中民金融

CM Financial

中國民生金融控股有限公司
China Minsheng Financial Holding Corporation Limited

(Incorporated in Hong Kong with limited liability)

Stock Code: 245

2017
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Chen Guogang *(Chairman)* (Appointed as First Vice Chairman on 11 January 2017 and Chief Executive Officer on 8 May 2017 and re-designated as Chairman on 21 November 2017)
Wang Dongzhi *(Chief Executive Officer)* (Appointed as First Deputy Chief Executive Officer on 24 July 2017 and re-designated as Chief Executive Officer on 21 November 2017)
Ni Xinguang *(Vice Chairman)* (Re-designated as executive director on 11 January 2017 and as Vice Chairman on 21 November 2017)
Feng Xiaoying *(Deputy Chief Executive Officer)* (Resigned on 9 February 2018)
Liu Tianlin *(Vice Chairman)* (Resigned on 24 July 2017)
Wang Sing *(Chief Executive Officer)* (Resigned on 8 May 2017)
Zhao Hongbo (Resigned on 11 January 2017)

Non-executive Directors

Ma Jianting (Appointed on 21 November 2017)
Li Huaizhen *(Chairman)* (Resigned on 21 November 2017)

Independent Non-executive Directors

Chen Johnny
Lyu Wei
Ling Yu Zhang (Appointed on 15 July 2017)
Guan Tao (Appointed on 15 July 2017)
Thaddeus Thomas Beczak (Resigned on 13 July 2017)

AUDIT COMMITTEE

Chen Johnny *(chairman)*
Lyu Wei
Ling Yu Zhang (Appointed as member on 15 July 2017)
Guan Tao (Appointed as member on 15 July 2017)
Thaddeus Thomas Beczak (Resigned as member on 13 July 2017)

NOMINATION COMMITTEE

Lyu Wei (Re-designated as chairman on 15 July 2017)
Chen Johnny
Ling Yu Zhang (Appointed as member on 15 July 2017)
Guan Tao (Appointed as member on 15 July 2017)
Thaddeus Thomas Beczak (Resigned as chairman and member on 13 July 2017)

REMUNERATION COMMITTEE

Chen Johnny *(chairman)*
Lyu Wei
Ling Yu Zhang (Appointed as member on 15 July 2017)
Guan Tao (Appointed as member on 15 July 2017)
Thaddeus Thomas Beczak (Resigned as member on 13 July 2017)

STRATEGY COMMITTEE

Chen Guogang *(chairman)*
Wang Dongzhi (Appointed as member on 24 July 2017)
Ni Xinguang
Feng Xiaoying (Resigned as member on 9 February 2018)
Liu Tianlin (Resigned as member on 24 July 2017)
Wang Sing (Resigned as member on 8 May 2017)

COMPANY SECRETARY

Wong Choi Chak
Pak Chung Yin (Resigned on 16 February 2018)

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank Corporation
China Merchants Bank, Hong Kong Branch
China Merchants Bank, Off-shore Banking Department
DBS Bank (Hong Kong) Limited
Industrial Bank Co., Ltd.
Ping An Bank

SOLICITORS

Hong Kong Law
Herbert Smith Freehills

INDEPENDENT AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

REGISTERED OFFICE

Unit A02, 11/F
Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE

245 HK

WEBSITE

www.cm-fin.com

Chen Guogang
Chairman

Dear Shareholders,

2017 was a year when China Minsheng Financial Holding Corporation Limited (the "Company"), and its subsidiaries (collectively the "Group") further refined its strategic direction and its business framework. Since the introduction of China Minsheng Investment Corporation Limited ("CMIG") and other strategic investors as shareholders in December 2015, the Company has maintained a steady development over the past two years. It leveraged its solid capital strength and business capabilities, and succeeded in establishing four major business segments, namely direct investment, investment banking, securities brokerage and asset management, while delivering healthy growth across the board. At the same time, the Company has continued to integrate our various service offerings under the two-pronged strategy of "Investment + Investment Banking" where we can become an innovative and integrated financial service provider, to meet the needs of our diverse customer base. On behalf of the Company, I would like to take this opportunity to express my gratitude towards CMIG, all of our shareholders, regulatory authorities, business partners and every staff member for their support and dedication over the past year.

COMPREHENSIVE FINANCIAL SERVICE PROVIDER FOR THE REAL ECONOMY

Since December 2015, the Group has obtained four licenses for carrying out Types 1, 4, 6, and 9 regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), rendering the Group eligible for serving enterprises throughout their corporate lifecycle by providing a wide variety of financial services ranging from start-up capital support to facilitation of expansion and merger and acquisition, as well as restructuring. In 2017, the Group with its strength in licenses and resources, continued to explore new business opportunities and to assist more real-economy enterprises to leverage the capital market to enhance their growth opportunity, while often relying on our comprehensive financial service offerings, based on our "Investment + Investment Banking" business model.

BUILDING SUPPORT FOR "GOING OUT" AND "BRINGING IN"

Being the key financial platform of China Minsheng Asia Asset Management Company Limited under CMIG, the Group acted as a bridge linking the enterprises from Mainland China and the international capital markets by providing a comprehensive financial service platform, with the advantages of the Hong Kong capital market. In 2017, the Group succeeded in providing various financial service solutions to numerous leading mainland Chinese enterprises, thereby facilitating these enterprises, "Going Out" expansion, and also, assisting them in "Bringing In" international capital. At the same time, the Group has also begun various product development initiatives to support the "Belt and Road Initiative".

