (vi)	Note (vii)	Note (vii)	Note (vii)	Note (vii)	Note (vii)	
Fees	–	–	–	300	300	300	300	300	1,500
Other emoluments:									
Salaries and other allowances	4,800	3,900	3,000	–	–	–	–	–	11,700
Discretionary bonuses	–	–	440	–	–	–	–	–	440
Retirement benefits contribution	17	–	18	–	–	–	–	–	35
	4,817	3,900	3,458	300	300	300	300	300	13,675

	For the nine months ended 31 December 2017													
	Executive directors					Non-executive directors		Independent non-executive directors						
	Ms. Lin Yuehe	Mr. Wang Haixiong	Mr. Li Jinze	Mr. Ding Zhisuo	Mr. Ng Hoi Kam	Mr. Ren Hailong	Mr. Liao Zhaohui	Mr. Siu Siu Ling Robert	Mr. Chan Kwan Pak	Mr. Siu Gee Tai	Mr. Lee Cheuk Yin Dannis	Mr. Wu Bin	Mr. Wang Lihua	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	Note (i)	Note (ii)	Note (v)	Note (vi)	Note (vi)	Note (vii)	Note (vii)	Note (iii)	Note (iv)	Note (iv)	Note (vii)	Note (vii)	Note (vii)	
Fees	–	–	–	–	–	170	171	60	60	60	170	170	171	1,032
Other emoluments:														
Salaries and other allowances	105	240	2,800	1,145	1,000	–	–	–	–	–	–	–	–	5,290
Discretionary bonuses	–	–	2,000	–	542	–	–	–	–	–	–	–	–	2,542
Retirement benefits contribution	5	–	–	–	5	–	–	–	–	–	–	–	–	10
	110	240	4,800	1,145	1,547	170	171	60	60	60	170	170	171	8,874

10 DIRECTORS' REMUNERATION (continued)

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Notes:

(i) Ms. Lin Yuehe was appointed as director and chairlady on 1 March 2016 and resigned as director on 28 June 2017.

(ii) Mr. Wang Haixiong was appointed as director and chief executive officer on 22 July 2016 and resigned as director and chief executive officer on 28 June 2017.

(iii) Mr. Siu Siu Ling Robert was appointed as director on 24 July 2015 and resigned as director on 28 June 2017.

(iv) Mr. Chan Kwan Pak and Mr. Siu Gee Tai were appointed as directors on 30 July 2015 and resigned as directors on 28 June 2017.

(v) Mr. Li Jinze was appointed as director and chairman on 7 June 2017.

(vi) Mr. Ding Zhisuo and Mr. Ng Hoi Kam were appointed as directors on 26 October 2017.

(vii) Mr. Liao Zhaohui, Mr. Ren Hailong, Mr. Lee Cheuk Yin Dannis, Mr. Wang Lihua and Mr. Wu Bin were appointed as directors on 7 June 2017.

11 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with highest emoluments in the Group, three (31 December 2017: three) were directors of the Company whose remuneration are set out in note 10 above. Details of the remuneration of the remaining two (31 December 2017: two) non-director, highest paid employees for the year/period are as follows:

	Year ended 31 December 2018 HK$'000	9 months from 1 April 2017 to 31 December 2017 HK$'000
Salaries and other allowances	**4,423**	2,440
Discretionary bonuses	**–**	315
Retirement benefits contributions	**21**	21
	4,444	2,776

11 INDIVIDUALS WITH HIGHEST EMOLUMENTS (continued)

The emoluments of the five highest paid employees, including directors, for the year/period fell within the following bands:

	Number of individuals	
	Year ended 31 December 2018	9 months from 1 April 2017 to 31 December 2017
Nil to HK$1,000,000	**–**	–
HK$1,000,001 to HK$1,500,000	**–**	3
HK$1,500,001 to HK$2,000,000	**–**	1
HK$2,000,001 to HK$2,500,000	**2**	–
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**1**	–
HK$3,500,001 to HK$4,000,000	**1**	–
HK$4,000,001 to HK$4,500,000	**–**	–
HK$4,500,001 to HK$5,000,000	**1**	1
	5	5

No emoluments were paid by the Group to any of the five highest paid employees as an inducement to join, or upon joining the Group, or as compensation for loss of office in both the year ended 31 December 2018 and the nine months ended 31 December 2017.

12 TAXATION

(a) Taxation in the consolidated statement of profit or loss represents:

	Year ended 31 December 2018 HK$'000	9 months from 1 April 2017 to 31 December 2017 HK$'000
Continuing operations		
Current tax:		
Hong Kong Profits Tax	37,270	11,651
Over-provision in prior years	(5,747)	(14)
	31,523	11,637
Deferred tax (note 30):		
Origination and reversal of temporary differences	8,018	(97)
	39,541	11,540

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both the year ended 31 December 2018 and the nine months ended 31 December 2017.

12 TAXATION (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 December 2018 HK$'000	9 months from 1 April 2017 to 31 December 2017 HK$'000
Profit before taxation from continuing operations	**284,737**	129,903
Notional tax at the profit tax rate of Hong Kong of 16.5% (nine months ended 31 December 2017: 16.5%)	**46,982**	21,434
Tax effect of income not taxable for tax purpose	**(30,043)**	(591,074)
Tax effect of expenses not deductible for tax purpose	**32,364**	583,553
Tax effect of tax losses not recognised	**3,097**	167
Tax losses utilised from previous periods	**(7,112)**	(2,676)
Over-provision in prior years	**(5,747)**	(14)
Others	**–**	150
Actual tax expense	**39,541**	11,540

13 DISCONTINUED OPERATIONS

During the last reporting period, the Group completed the disposal of 100% equity interest in Sky Eagle Global Limited ("Sky Eagle") and a mortgage loan amounting to approximately HK$177,000,000 for cash consideration of HK$227,000,000 on 9 May 2017. Sky Eagle and its subsidiary, Metro Victor Limited ("Metro Victor"), carried out all of the Group's real estate operation.

The profit or loss for the last reporting period from the discontinued operations is set out below:

	9 months from 1 April 2017 to 31 December 2017 HK$'000
Loss for the period	(95)

The results of the discontinued operations for the last reporting period were as follows:

	9 months from 1 April 2017 to 31 December 2017 HK$'000
Revenue	450
Administrative expenses	(128)
Finance costs	(417)
Loss before taxation	(95)
Taxation	–
Loss for the period	(95)

During the last reporting period, the net operating cash flows contributed by real estate operation to the Group was insignificant.

14 DIVIDENDS

	Year ended 31 December 2018 HK$'000	9 months from 1 April 2017 to 31 December 2017 HK$'000
Special cash dividend	–	612,876
Distribution in specie	–	424,212
Proposed:		
Final – HK0.2 cents per ordinary share	95,412	–
	95,412	1,037,088

During the last reporting period, a special cash dividend of HK$0.03255 per share was paid in cash to the shareholders whose names are registered on the register of members of the Company on 10 May 2017. The special dividend in aggregate amount of approximately HK$612,876,000 was paid on 24 May 2017.

The Company also declared a dividend by way of distribution in specie for certain listed equity securities listed in Hong Kong held by the Group to the shareholders whose names are registered on the register of members of the Company on 10 May 2017. The distribution in specie in aggregate amount of approximately HK$424,212,000 was completed on 26 May 2017.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

15 EARNINGS PER SHARE

From continuing and discontinued operations

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

	Year ended 31 December 2018 HK$'000	9 months from 1 April 2017 to 31 December 2017 HK$'000
Earnings		
Profit attributable to owners of the Company for the purpose of basic and diluted earnings per share	245,196	118,268

	Year ended 31 December 2018 '000	9 months from 1 April 2017 to 31 December 2017 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	46,322,906	39,750,068

15 EARNINGS PER SHARE (continued)

From continuing operations

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

	Year ended 31 December 2018 HK$'000	9 months from 1 April 2017 to 31 December 2017 HK$'000
Earnings figures are calculated as follow:		
Profit for the year/period attributable to the owners of the Company	**245,196**	118,268
Add: Loss for the year/period from discontinued operations	**–**	95
Earnings for the purpose of basic and diluted earnings per share from continuing operations	**245,196**	118,363

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

There was no dilutive items during the year ended 31 December 2018 and the period ended 31 December 2017.

From discontinued operations

Basic and diluted loss per share from the discontinued operations is Nil (for the nine months ended 31 December 2017: Basic and diluted loss are HK0.0002 cents per share), based on the loss for the year from discontinued operations of Nil (for the nine months ended 31 December 2017: loss of HK$95,000) and the denominators detailed above for the basic and diluted loss per share.

There was no dilutive items during the year ended 31 December 2018 and the period ended 31 December 2017.

16 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Total HK$'000
Cost			
At 1 April 2017	4,651	2,131	6,782
Additions	1,147	424	1,571
Written-off during the period	(1,112)	(200)	(1,312)
Disposal	–	(8)	(8)
Disposal of subsidiaries	(530)	(129)	(659)
At 31 December 2017	4,156	2,218	6,374
Additions	3,286	157	3,443
At 31 December 2018	7,442	2,375	9,817
Accumulated depreciation and impairment			
At 1 April 2017	1,809	763	2,572
Provided for the period	599	306	905
Written-off during the period	(1,112)	(200)	(1,312)
Eliminated on disposal	–	(1)	(1)
Disposal of subsidiaries	(329)	(57)	(386)
At 31 December 2017	967	811	1,778
Provided for the year	4,450	459	4,909
At 31 December 2018	5,417	1,270	6,687
Carrying values			
At 31 December 2018	2,025	1,105	3,130
At 31 December 2017	3,189	1,407	4,596

16 PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum.

Leasehold improvements	20% or over the lease terms, whichever is shorter
Furniture, fixtures and equipment	20%
Motor vehicles	20%

17 GOODWILL

	HK$'000
Cost	
At 1 April 2017, 31 December 2017 and 31 December 2018	551,445
Impairment	
At 1 April 2017, 31 December 2017 and 31 December 2018	535,054
Carrying values	
At 31 December 2017 and 31 December 2018	16,391

For the purposes of impairment testing at 31 December 2017, the current management of the Group introduced the asset management, corporate finance and advisory business and resulted in a change in component of cash generating units ("CGU"). Management considered at 31 December 2017, there are two CGUs in relation to goodwill allocation, including the first CGU from "Securities segment" and the second CGU from "Asset management, corporate finance and advisory segment". After considering the scale of operation of these CGUs, all goodwill is allocated to the first CGU.

17 GOODWILL (continued)

The aggregate carrying amount of the CGU comprise goodwill of HK$16,391,000 (31 December 2017: HK$16,391,000), trading rights of HK$960,000 (31 December 2017: HK$960,000) and customers' relationship of HK$3,885,000 (31 December 2017: HK$5,256,000) of which the impairment for the customers' relationship has been assessed individually as set out in note 18. The basis of the recoverable amount of the CGU and its major underlying assumptions are summarised below.

The recoverable amount of the CGU has been determined by the value-in-use in respect of the above entities comprising the CGU. The value-in-use was assessed by the management based on a business valuation performed by an independent professional qualified valuer using the income approach which uses cash flow projections covering a 5-year period and discount rate of 9.31% (nine months ended 31 December 2017:10.65%), which is within level 3 fair value hierarchy.

The cash flow projections at 31 December 2018 has taken into account the expansion of business. The cash flows beyond the 5-year period are extrapolated assuming 2% growth rate (31 December 2017: 3%). This growth rate is based on the expectation of long-term inflation in Hong Kong. The cash flows and discount rate reflect assumptions that market participants would use when pricing the CGU. Other key assumptions for the cash flow projections relate to the estimation of cash inflows/outflows which include estimated income generated from the CGU, such estimation is based on the past performance of the CGU and the expectation on the market development.

For the purpose of impairment assessment, the value-in-use of the CGU amounting to HK$1,525,104,000 (nine months ended 31 December 2017: HK$1,249,674,000). By comparing the aforesaid aggregate carrying amount of the CGU with the value-in-use of the CGU, the management determined that the recoverable amount of the CGU is estimated to be more than the aggregate carrying amounts of net assets directly attributable to the CGU, goodwill, trading rights and customers' relationship and no impairment losses in respect of goodwill (nine months ended 31 December 2017: Nil) is recognised in profit or loss during the year ended 31 December 2018.

18 INTANGIBLE ASSETS

	Trading rights HK$'000	Customers' relationship HK$'000	Total HK$'000
Cost			
At 1 April 2017, 31 December 2017 and 31 December 2018	960	144,799	145,759
Amortisation and impairment			
At 1 April 2017	–	138,515	138,515
Charge for the period	–	1,028	1,028
At 31 December 2017	–	139,543	139,543
Charge for the year	–	1,371	1,371
At 31 December 2018	–	140,914	140,914
Carrying values			
At 31 December 2018	960	3,885	4,845
At 31 December 2017	960	5,256	6,216

Trading rights represents rights that confer eligibility of the Group to trade on the Stock Exchange and the Hong Kong Futures Exchange Limited ("HKFE"). The trading rights have no foreseeable limit to period that the Group can use to generate net cash flows, accordingly, the trading rights are considered as having indefinite useful lives.

Customers' relationship represents the customers' networks of brokerage and related business. Amortisation for customers' relationship with finite useful lives is recognised on a straight-line basis over its estimated useful lives of 6 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

18 INTANGIBLE ASSETS (continued)

No impairment of customers' relationship was identified based on the valuation performed by an independent professional qualified valuer using the income approach at a discount rate of 9.31% at 31 December 2018 (31 December 2017: 10.65%).

The trading rights and customers' relationship also formed part of the assets included in the CGU for which goodwill impairment is assessed and details are set out in note 17.

19 LOANS AND ADVANCES

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Loans and advances	**3,995,037**	1,661,876
Less: Amount due within one year presented under current assets	**(3,114,777)**	(1,212,426)
Amount presented under non-current assets	**880,260**	449,450
Loans and advances (non-current)	**883,044**	449,450
Less: Allowance for expected credit losses	**(2,784)**	–
	880,260	449,450
Loans and advances (current)	**3,140,182**	1,212,426
Less: Allowance for expected credit losses	**(25,405)**	–
	3,114,777	1,212,426

19 LOANS AND ADVANCES (continued)

At 31 December 2018, loans and advances included loans to independent third parties with effective interest rates ranging from 5% to 13% (31 December 2017: 6% to 10%) per annum.

During the year, allowance for expected credit losses of HK$20,735,000 was recognised (for the nine months ended 31 December 2017: Nil) in the statement of profit or loss. One of the borrowers has been assessed by management to be individually impaired and an allowance for expected credit losses of approximately HK$24,187,000 has been provided at 31 December 2018. (31 December 2017: Nil)

Movement in expected credit losses is as follows:

	For the year ended 31 December 2018 Expected credit losses				For the nine months ended 31 December 2017 Loss allowances		
	Stage1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000	Individual HK$'000	Collective HK$'000	Total HK$'000
At 1 January 2018/ 1 April 2017	–	–	–	–	–	–	–
Additional credit loss recognised at 1 January 2018	7,454	–	–	7,454	–	–	–
Impairment losses (released)/charged to profit or loss	(3,452)	–	24,187	20,735	–	–	–
At 31 December 2018/2017	4,002	–	24,187	28,189	–	–	–

20 ACCOUNTS RECEIVABLE

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Accounts receivable arising from the ordinary course of business of securities brokerage, futures and options dealing services:		
– Clearing houses	**119**	203
– Cash clients	**235,100**	311
– Margin clients	**971,772**	814,313
– Brokers	**–**	5
	1,206,991	814,832
Accounts receivable arising from the ordinary course of business of securities underwriting	**20,915**	9,776
Accounts receivable arising from the ordinary course of business of advisory services	**2,417**	2,813
	1,230,323	827,421
Less: Allowance for expected credit losses	**(2,045)**	(300)
	1,228,278	827,121

20 ACCOUNTS RECEIVABLE (continued)

Movement in expected credit losses is as follows:

	For the year ended 31 December 2018 Expected credit losses				For the nine months ended 31 December 2017 Loss allowances		
	Stage1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000	Individual HK$'000	Collective HK$'000	Total HK$'000
At 1 January 2018/ 1 April 2017	–	–	300	300	–	–	–
Additional credit loss recognised at 1 January 2018	36	–	–	36	–	–	–
Impairment losses charged to profit or loss	1	–	1,708	1,709	300	–	300
At 31 December 2018/2017	37	–	2,008	2,045	300	–	300

Accounts receivable arising from the business of dealing in securities

The Group seeks to maintain tight control over its outstanding accounts receivable and has procedures and policies to assess its clients' credit quality and defines credit limits for each client. All client acceptances and credit limit are approved by designated approvers according to the clients' credit worthiness.

The normal settlement terms of accounts receivable from clients and clearing house, except for accounts receivable due from margin clients, arising from the ordinary course of business of securities brokerage services are two trading days after the trade date.

20 ACCOUNTS RECEIVABLE (continued)

Accounts receivable arising from the business of dealing in securities (continued)

Accounts receivable due from cash clients

Accounts receivable due from cash clients are secured by clients' securities, which are publicly traded equity or debts securities. The fair values of the securities as at 31 December 2018 approximate HK$808,705,000 (31 December 2017: HK$81,997,000).

As at 31 December 2018, approximately 100% of the balance were secured by sufficient collateral on an individual basis. As at 31 December 2017, the directors of the Company considered the balance due from cash clients is insignificant. Included in the accounts receivable from cash clients are debtors with carrying amount of HK$235,100,000 as at 31 December 2018 (31 December 2017: HK$311,000), in which HK$26,000 (31 December 2017: HK$311,000) was past due at the end of reporting period and an allowance for expected credit loss of Nil was made against the debtors (31 December 2017: HK$300,000).

Cash client receivables which were past due bear interest at interest rates by reference to Hong Kong Prime Rate plus certain basis points based on management's discretion.

Accounts receivable due from margin clients

Accounts receivable due from margin clients are repayable on demand and carry interest at Hong Kong Prime Rate to Hong Kong Prime Rate plus 12.75% per annum during the year ended 31 December 2018 (during the nine months ended 31 December 2017: Hong Kong Prime Rate minus 0.35% to Hong Kong Prime Rate plus 9.15% per annum). The fair values of the pledged securities as at 31 December 2018 approximate HK$3,477,924,000 (31 December 2017: HK$4,455,263,000). Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the amount of accounts receivable outstanding exceeds the eligible margin value of securities deposited.

20 ACCOUNTS RECEIVABLE (continued)

Accounts receivable arising from the business of dealing in securities (continued)

Accounts receivable due from margin clients (continued)

As at 31 December 2018, approximately 100% (31 December 2017: 100%) of the balance were secured by sufficient collateral on an individual basis. Further details are disclosed in note 41. The corresponding collaterals held could be sold at the Group's discretion to settle any outstanding amounts owed by the margin clients. The Group did not repledge collaterals held for financing as at 31 December 2017 and 2018.

No aging analysis in respect of accounts receivable from margin clients is disclosed as, in the opinion of directors of the Company, an aging analysis does not give additional value in view of the nature of this business.

Accounts receivable are assessed for ECLs in accordance with the policy set out in note 2(r). During the year, allowance for expected credit losses of HK$1,709,000 was recognised (for the nine months ended 31 December 2017: HK$300,000) in the statement of profit or loss and the amount was mainly attributable to one of the margin clients (31 December 2017: one of the cash clients) who had collateral value fallen significantly below the required margin ratio or had outstanding balance past due.

Movement in the allowances for expected credit losses on accounts receivable are as follows:

	Cash clients HK$'000	Margin clients HK$'000	Total HK$'000
Balance at 1 April 2017	–	–	–
Impairment loss during the period	300	–	300
Balance at 31 December 2017	300	–	300
Additional credit loss recognised at 1 January 2018	–	36	36
Impairment loss (reversed)/ recognised during the year	(300)	2,009	1,709
Balance at 31 December 2018	–	2,045	2,045

20 ACCOUNTS RECEIVABLE (continued)

Accounts receivable arising from the business of dealing in securities (continued)

Accounts receivable due from margin clients (continued)

The Group offset certain accounts receivable and accounts payable when the Group currently has a legally enforceable right to set off the balances, and intends to settle on a net basis or to realise the balances simultaneously. Details are set out in note 41.

Accounts receivable arising from the business of dealing in futures and options contracts

Under the settlement arrangement with clearing house, all open positions held at clearing house are treated as if they were closed out and re-opened at the relevant closing quotation as determined by clearing house. Profits or losses arising from this "mark-to-market" settlement arrangement are included in accounts receivables with clearing house.

In accordance with the agreement with brokers, mark-to-market profits or losses are treated as if they were settled and are included in accounts receivable with brokers.

Accounts receivable from clearing house and brokers represent transactions arising from the business of dealing and are not past due.

Accounts receivable arising from the ordinary course of business of securities underwriting and advisory services are not past due or aged within 3 months.

21 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Prepayments and deposits	**14,806**	1,515
Other receivables	**11,881**	31
Contract assets	**3,696**	–
	30,383	1,546

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Listed debt investments, at fair value (Note)	**2,570,780**	829,965
Listed equity instruments, at fair value	**435,270**	–
	3,006,050	829,965

Note: After the transition to HKFRS 9 as disclosed in note 2(c)(i), the Group has further recognised expected credit losses amounted to HK$11,519,000 in the statement of profit or loss during the year (for the nine months ended 31 December 2017: Nil). As at 31 December 2018, allowance for expected credit losses amounted HK$25,521,000 (31 December 2017: Nil) has been included in fair value reserve (recycling).

During the year, the loss in respect of changes in fair value of the Group's financial assets at fair value through other comprehensive income recognised in other comprehensive income amounted to approximately HK$333,359,000 (31 December 2017: HK$60,000).

22 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/AVAILABLE-FOR-SALE FINANCIAL ASSETS (continued)

Interest income derived from financial assets at fair value through other comprehensive income were recognised as "Interest income from debt securities investments" for listed debt investments and as "Dividend income and other investment income" for listed equity instruments.

Movement in expected credit losses is as follows:

	For the year ended 31 December 2018 Expected credit losses				For the nine months ended 31 December 2017 Loss allowances		
	Stage1 HK$'000	Stage 2 HK$'000	Stage 3 HK$'000	Total HK$'000	Individual HK$'000	Collective HK$'000	Total HK$'000
At 1 January 2018/ 1 April 2017	–	–	–	–	–	–	–
Additional credit loss recognised at 1 January 2018	14,002	–	–	14,002	–	–	–
Impairment losses charged to profit or loss	11,519	–	–	11,519	–	–	–
At 31 December 2018/2017	25,521	–	–	25,521	–	–	–

23 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Listed equity investments	4,311	2,597
Unlisted equity investments	224,601	–
Listed debt investments	129,398	–
Quoted investment funds	–	1,327,882
Unlisted investment funds	193,135	–
Unlisted convertible promissory note	23,495	–
Unlisted convertible debt investments	482,039	–
	1,056,979	1,330,479

The fair values of the listed equity investments, listed debt investments and quoted investment funds were determined based on the quoted market prices.

24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

Segregated accounts

From the Group's ordinary business in provision of brokerage and related services, the Group receives and holds money deposited by clients in the course of the conduct of the regulated activities. These clients' monies are maintained in segregated bank accounts at market interest rates. The Group has recognised the corresponding accounts payable to respective clients. As at 31 December 2018, the segregated accounts with authorised institutions in relation to its brokerage business totaling HK$134,047,000 (31 December 2017: HK$490,141,000).

House accounts

Cash and cash equivalents comprise cash held by the Group and bank deposits at variable interest rates with original maturity of three months or less.

24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(b) Reconciliation of profit for the year/period to cash used in operations:

	Year ended 31 December 2018 HK$'000	9 months from 1 April 2017 to 31 December 2017 HK$'000
Operating activities		
Profit for the year/period	245,196	118,268
Adjustments for:		
Income tax expense recognised in profit or loss	39,541	11,540
Finance costs	262,029	29,461
Bank interest income	(2,070)	(5)
Interest income from provision of finance and securities margin financing	(279,185)	(47,391)
Dividend income and other investment income	(44,244)	(10,424)
Interest income from debt securities investments	(178,354)	(17,295)
Interest income from FVTPL investments	(25,460)	–
Impairment loss recognised in respect of accounts receivable	1,709	300
Impairment loss recognised in respect of loans and advances	20,735	–
Impairment loss recognised in respect of financial assets at FVOCI	11,519	–
Net losses/(gains) on financial assets at FVTPL	57,365	(68,610)
Net losses on financial assets at FVOCI	15,799	–
Depreciation of property, plant and equipment	4,909	905
Loss on disposal of property, plant and equipment	–	7
Amortisation of intangible asset	1,371	1,028
Loss on early settlement of promissory notes	–	2,852
Loss on disposals of subsidiaries	–	789
Other gains on purchase of group companies	–	(1,477)
Operating cash flows before movements in working capital	130,860	19,948

24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(b) Reconciliation of profit for the year/period to cash used in operations: (continued)

	Year ended 31 December 2018 HK$'000	9 months from 1 April 2017 to 31 December 2017 HK$'000
Operating activities (continued)		
Increase in accounts receivable	(340,946)	(103,323)
(Increase)/decrease in prepayments, deposits and other receivables	(28,837)	594
Increase in loans and advances	(2,677,922)	(1,683,322)
Increase in interests receivable	(13,796)	(544)
(Increase)/decrease in other assets	(974)	816
Increase in amount due from an intermediate holding company	(243)	–
Decrease/(increase) in bank balances – segregated accounts	356,094	(414,486)
Increase in accounts payable	50,517	213,073
(Decrease)/increase in other payables and accruals	(155,139)	170,764
(Decrease)/increase in amount due to an intermediate holding company	(7,197)	267
Cash used in operations	(2,687,583)	(1,796,213)

24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(c) Reconciliation of liabilities arising from financing activities

	Bank and other borrowings HK$'000 (Note 28)	Financial assets sold under repurchase agreements HK$'000 (Note 31)	Notes payable HK$'000 (Note 29)	Total HK$'000
At 1 January 2018	3,351,038	7,966	148,400	3,507,404
Changes from financing cash flows:				
Proceeds from new bank loans	493,437	–	–	493,437
Proceeds from loans from an intermediate holding company	5,631,671	–	–	5,631,671
Repayment of bank loans	(557,872)	–	–	(557,872)
Repayment of loans from an intermediate holding company	(2,354,166)	–	–	(2,354,166)
Proceeds from financial assets sold under repurchase agreements	–	2,218,304	–	2,218,304
Repayment of financial assets sold under repurchase agreements	–	(1,057,819)	–	(1,057,819)
Interest paid	(143,133)	(18,123)	(7,500)	(168,756)
Total changes from financing cash flows	3,069,937	1,142,362	(7,500)	4,204,799
Exchange adjustments	5,366	(6,362)	–	(996)
Other changes:				
Interest expenses	226,999	26,714	8,316	262,029
Total other changes	226,999	26,714	8,316	262,029
At 31 December 2018	6,653,340	1,170,680	149,216	7,973,236

24 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(c) Reconciliation of liabilities arising from financing activities (continued)

	Bank and other borrowings HK$'000 (Note 28)	Promissory notes HK$'000	Financial assets sold under repurchase agreements HK$'000 (Note 31)	Notes payable HK$'000 (Note 29)	Total HK$'000
At 1 April 2017	178,262	27,056	–	147,811	353,129
Changes from financing cash flows:					
Proceeds from new bank loans	754,665	–	–	–	754,665
Proceeds from loans from an intermediate holding company	3,032,527	–	–	–	3,032,527
Repayment of bank loans	(458,095)	–	–	–	(458,095)
Repayment of promissory notes	–	(29,000)	–	–	(29,000)
Proceeds from financial assets sold under repurchase agreements	–	–	7,960	–	7,960
Interest paid	(1,991)	(213)	–	(7,500)	(9,704)
Total changes from financing cash flows	3,327,106	(29,213)	7,960	(7,500)	3,298,353
Exchange adjustments	(208)	–	(2)	–	(210)
Other changes:					
Interest expenses	22,866	348	8	6,239	29,461
Loss on early disposal of promissory note (note 7)	–	2,852	–	–	2,852
Disposal of subsidiaries	(176,988)	–	–	–	(176,988)
Others	–	(1,043)	–	1,850	807
Total other changes	(154,122)	2,157	8	8,089	(143,868)
At 31 December 2017	3,351,038	–	7,966	148,400	3,507,404

Note: Bank and other borrowings consist of bank loans, loans from an intermediate holding company as disclosed in note 28.

25 ACCOUNTS PAYABLE

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Accounts payable arising from the ordinary course of business of securities brokerage, futures and options dealing services:		
– Cash clients	**127,446**	307,470
– Margin clients	**6,712**	7,253
– Clearing house	**578**	4,453
– Broker	**234,957**	–
	369,693	319,176

Accounts payable arising from the business of dealing in securities

The accounts payable balances arising from the ordinary course of business of securities brokerage services are normally settled in two trading days after the trade date except for the money held on behalf of clients at the segregated bank accounts which are repayable on demand. No aging analysis is disclosed as, in the opinion of directors of the Company, an aging analysis does not give additional value in view of the nature of this business.

Accounts payable arising from the business of dealing in futures and options contracts

Settlement arrangements with clients follow the same settlement mechanism with clearing house or brokers as disclosed in note 20 and profits or losses arising from mark-to-market settlement arrangement were included in accounts payable with clients.

Accounts payable to clients are non-interest bearing. The settlement terms of accounts payable are one day after trade day. No aging analysis is disclosed as, in the opinion of directors of the Company, an aging analysis does not give additional value in view of the nature of this business.

26 OTHER PAYABLES AND ACCRUALS

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Other payables	30,381	176,103
Interest payables	9,563	973
Accruals	14,402	14,121
Contract liabilities	4,337	–
	58,683	191,197

27 AMOUNT DUE FROM/TO AN INTERMEDIATE HOLDING COMPANY

Amount due from/to an intermediate holding company is unsecured, interest-free and repayable on demand.

28 BANK AND OTHER BORROWINGS

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Unsecured bank loans	**234,957**	298,495
Loans from an intermediate holding company	**6,418,383**	3,052,543
	6,653,340	3,351,038
The carrying amounts of the above borrowings are repayable:		
Within one year	**6,653,340**	3,351,038

The above borrowings as at 31 December 2017 and 2018 are repayable within one year.

As at 31 December 2018, the Group had loans amounting to approximately HK$6,314,421,000 (31 December 2017: HK$3,032,527,000) from CMBC International Holdings Limited, an intermediate holding company and interest payable amounting to approximately HK$103,962,000 (31 December 2017: HK$20,016,000). The loans bear interest at a fixed rate of 4% per annum (31 December 2017: 4% per annum) and are repayable within one year.

As at 31 December 2018, bank borrowings amounting to HK$234,957,000 (31 December 2017: HK$298,495,000) from China Minsheng Banking Corp., Ltd. Hong Kong Branch, a branch of the ultimate holding company, carried variable interest rate at 4.5% per annum (31 December 2017: ranging from 3.6% to 4.4% per annum).

29 NOTES PAYABLE

On 8 November 2012, the Company entered into a placing agreement with a placing agent, pursuant to which the Company agreed to place, through the placing agent, on a best effort basis, the notes up to an aggregate principal amount of HK$100,000,000 to be issued by the Company in the denomination of HK$10,000,000 each to independent third parties (the "Placing of Notes"). Details of the Placing of Notes were set out in the Company's announcement dated 8 November 2012. The Company had issued placing notes in the aggregate principal amount of HK$100,000,000. The placing notes carry interest at 5% per annum and are to be redeemed on the seventh anniversary from the respective issue dates of the placing notes.

In 2013, the Company further issued notes in the aggregate principal amount of HK$50,000,000 to independent third parties. The notes carry interest at 5% per annum and are to be redeemed on the seventh anniversary from the respective issue dates of the notes.

As at 31 December 2018, the aggregate principal amount of the notes payable was HK$150,000,000 (31 December 2017: HK$150,000,000).

The movement of the notes payable for the year ended 31 December 2018 and nine months ended 31 December 2017 are set out below:

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
At the beginning of the year/period	**148,400**	147,811
Interest charged at effective interest rate from 5% to 5.91% (31 December 2017: 5% to 5.91%) per annum (note 8)	**8,316**	6,239
Interest payable	**(7,500)**	(5,650)
At the end of the year/period	**149,216**	148,400
Less: Amount due within one year presented under current liabilities	**(99,216)**	–
Amount presented under non-current liabilities	**50,000**	148,400

30 DEFERRED TAX

The followings are the major deferred tax (assets)/liabilities recognised and movements thereon during the current year and prior period:

	Deferred tax assets			Deferred tax liabilities		
	Decelerated tax depreciation HK$'000	Impairment provision HK$'000	Total HK$'000	Unrealised gain on financial assets at FVTPL HK$'000	Notes payable HK$'000	Total HK$'000
At 1 April 2017	(21)	–	(21)	–	361	361
Debited/(credited) to profit or loss (note 12)	–	–	–	–	(97)	(97)
At 31 December 2017	(21)	–	(21)	–	264	264
Credited to retained profit at 1 January 2018	–	(1,230)	(1,230)	–	–	–
Debited/(credited) to profit or loss (note 12)	–	329	329	7,824	(135)	7,689
At 31 December 2018	(21)	(901)	(922)	7,824	129	7,953

At the end of the reporting period, the Group has unused tax losses of HK$21 million (31 December 2017: HK$66 million) available for offset against future profits. No deferred tax asset has been recognised in respect of the HK$21 million (31 December 2017: HK$66 million) due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely. During the last reporting period, tax losses of HK$1,326 million had been disposed with the disposal of subsidiaries.

31 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Bonds	**1,170,680**	7,966

As at 31 December 2018, the Group entered into repurchase agreements with financial institutions to sell bonds recognised as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income with carrying amount of approximately HK$2,063,196,000 (31 December 2017: Available-for-sale financial assets of approximately HK$15,560,000), which are subject to the simultaneous agreements to repurchase these investments at the agreed dates and prices.

Sales and repurchase agreements are transactions in which the Group sells bonds and simultaneously agrees to repurchase them (or assets that are substantially the same) at the agreed dates and prices. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those bonds sold. The bonds are not derecognised from the financial statements but regarded as "collaterals" for the liabilities because the Group retains substantially all the risks and rewards of the bonds.

32 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Payables to interest holders of unlisted consolidated investment funds, designated at FVTPL	130,149	–

As at 31 December 2018, the Company held 70% interests in New China OCT Fund 2 Segregated Portfolio ("the Segregated Portfolio") as a Class A shareholder and an independent third party held 30% interests in the Segregated Portfolio as a Class B shareholder. As the Group has control over the Segregated Portfolio, it is accounted for as a subsidiary. Pursuant to the appendix of the placing memorandum of the New China OCT Fund SPC for the segregated portfolio, Class A shareholder is subject to a maximum priority expected return of up to 7.5% per annum and Class B shareholder is subject to a maximum subordinate expected return before deduction of performance fee. Any excess beyond Class B expected return after payment of other fees and expenses, shall be paid to the fund manager in the form of performance fees, where available. Accordingly, the interests of the non-controlling shareholder are classified as financial liabilities designated as at fair value through profit or loss of approximately HK$107,219,000 as at 31 December 2018.

As at 31 December 2018, the Company also held 60% interest of CMBCC Co-High Medical Investment Fund SP (the "Medical Fund"). As the Group has control over the Medical Fund, it is accounted for as a subsidiary. Accordingly, the interests of the non-controlling shareholder are classified as financial liabilities designated as at fair value through profit or loss of approximately HK$22,930,000 as at 31 December 2018.

33 SHARE CAPITAL

	Notes	Number of shares As at 31 December 2018 '000	Number of shares As at 31 December 2017 '000	Amount As at 31 December 2018 HK$'000	Amount As at 31 December 2017 HK$'000
Authorised:					
Ordinary shares at HK$0.01 each		100,000,000	100,000,000	1,000,000	1,000,000
Issued and fully paid:					
At the beginning of the year/period		45,778,758	18,019,815	457,787	180,198
Issue of shares	(i)	1,350,000	26,950,000	13,500	269,500
Placing of shares	(ii)	577,220	–	5,772	–
Exercise of share options	(iii)	–	808,943	–	8,089
At the end of the year/period		47,705,978	45,778,758	477,059	457,787

Notes:

(i) Pursuant to the subscription agreement entered on 7 March 2017, 25,000,000,000 and 1,950,000,000 new subscription shares have been duly allotted and issued to CMBC International Investment Limited and Brilliant Decent Limited, respectively. The subscription was completed on 31 May 2017.

Pursuant to the subscription agreement entered into on 3 July 2018, the Company has conditionally agreed to allot and issue, and CMBC International Investment Limited has conditionally agreed to subscribe for 1,350,000,000 new shares, at the price of HK$0.363 per new share. The subscription was completed on 15 October 2018.

(ii) Pursuant to the placing agreement entered into on 3 July 2018, the Company has conditionally agreed to place, through placing agents, up to 830,000,000 new shares to not less than six placees at the placing price of HK$0.363 per new share. The placing of 577,220,000 new shares was completed on 20 July 2018.

(iii) The Company granted 1,005,598,000 share options to subscribe for ordinary shares of HK$0.01 each in the share capital of the Company under the Share Option Scheme on 18 September 2015 and 12 October 2015 to eligible participants. The share options granted on 18 September 2015 and 12 October 2015 can be exercised at any time during the period on or after the grant dates but not later than 17 September 2018 and 11 October 2018, respectively. During the period ended 31 December 2017, 808,943,000 new shares were issued as a result of exercise of share options. Details are disclosed in note 37.

34 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries

Acquisition of CMBC International Capital Limited ("CMBCIC") and CMBC Capital Finance Limited ("CMBCCF")

During the last reporting period, the Company entered into an acquisition agreement with CMBCI, an intermediate holding company of the Company, pursuant to which the Company agreed to acquire the entire issued share capital of CMBCIC and CMBCCF for a consideration of HK$19,931,674 and HK$1, respectively.

CMBCIC held SFC license to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since March 2017. CMBCIC is principally engaged in the provision of corporate finance services. CMBCCF has obtained a money lender license in Hong Kong since July 2017. CMBCCF is principally engaged in the provision of loan financing business. The directors of the Company are of the view that the acquisitions would further broaden the Group's client bases, procure new sources of revenue for the Group and create synergy effect of the Group's principal businesses.

34 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (continued)

(a) Acquisition of subsidiaries (continued)

Acquisition of CMBC International Capital Limited ("CMBCIC") and CMBC Capital Finance Limited ("CMBCCF") (continued)

During the period ended 31 December 2017, the Group completed the acquisition of CMBCIC and CMBCCF.

The net assets acquired in the transaction are as follows:

	HK$'000
Net assets acquired:	
Bank and cash balances	21,502
Amount due to an intermediate holding company	(93)
	21,409
Cash paid	13,095
Payable	6,837
Total consideration	19,932
Net asset acquired	(21,409)
Other gains on purchase of group companies (note 7)	(1,477)
Net cash inflow arising from acquisition:	
Bank balance and cash acquired	8,407

34 ACQUISITION AND DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal of subsidiaries

During the period ended 31 December 2017, the Group completed the disposal of group companies other than the three licensed corporations as a result of the group reorganisation and completed the disposal of Sky Eagle and Metro Victor. The transactions resulted in a loss of approximately HK$789,000.

Analysis of assets and liabilities of the subsidiaries upon disposal was as follows:

	HK$'000
Assets	
Plant and equipment	273
Investment property	410,000
Prepayments, deposits and other receivables	221
Bank and cash balances	1
	410,495
Liabilities	
Other payables and accruals	5,518
Bank borrowings	176,988
	182,506
Net assets	227,989
Loss on disposal of subsidiaries (note 7)	(789)
Cash consideration	227,200
Net cash inflow arising from disposal	
Cash consideration	227,200
Less: Cash deposit received	(22,000)
Less: Cash and cash equivalents disposed of	(1)
	205,199

35 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the returns to shareholders through the optimisation of debt and equity balance.

The capital structure of the Group consists of debts, which include notes payable, bank and other borrowings, financial assets sold under repurchase agreements and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors of the Company consider the cost of capital and other sources of funds other than issuance of shares, including bank and other borrowings, issue of notes and financial assets sold under repurchase agreements. Based on the recommendation of the directors of the Company, the Group will balance its overall capital structure through raising or repayment of borrowings.

CMBC Securities Company Limited, CMBC International Futures Company Limited, CMBC Asset Management Company Limited and CMBCIC are registered by the Hong Kong Securities and Futures Commission (the "SFC") and are subject to the liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R") adopted by the SFC. For the licensed subsidiaries, the Group ensures each of them maintains a liquid capital level adequate to support the level of activities with sufficient buffer to accommodate for increases in liquidity requirements arising from potential increase in the level of business activities. All the subsidiaries have complied with the SF(FR)R requirements during the year ended 31 December 2018 and the period ended 31 December 2017.

35 CAPITAL RISK MANAGEMENT (continued)

The Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as total debt divided by capital and total debt. During the year ended 31 December 2018 and the nine months ended 31 December 2017, the Group's strategy was to maintain a reasonable gearing ratio. During the year ended 31 December 2018 and the nine months ended 31 December 2017, the Group's strategy was to maintain a balance between higher shareholder returns with higher levels of borrowings and solid capital position, and make adjustment to capital structure in light of changes in economic conditions. The gearing ratio at 31 December 2018 and 31 December 2017 were as follows:

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Notes payable	**149,216**	148,400
Bank borrowings	**234,957**	298,495
Loans from an intermediate holding company	**6,314,421**	3,052,543
Amount due to an intermediate holding company	**–**	7,197
Financial assets sold under repurchase agreements	**1,170,680**	7,966
Total debt	**7,869,274**	3,514,601
Equity attributable to owners of the Company	**1,876,076**	1,280,186
Capital and total debt	**9,745,350**	4,794,787
Gearing ratio	**0.81**	0.73

Gearing ratio of the Group increased from 0.73 as at 31 December 2017 to 0.81 as at 31 December 2018 as the Group has expanded all its business segments through borrowings from an intermediate holding company.

36 FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Financial assets		
Financial assets at fair value through profit or loss	**1,056,979**	1,330,479
Loans and advances	**3,995,037**	1,661,876
Accounts receivable	**1,228,278**	827,121
Deposits and other receivables	**26,320**	114
Interests receivable	**67,648**	10,525
Amount due from an intermediate holding company	**243**	–
Cash and cash equivalents		
– Segregated accounts	**134,047**	490,141
– House accounts	**887,579**	126,761
	6,339,152	3,116,538
Available-for-sale financial assets	**–**	829,965
Financial assets at fair value through other comprehensive income	**3,006,050**	–
Financial liabilities		
At amortised cost	**8,382,873**	4,010,853
At fair value through profit or loss	**130,149**	–

36 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

The Group's major financial instruments include financial assets at fair value through other comprehensive income, accounts receivable, deposits and other receivables, loans and advances, financial assets at fair value through profit or loss, bank balances, accounts payable, other payables, bank and other borrowings, financial assets sold under repurchase agreements, notes payable and financial liabilities at fair value through profit or loss. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

The Group's credit risk is primarily attributable to accounts receivable, other receivables, interests receivable, financial assets at fair value through profit or loss, available-for-sale financial assets, financial assets at fair value through other comprehensive income, loans and advances and bank balances as at 31 December 2018 and 31 December 2017.

The Group's maximum exposure to credit risk in the event of counterparties' failure to perform their obligations as at 31 December 2018 and 31 December 2017 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In order to manage the credit risk in the accounts receivable due from clients arising from businesses of dealing in securities, individual credit evaluation are performed on all clients including cash and margin clients. Accounts receivable from cash clients generally settled in two days after trade date, credit risk arising from the accounts receivable due from cash clients is considered minimal. For margin clients, the Group normally obtains liquid securities as collateral based on the margin requirements. The Group has not granted any committed facility amount to each of the margin clients and the margin loan is granted by the Group depending on the assessment of the quality of the collateral and credit risk of the respective client. The margin requirement is closely monitored on a daily basis by the designated team. In addition, the Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

36 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

In this regard, the directors of the Company consider that the credit risk is significantly reduced. Market conditions and adequacy of securities collateral and margin deposits of each margin account are monitored by management on a daily basis. Margin calls and forced liquidation are made where necessary.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties.

In respect of accounts receivable from clearing houses arising from businesses of dealing in securities and futures and options contracts, credit risks are considered low as the Group normally enters into transactions with clearing houses or agents which are registered with regulatory bodies. The Group's concentration of credit risk by geographical locations is mainly in Hong Kong. As at 31 December 2018, the Group has concentration risk on its accounts receivable as the balance with the largest client represent 17% (31 December 2017: 22%) of the total accounts receivable from cash and margin clients and the three largest clients represent 17%, 11% and 10% (31 December 2017: 22%, 12% and 12%) respectively, of the accounts receivable from cash and margin clients. The Group has no other significant concentration risk.

36 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

The Company manages credit risk of loans and advances by obtaining collaterals, guarantees or keepwell and liquidity deed from the borrowers. For loans and advances, the management, the risk control department and relevant business units will review the financial strength, purpose of the borrowing, repayment ability of the borrower to ensure that the borrower has sound financial repayment ability prior to entering into a transaction. The Group assesses the credit profile of each individual debtor by analysing many factors that influence the default probability, including (but not limited to) the counterparty's financial profile, business prospects and management, macroeconomic development, industrial and sovereign risk, and historical performance. In the post-investment stage, the financial conditions of the borrower or the guarantors will be reviewed on a regular basis.

For the Group's investments in listed bonds investments, the management, the risk control department and respective business units of the Group assess the financial performance and relevant business environment of the issuers to ensure that the issuers can satisfy the repayment of the principal and interest as they fall due. The Group has set portfolio size and single issuer limits to control the Group's exposure to the credit risk. The Group also monitors the credit ratings and market news of the issuers of respective bond investments for any indication of potential credit deterioration.

For the other financial assets, the management has closely monitored their status and it believes that the Group's credit risk exposure on them is minimal.

36 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(b) Liquidity risk

The Group manages liquidity risk by maintaining sufficient bank balances and cash and the availability of funding through an adequate amount of committed credit facilities. The Group also aims at maintaining flexibility in funding by arranging and keeping committed banking facilities and other external financing available.

The Group's primary cash requirements have been driven by operations, investments and repayment of related debts. The Group finances its working capital requirements through a combination of funds generated from operations and cash reserve.

The following tables detail the Group's liquidity analysis for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted contractual cash outflows on the financial liabilities. To the extent that interest flows are floating rate, the undiscounted amount is derived from the prevailing market rate at the end of the reporting period.

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1 - 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 December 2018							
Accounts payable	-	369,693	-	-	-	369,693	369,693
Other payables	-	16,303	-	14,078	-	30,381	30,381
Interest payables	-	9,463	-	100	-	9,563	9,563
Bank and other borrowings	4%-4.5%	235,016	-	6,574,526	-	6,809,542	6,653,340
Notes payable	5%-5.9%	-	-	107,500	52,500	160,000	149,216
Financial assets sold under repurchase agreements	2.65%-3.65%	1,170,680	-	-	-	1,170,680	1,170,680
Financial liabilities at fair value through profit or loss	-	22,930	107,219	-	-	130,149	130,149
		1,824,085	107,219	6,696,204	52,500	8,680,008	8,513,022

36 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1 - 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 December 2017							
Accounts payable	–	319,176	–	–	–	319,176	319,176
Other payables	–	173,932	–	2,171	–	176,103	176,103
Interest payables	–	874	–	99	–	973	973
Bank and other borrowings	3.6% – 4.4%	298,763	–	3,124,466	–	3,423,229	3,351,038
Notes payable	5% – 5.9%	–	–	7,500	160,000	167,500	148,400
Amount due to an intermediate holding company	–	7,197	–	–	–	7,197	7,197
Financial assets sold under repurchase agreements	2.5%	7,966	–	–	–	7,966	7,966
		807,908	–	3,134,236	160,000	4,102,144	4,010,853

(c) Interest rate risk

The Group's interest rate risk arises primarily from variable rate financial assets and liabilities including accounts receivable from margin clients, loans and advances, bank and other borrowings and financial assets sold under repurchase agreements.

Cash flow interest rate risk

The Group's exposure to changes in interest rates primarily relates to its certain variable rate accounts receivable arising from the business dealing in securities, loans and advances, bank balances, bank borrowings and financial assets sold under repurchase agreements. The management monitors the interest rate exposure on a continuous basis and adjusts the portfolio of bank saving balances and bank deposits where necessary.

36 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(c) *Interest rate risk (continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for certain variable rate accounts receivable arising from the business dealing in securities, loans and advances, bank balances, bank borrowings and financial assets sold under repurchase agreements at the end of the reporting period. The analysis is prepared assuming these balances outstanding at the end of the reporting period were held/outstanding for the whole year/period. A 50 basis points (31 December 2017: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (31 December 2017: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2018 would decrease by HK$233,000 or increase by HK$1,686,000 (for the nine months ended 31 December 2017: profit for the period would increase by HK$2,442,000 or decrease by HK$2,330,000).

(d) *Other price risk*

The Group is exposed to other price risk through its investment in financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income. The management manages its exposure by maintaining a portfolio of investments with different risk profiles.

36 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(d) Other price risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to other price risk arising from investment in financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income at the end of the reporting period.

	As at 31 December 2018			
	Increase/ (decrease) in prices of underlying instrument	Carrying amount HK$'000	Increase/ (decrease) in profit after tax HK$'000	Increase/ (decrease) in other comprehensive income HK$'000
Financial assets at fair value through profit or loss:				
– Listed equity investments	5%/(5%)	4,311	180/(180)	–
– Unlisted equity investments	5%/(5%)	224,601	7,735/(2,200)	–
– Listed debt investments	5%/(5%)	129,398	42,506/(42,506)*	–
– Unlisted investment funds	5%/(5%)	193,135	6,867/(6,343)	–
– Unlisted convertible promissory note	5%/(5%)	23,495	981/(981)	–
– Unlisted convertible debt investments	5%/(5%)	482,039	20,125/(20,125)	–
Financial assets at fair value through other comprehensive income:				
– Listed debt investments	5%/(5%)	2,570,780	–	211,297/(211,297)*
– Listed equity instruments	5%/(5%)	435,270	–	90,614/(90,614)*

* These figures are multiplied by the modified duration of respective debt/equity investments.

36 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(d) Other price risk (continued)

Sensitivity analysis (continued)

	As at 31 December 2017			
	Increase/ (decrease) in prices of underlying instrument	Carrying amount HK$'000	Increase/ (decrease) in profit after tax HK$'000	Increase/ (decrease) in other comprehensive income HK$'000
Financial assets at fair value through profit or loss:				
– Listed equity investments	5%/(5%)	2,597	108/(108)	–
– Quoted investment funds	5%/(5%)	1,327,882	55,439/(55,439)	–
Financial assets at fair value through other comprehensive income:				
– Listed debt investments	5%/(5%)	829,965	–	34,651/(34,651)

In the opinion of directors of the Company, the sensitivity analysis is unrepresentative of the price risk as the exposure at the end of the reporting period does not reflect the exposure during the year/period.

36 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(e) Fair value measurement

Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

36 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(e) Fair value measurement (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

	Fair value		Fair value hierarchy	Valuation techniques	Significant unobservable input
	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000			
Financial assets					
Financial assets at fair value through profit or loss					
– Quoted investment funds	–	1,327,882	Level 1	Quoted market closing prices in an active market	N/A
– Listed equity investments	4,311	2,597	Level 1	Quoted market closing prices in an active market	N/A
– Listed debt investments	129,398	–	Level 2	Consensus price of the investment	N/A
– Unlisted equity investments	224,601	–	Level 3	Market approach	Recent market transaction price
– Unlisted investment funds	193,135	–	Level 3	Market approach	Recent market transaction price
– Unlisted convertible promissory note	23,495	–	Level 3	Market approach	Recent market transaction price
– Unlisted convertible debt investments	482,039	–	Level 3	Market approach	Recent market transaction price

36 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(e) Fair value measurement (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

	Fair value		Fair value hierarchy	Valuation techniques	Significant unobservable input
	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000			
Financial assets					
Financial assets at fair value through other comprehensive income/ available-for-sale financial assets					
– listed debt investments	2,570,780	829,965	Level 2	Consensus price of the investment	N/A
– listed equity instruments	435,270	–	Level 2	Consensus price of the investment	N/A
Financial liabilities					
Financial liabilities at fair value through profit or loss	107,219	–	Level 2	Net asset value	N/A
Financial liabilities at fair value through profit or loss	22,930	–	Level 3	Net asset value	N/A

During the year ended 31 December 2018 and nine months ended 31 December 2017, there were no transfers between Level 1 and Level 2.

The Group did not hold any financial instruments measured under Level 3 as at 31 December 2017.

36 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(e) Fair value measurement (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

The movements during the year/period in the balance of these Level 3 fair value measurements are as follows:

	Year ended 31 December 2018 HK$'000	9 months from 1 April 2017 to 31 December 2017 HK$'000
Financial assets at fair value through profit or loss		
Unlisted equity investments:		
At 1 January/1 April	–	–
Payment for purchase	219,992	–
Changes in fair value recognised in profit or loss during the year/period	4,196	–
Exchange gain recognised in profit or loss during the year/period	413	–
At 31 December	224,601	–
Unlisted investment funds:		
At 1 January/1 April	–	–
Payment for purchase	156,744	–
Changes in fair value recognised in profit or loss during the year/period	36,527	–
Exchange loss recognised in profit or loss during the year/period	(136)	–
At 31 December	193,135	–
Unlisted convertible promissory note:		
At 1 January/1 April	–	–
Payment for purchase	23,545	–
Changes in fair value recognised in profit or loss during the year/period	–	–
Exchange loss recognised in profit or loss during the year/period	(50)	–
At 31 December	23,495	–

36 FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(e) Fair value measurement (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

	Year ended 31 December 2018 HK$'000	9 months from 1 April 2017 to 31 December 2017 HK$'000
Unlisted convertible debt investments:		
At 1 January/1 April	**–**	–
Payment for purchase	**563,437**	–
Repayment	**(78,249)**	–
Changes in fair value recognised in profit or loss during the year/period	**(1,972)**	–
Exchange loss recognised in profit or loss during the year/period	**(1,177)**	–
At 31 December	**482,039**	–
Total gains for the year/period included in profit or loss for assets held at the end of the reporting period	**38,751**	–
Financial liabilities at fair value through profit or loss:		
At 1 January/1 April	**–**	–
Proceed from subscription	**15,650**	–
Changes in fair value recognised in profit or loss during the year/period	**7,280**	–
At 31 December	**22,930**	–

Fair value of financial assets and liabilities that are not measured at fair value

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recognised at amortised cost approximate their fair values, which were determined in accordance with generally accepted pricing models based on undiscounted cash flow analysis, as at 31 December 2018 and 31 December 2017.

37 SHARE OPTION SCHEME

The share option scheme of the Company (the "Share Option Scheme") was adopted by the Company at the annual general meeting of the Company held on 24 September 2012. Unless otherwise cancelled or amended, the Share Option Scheme will be valid and effective for a period of ten years commencing on the date of adoption. The purpose of the Share Option Scheme is to enable the Group to attract, retain and motivate talented participants to strive for future development and expansion of the Group. The Share Option Scheme shall provide incentive to encourage participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Company attained through their efforts and contributions. Eligible participants of the Share Option Scheme include any individual being an employee, officer, agent, consultant or representatives of any member of the Group (including any executive or non-executive director of any member of the Group) who, as the Board of Directors may determine in its absolute discretion, has made valuable contribution to the business of the Group based on his/her performance and/or years of service, or is regarded to be a valuable human resource of the Group based on his/her working experience, knowledge in the industry and other relevant factors. The offer of a grant of share options may be accepted within thirty days from the date of grant. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK$1.00.

The subscription price for the shares on the exercise of options under the Share Option Scheme shall be a price determined by the Board of Directors and notified to the relevant participant at the time of grant of the options (subject to any adjustments made pursuant to the Share Option Scheme and the relevant provisions of the Rules Governing the Listing of securities on the Stock Exchange) is made to (subject to acceptance by) the participant and shall be at least the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which the option is granted, which date must be a business day; (ii) 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 on which the option is granted; and (iii) the nominal value of the share. The exercise period of the share options granted is determinable by the directors but in any event, not longer than ten years from the date of grant.

37 SHARE OPTION SCHEME (continued)

The total number of shares issued and to be issued upon exercise of the options granted to each participant, together with all options granted and to be granted to him/her under any other share option scheme(s) of the Company within the 12-month period immediately preceding the proposed date of grant (including exercised, cancelled and outstanding options) shall not exceed 1% of the total number of the shares in issue as at the proposed date of grant. Any further grant of options to a participant in excess of the 1% limit shall be subject to the shareholders' approval of the Company with such participant and his/her associates abstaining from voting.

The limit on the total number of the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company (excluding lapsed and cancelled options) must not exceed 30% of the total number of the shares in issue from time to time. In addition, the total number of the shares which may be issued upon exercise of all options to be granted under the Share Option Scheme, together with all options to be granted under any other share option scheme(s) of the Company (excluding lapsed options), must not represent more than 10% of the total number of the shares in issue as at the date of approval of the Share Option Scheme (the "Scheme Mandate Limit") or as at the date of approval of the refreshed Scheme Mandate Limit as the case maybe.

37 SHARE OPTION SCHEME (continued)

The following table discloses movements of the Company's share options:

Category of grantee	Date of grant	Exercisable period	Exercise price per share HK$	Number of share options: Outstanding as at 1 April 2017	Exercised during the period	Outstanding as at 1 January 2018	Exercised during the year	Outstanding as at 31 December 2018
Employee	18 September 2015	18 September 2015 to 17 September 2018	0.234	6,378,000	(6,378,000)	–	–	–
Agent/consultants	18 September 2015	18 September 2015 to 17 September 2018	0.234	310,927,500	(310,927,500)	–	–	–
	12 October 2015	12 October 2015 to 11 October 2018	0.231	491,637,500	(491,637,500)	–	–	–
				802,565,000	(802,565,000)	–	–	–
				808,943,000	(808,943,000)	–	–	–

Notes:

(a) The share options were vested upon granted.

(b) The exercise price of the share options was subject to adjustments in the case of capitalisation of profits or reserve, rights or bonus issues, consolidation, subdivision or reduction of the share capital or other changes in the capital structure of the Company.

(c) In respect of the share options exercised during the last reporting period, the weighted average share price at the dates of exercise is HK$0.232.

(d) As disclosed in the announcement dated 28 January 2016, in respect of the share options granted on 18 September 2015, the numbers of outstanding share options and exercise price per share had been adjusted from 483,500,000 to 513,960,500 and from HK$0.249 to HK$0.234 respectively. In respect of the share options granted on 12 October 2015, the number of outstanding share options and exercise price per share had been adjusted from 462,500,000 to 491,637,500 and HK$0.246 to HK$0.231 respectively.

(e) During the nine months ended 31 December 2017, 808,943,000 options were exercised with aggregate fair value of HK$64,425,000 in share option reserve had been transferred to share premium.

The share options granted to individuals were on a discretionary basis for their past services rendered to the Group, who rendered management service for the Group and consultancy services in respect of securities trading, financing and potential corporate exercises for the Group.

38 RETIREMENT BENEFITS SCHEMES

The Group participates in a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Hong Kong Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group independently in administered funds under the control of the trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by the employee. The Group follows the minimum contribution requirement of 5% of eligible employees' relevant aggregated income with a cap of HK$1,500 per employee per month since 1 June 2014.

The contributions made by the Group to the MPF Scheme are charged to the consolidated statement of profit or loss and other comprehensive income when employees have rendered service to the Group.

39 OPERATING LEASE ARRANGEMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases for office premises which fall due as follows:

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Within one year	**28,866**	12,087
In the second to fifth years, inclusive	**109,551**	6,043
Over five years	**25,105**	–
	163,522	18,130

Leases are negotiated for terms of three to six years.

40 CAPITAL COMMITMENT

At the end of the reporting period, capital commitments outstanding not provided for in the consolidated financial statements are as follows:

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Property, plant and equipment	5,154	–

41 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments that are either:

- offset in the Group's statement of financial position; or
- not offset in the consolidated statement of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC"), the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC on the same settlement date and are settled simultaneously. In addition, the Group has a legally enforceable right to set off all clients accounts receivable and payable at any time without prior notice to clients and the Group intends to settle these balances on a net basis.

Except for above, amounts due from/to HKSCC that are not to be settled on the same date, accounts receivable and payable from clients not intends to settle on a net basis, financial collateral including cash and securities received by the Group, deposit placed with HKSCC do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

41 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(a) Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements

	At 31 December 2018					
Type of financial assets	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities offset in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instrument HK$'000	Related amounts not set off in the consolidated statement of financial position: Collateral received* HK$'000	Net amount HK$'000
Accounts receivable arising from the business of dealing in securities brokerage, futures and options dealing services	1,204,954	(8)	1,204,946	(119)	(1,202,601)	2,226

	At 31 December 2017					
Type of financial assets	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities offset in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial position: Financial instrument HK$'000	Related amounts not set off in the consolidated statement of financial position: Collateral received* HK$'000	Net amount HK$'000
Accounts receivable arising from the business of dealing in securities brokerage, futures and options dealing services	823,398	(8,866)	814,532	(208)	(814,324)	–

* The item "collateral received" represents the securities pledged in the clients' account which are not recognised in the consolidated statements of financial position. The amounts are capped at the lower of the market value of securities and the net receivable amounts on a client by client basis.

41 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(b) Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

	At 31 December 2018					
				Related amounts not set off in the consolidated statement of financial position		
Type of financial liabilities	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets offset in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Financial instrument HK$'000	Collateral received HK$'000	Net amount HK$'000
Accounts payable arising from the business of dealing in securities brokerage, futures and options dealing services	**369,701**	**(8)**	**369,693**	**(119)**	**–**	**369,574**

	At 31 December 2017					
				Related amounts not set off in the consolidated statement of financial position		
Type of financial liabilities	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets offset in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Financial instrument HK$'000	Collateral received HK$'000	Net amount HK$'000
Accounts payable arising from the business of dealing in securities brokerage, futures and options dealing services	328,042	(8,866)	319,176	(208)	–	318,968

42 RELATED PARTY TRANSACTIONS

Compensation to key management personnel of the Group which represents directors of the Company is set out in note 10.

Except for disclosed elsewhere in the financial statements, the Group entered into the following material transactions and balances with related parties:

(a) Transactions with related parties:

	Year ended 31 December 2018 HK$'000	9 months from 1 April 2017 to 31 December 2017 HK$'000
Interest expense to an intermediate holding company (Note (i))	**207,305**	20,010
Interest income from a branch of the ultimate holding company	**1,853**	1
Interest expense to a branch of the ultimate holding company	**19,694**	2,099
Referral fee income from an intermediate holding company (Note (ii))	**–**	2,700
Underwriting commission income from a branch of the ultimate holding company (Note (iii))	**78**	7,816
Asset management fee incomes from an intermediate holding company and segregated portfolios invested by an intermediate holding company (Note (iv))	**24,167**	–
Underwriting commission expense to a branch of the ultimate holding company (Note (v))	**–**	2,172
Underwriting referral services expenses to an intermediate holding company	**4,621**	–

42 RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties: (continued)

Notes:

(i) During the year/period, an intermediate holding company provided loans in aggregate amount of approximately HK$6,314,421,000 (31 December 2017: HK$3,032,527,000) to the Group. The loans bear annual interest rate of 4.0% (31 December 2017: 4.0%) and repayable on the second anniversary (31 December 2017: first anniversary) from the drawdown date. Interest payables of approximately HK$103,962,000 (31 December 2017: HK$20,016,000) are accrued from these loans during the year/period.

(ii) During the period from 1 April 2017 to 31 December 2017, the Company received fee income from an intermediate holding company for the referral of a customer.

(iii) During the year/period, the Company earned commission income for the underwriting services provided to a branch of the ultimate holding company for its debt issuance.

(iv) During the year, the Group earned asset management fee income for the asset management services provided to an intermediate holding company and segregated portfolios invested by an intermediate holding company.

(v) During the period from 1 April 2017 to 31 December 2017, the Company paid commission expense to a branch of the ultimate holding company for underwriting services received.

42 RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties:

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Amount due (from)/to an intermediate holding company	**(243)**	7,197
Loans from an intermediate holding company	**6,418,383**	3,052,543
Bank balances at a branch of the ultimate holding company		
– House accounts	**25,738**	76,706
– Segregated accounts	**–**	171,908
Bank loan from a branch of the ultimate holding company	**234,957**	298,495
Interest payables to a branch of the ultimate holding company	**861**	866
Accounts receivable from a branch of the ultimate holding company	**–**	7,814
Accounts receivable from a former substantial shareholder arising from securities brokerage business	**–**	39,042
Accounts receivable from an intermediate holding company	**195,895**	–
Accounts receivable from segregated portfolios invested by an intermediate holding company	**39,179**	–
Accounts payable to the immediate holding company	**–**	8,195
Other payables and accruals to a branch of the ultimate holding company	**–**	2,171

42 RELATED PARTY TRANSACTIONS (continued)

(c) Service agreement with related party

On 3 October 2017, the Company entered into a service agreement (the "Service Agreement") with CMBCI, pursuant to which the Group agreed to provide asset management services or ancillary services to CMBCI. CMBCI and its subsidiaries (other than the members of the Group) agreed to introduce, refer and communicate underwriting opportunities offered by independent third parties to the Group.

On 30 July 2018, the Company entered into a deposit services agreement with CMBC HK Branch with effective date back to 31 May 2017, pursuant to which CMBC HK Branch agreed to provide deposit services to the Group.

During the year ended 31 December 2018, transactions relating to provision of asset management services, referral of underwriting opportunities and provision of deposit services were listed in note 42(a).

During the period ended 31 December 2017, there were no transactions relating to provision of asset management services and referral of underwriting opportunities. Transaction relating to provision of deposit services was listed in note 42(a).

43 DETAILS OF SUBSIDIARIES

Details of the Group's material subsidiaries at the end of the reporting period are set out below:

Name	Place of incorporation and operations	Paid-up registered capital	Proportion of ownership interest held by the Company – Direct – As at 31 December 2018	Direct – As at 31 December 2017	Indirect – As at 31 December 2018	Indirect – As at 31 December 2017	Principal activities
CMBC Securities Company Limited	Hong Kong	Ordinary HK$1,050,000,000	100%	100%	–	–	Provision of brokerage services and securities margin financing services
CMBC International Futures Company Limited	Hong Kong	Ordinary HK$10,000,000	100%	100%	–	–	Provision of futures and options dealing services
CMBC Asset Management Company Limited	Hong Kong	Ordinary HK$7,000,000	100%	–	–	100%	Provision of asset management services
CMBC International Capital Limited	Hong Kong	Ordinary HK$20,000,000	100%	100%	–	–	Advisory and corporate financing
CMBC Capital Finance Limited	Hong Kong	Ordinary HK$1	100%	100%	–	–	Provision of loan financing services
CMBC Investment (HK) Limited	Hong Kong	Ordinary HK$1	100%	100%	–	–	Investment holding
Cap Port Holding Limited	British Virgin Islands	Ordinary US$100	–	–	100%	100%	Investment holding
Cap FH Holding Limited	British Virgin Islands	Ordinary US$1	–	–	100%	–	Investment holding
YBX Company Limited	Hong Kong	Ordinary HK$1	–	–	100%	–	Investment holding
Cap Success Holding Limited	British Virgin Islands	Ordinary US$1	–	–	100%	–	Investment holding
CMBCC Co-High Medical Investment Fund SP	Cayman Islands	N/A	60%	–	–	–	Investment holding
New China OCT Fund 2 SP	Cayman Islands	N/A	70%	–	–	–	Provision of loan financing

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

44 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Quoted investment funds	–	1,327,882
Unlisted investment funds	193,135	–
	193,135	1,327,882

The Group has concluded that the quoted investment funds and unlisted investment funds in which it invests, but that it does not consolidate meets the definition of structured entities because:

– the voting rights in the funds are not dominant rights in deciding who controls them as they relate to administrative tasks only;

– each fund's activities are restricted by its articles of associations; and/or

– the funds have narrow and well defined objectives to provide investment opportunities to investors.

The table below describes the types of structured entities that the Group does not consolidate but in which it holds an interest:

Type of structured entity	Nature and purpose	Interest held by the Group
Quoted investment funds	To manage assets on behalf of third party investors and generate fees for the investment manager These vehicles are financed through the issue of units to investors	Investment in units issued by the funds
Unlisted investment funds	To manage assets on behalf of third party investors	Acting as limited partner

44 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (continued)

The table below sets out interests held by the Group in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the financial assets held.

	31 December 2018	
	Number of investment funds	**Carrying amount included in financial assets at fair value through profit or loss HK$'000**
Unlisted investment funds	**2**	**193,135**

	31 December 2017	
	Number of investment funds	Carrying amount included in financial assets at fair value through profit or loss HK$'000
Quoted investment funds	8	1,327,882

During the year ended 31 December 2018, the Group did not provide financial support to the unconsolidated structured entities and has no intention of providing financial or other support.

45 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Non-current assets		
Property, plant and equipment	2,897	4,189
Investment in subsidiaries	1,180,966	675,566
Loans and advances	662,690	409,717
Rental deposit	7,648	6,943
Deferred tax assets	351	–
	1,854,552	1,096,415
Current assets		
Prepayments, deposits and other receivables	11,968	1,448
Interests receivable	–	9,550
Loans and advances	372,100	437,176
Available-for-sale financial assets	–	666,090
Financial assets at fair value through profit or loss	275,778	896,424
Amount due from an intermediate holding company	243	–
Amounts due from subsidiaries	6,039,821	1,497,499
Cash and cash equivalents	215,240	62,064
	6,915,150	3,570,251
Current liabilities		
Other payables and accruals	11,537	10,796
Notes payable	99,216	–
Bank and other borrowings	6,653,340	3,351,038
Amount due to an intermediate holding company	–	7,197
Amounts due to subsidiaries	48,962	12,291
Tax payable	4,667	2,500
	6,817,722	3,383,822
Net current assets	97,428	186,429
Total assets less current liabilities	1,951,980	1,282,844

45 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

	As at 31 December 2018 HK$'000	As at 31 December 2017 HK$'000
Non-current liabilities		
Notes payable	50,000	148,400
Deferred tax liabilities	1,926	264
	51,926	148,664
Net assets	1,900,054	1,134,180
Capital and reserves		
Share capital	477,059	457,787
Reserves	1,422,995	676,393
Total equity	1,900,054	1,134,180

45 STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Fair value reserve (recycling) HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2017	3,220,060	388,137	64,425	–	(3,493,276)	179,346
Profit for the period and total comprehensive expense for the period	–	–	–	(1,111)	762,618	761,507
Share premium cancellation	(2,967,709)	2,967,709	–	–	–	–
Issue of shares	592,900	–	–	–	–	592,900
Exercise of share options	244,153	–	(64,425)	–	–	179,728
Dividends paid	–	(1,037,088)	–	–	–	(1,037,088)
At 31 December 2017	1,089,404	2,318,758	–	(1,111)	(2,730,658)	676,393
Impact on initial application of HKFRS 9	–	–	–	12,170	(17,878)	(5,708)
Adjusted balance at 1 January 2018	**1,089,404**	**2,318,758**	**–**	**11,059**	**(2,748,536)**	**670,685**
Profit for the year and total comprehensive expense for the year	**–**	**–**	**–**	**(11,059)**	**87,268**	**76,209**
Issue of shares	**476,550**	**–**	**–**	**–**	**–**	**476,550**
Placing of shares	**199,551**	**–**	**–**	**–**	**–**	**199,551**
At 31 December 2018	**1,765,505**	**2,318,758**	**–**	**–**	**(2,661,268)**	**1,422,995**

46 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2018 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 16, *Leases*	1 January 2019
HK(IFRIC) 23, *Uncertainty over income tax treatments*	1 January 2019
Annual Improvements to HKFRSs 2015–2017 Cycle	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

HKFRS 16, Leases

As disclosed in note 2(j), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessee.

46 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

46 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2018 (continued)

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. Accordingly, the Group's operating lease disclosed in note 2(j), will continue to be accounted for as a lease arrangement. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019 and will not restate the comparative information. As disclosed in note 39, at 31 December 2018 the Group's future minimum lease payments under non-cancellable operating leases amount to $163,522,000 for office premises, the majority of which is payable either between 1 and 5 years after the reporting date or in more than 5 years. Upon the initial adoption of HKFRS 16, the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted to approximately HK$135 million and HK$140 million respectively, after taking account the effects of discounting, as at 1 January 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 2019 onwards.

47 OTHER MATTERS

As disclosed on the announcement of the Company dated 18 December 2018, the Securities and Futures Commission of Hong Kong (the "SFC") has instituted disclosure proceedings in the Market Misconduct Tribunal of Hong Kong against the Company and six of its former directors (the "Former Directors").

The proceedings was in relation to an incident happened ("the Proceedings") where in the year of 2014, the Company and the Former Directors had or may have breached the relevant disclosure requirement within the meaning of sections 307B and 307G of Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) (the "Incident") as alleged by the SFC.

None of the current directors of the Company nor the current controlling shareholder of the Company is a "specified person" against whom the Proceedings were commenced.

48 EVENTS AFTER THE REPORTING PERIOD

As disclosed in the Company's announcement dated 21 February 2019, after arm's length negotiation, CMBCCF, a wholly-owned subsidiary of the Company has entered into the amendment agreement with the borrower to extend the facility agreement entered into between CMBCCF and the borrower on 17 August 2018 and extend the date of repayment to 21 August 2019 subject to the terms and conditions of the amendment agreement. The loan in relation to the facility agreement amounted to HK$500,000,000. For details, please refer to the Company's announcements published on 17 August 2018 and 21 February 2019 respectively.

Financial Summary

	Notes	For the year ended 31 December 2018 HK$'000	For the period from 1 April 2017 to 31 December 2017 HK$'000	For the year ended 31 March 2017 HK$'000	2016 HK$'000	2015 HK$'000
RESULT						
Continuing operations						
Revenue	1	**791,190**	165,180	83,705	57,052	300,700
Profit/(loss) before taxation	1	**284,737**	129,903	(1,042,695)	(1,928,594)	551,402
Taxation	1,2	**(39,541)**	(11,540)	(5,342)	55,813	(64,345)
Profit/(loss) for the year/period from continuing operations		**245,196**	118,363	(1,048,037)	(1,872,781)	487,057
Discontinued operations						
(Loss)/profit for the year/period from discontinued operations		**–**	(95)	5,939	(2,243)	–
Profit/(loss) for the year/period		**245,196**	118,268	(1,042,098)	(1,875,024)	487,057
Attributable to:						
Owners of the Company		**245,196**	118,268	(1,042,098)	(1,874,835)	487,057
Non-controlling interests		**–**	–	–	(189)	–
		245,196	118,268	(1,042,098)	(1,875,024)	487,057

Financial Summary

		As at 31 December		As at 31 March		
	Notes	**2018 HK$'000**	2017 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
ASSETS AND LIABILITIES						
Total assets	1,2	**10,441,715**	5,314,847	1,735,276	2,211,857	2,719,745
Total liabilities	1,2	**(8,565,639)**	(4,034,661)	(586,427)	(794,671)	(391,010)
		1,876,076	1,280,186	1,148,849	1,417,186	2,328,735
Equity attributable to:						
Owners of the Company		**1,876,076**	1,280,186	1,148,849	1,414,925	2,328,735
Non-controlling interest		**–**	–	–	2,261	–
		1,876,076	1,280,186	1,148,849	1,417,186	2,328,735

Notes to the five year summary:

1. As a result of the adoption of HKFRS 15, Revenue from contracts with customers, with effect from 1 January 2018, the Group has changed its accounting policies in respect of revenue recognition. In accordance with the transitional provisions of the standard, the changes in accounting policies were adopted by way of opening balance adjustments to equity as at 1 January 2018. Figures in years earlier than 2018 are stated in accordance with the policies applicable in those years.

2. The Group adopted HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation, from 1 January 2018. As a result, the Group has changed its accounting policies in relation to financial instruments. As allowed by HKFRS 9, the Group has not restated information relating to prior years. Differences in the carrying amounts of the financial assets resulting from the adoption of HKFRS 9 were recognised in retained earnings and reserves at 1 January 2018. There was no difference in the carrying amounts of the financial liabilities. Prior to 1 January 2018, figures were stated in accordance with the policies applicable in those years.