FORMULATING AN INNOVATIVE FINANCIAL BUSINESS MODEL

Embracing the development trend of internet finance and fintech, the Company has actively conducted extensive survey and research to develop innovative financial service offerings, which will become new growth drivers of the Group's development. Looking ahead, the Company will continue to focus on innovation while ensuring an effective integration of our existing resources and businesses to maximize its synergy.

STRENGTHENING TALENT DEVELOPMENT

In the previous year, the Company continued to attract talent to upgrade our organization capabilities across the Group, while we strive to become a more professional and integrated team.

For the coming year, the rising protectionism may hamper the global economic recovery and political uncertainty may present risks and obstacles for overseas investments of Chinese enterprises, but the Company still sees ample development opportunities during this uncertain time. Apart from strengthening our current business model and service offering, and adding new innovative products, we also see more opportunities as more new-economy companies are being listed on The Stock Exchange of Hong Kong (the "Stock Exchange") and as the increasingly vigorous financial activities stem from the increasing popularity of "Shanghai-Hong Kong Stock Connect" and "Shenzhen-Hong Kong Stock Connect". The Company will continue to grasp these opportunities to expand our presence and create greater value for our shareholders and customers. Once again, I would like to thank you for your support to the Company over the past year. We look forward to working with you through our next chapter of growth in this new year.

Chairman
Chen Guogang
China Minsheng Financial Holding Corporation Limited

MARKET REVIEW

Year 2017 was marked by the global economic recovery. As indicated in the World Economic Outlook report published by International Monetary Fund last fall, the cyclical upswing in the global economy has been gathering strength. China recorded 6.9% growth in GDP, the first acceleration since 2011, and the overall economy maintained a healthy growth in 2017. Hong Kong's stock market recorded phenomenal performance. The Hang Seng Index broke through the threshold of 30,000 points for the first time in ten years, with an annual increase of over 30% that made it the best performer among other leading stock indicators. In light of the impressive turnover growth of "Shanghai-Hong Kong Stock Connect" and "Shenzhen-Hong Kong Stock Connect", "Bond Connect" was launched in July 2017, further deepening the connection between the capital markets of mainland China and Hong Kong. With the ongoing capital influx from mainland China into Hong Kong and the availability of capital from China and overseas, the tie between China and Hong Kong has become closer. During the year, the Stock Exchange announced its intention to propose reform to the listing regime, allowing certain companies with weighted voting rights to seek a listing status. For 20 years since the reunion of Hong Kong with the motherland, the central government has been introducing favourable policies and supporting Hong Kong to enhance its position as an international financial hub. At the 19th National Congress of the Communist Party of China, the central government reiterated its determination to support the integration of Hong Kong into the country's overall development through the "Belt and Road Initiative" and the development of the "Greater Bay Area", giving a clear direction for the future development of Hong Kong.

Influenced by the foreign exchange control policies and regulatory policies of the Chinese government, the competitiveness of cross-border mergers and acquisitions by Chinese enterprises declined in 2017 and the transaction value of the mergers and acquisitions for the whole year was also less than the record high achieved in 2016. However, with the regulations imposed by the Chinese government and the regulatory authorities in respect of overseas investment becoming clearer, the Chinese enterprises have taken a more rational and realistic approach to overseas investments which have seen gradual recovery since the latter half of 2017. With the support of technologies and capital, the Chinese enterprises still favour the growing trend of "Going Out" and sought diversification into the international markets. Thus, the Chinese enterprises still have the motivation for cross-border mergers and acquisitions. In terms of geographical analysis, in 2017, the number of companies in Europe and the US being the subject of mergers and acquisitions by Chinese enterprises decreased while those in Asia, especially those mergers and acquisitions that can be linked to the "Belt and Road Initiative", were obviously on the rise. The trend will present huge opportunities for the Hong Kong financial market. By capitalizing on the opportunities afforded by market changes as a result of the "Belt and Road Initiative", the connection between the capital markets of mainland China and Hong Kong as well as the possibility of new-economy companies being listed on the Stock Exchange, the Company will continue to seek new development and identify more asset allocation alternatives with greater potential for growth for investors.

PROSPECT

The Company will continue to develop and implement our two-pronged strategy of "Investment + Investment Banking", with emphasis on building up our asset management and securities businesses, to serve our high-end customer base both in China and abroad.

We are keen to develop our international platform to become the "financial partner of choice" to assist the leading domestic Chinese enterprises as they expand overseas, assist our business partners to access advantageous resources and advanced technology overseas, and help international investors to seize the opportunities in China. As part of the leading privately-owned enterprise group in China, in additional to being one of the key members of the National Federation of Industry and Commerce, the Company has also established close relationships with many leading enterprises. We thoroughly understand the requirements of enterprises in various stages of development and create custom-made funding solution for their development.

While we will focus on building up scale for each of our vertical businesses, we will continue to tap the potential for the synergy across our various resources and platforms in securities, investment, investment banking and asset management, to better serve our customers. Furthermore, the Company will also seek opportunities for strategic mergers and acquisitions both to further bolster scale across all of our platforms, as well as to participate in emerging financial sectors such as fintech and other potentially revolutionary business models within the financial industry.

BUSINESS REVIEW

Since December 2015, the Company has been gradually growing its business and operations. In 2017, the Company has successfully acquired the licence to carry out Type 6 (advising on corporate finance) regulated activity, thus providing complete financial service offerings by fully utilizing its licences regulated under the SFO (Types 1, 4, 6 and 9 licences), as well as running its money lending business under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

During the year, the Company has further optimized its management structure. With effect from November 2017, Mr. Chen Guogang was re-designated as the Chairman of the Board (the "Chairman"), Mr. Ni Xinguang was appointed as the Vice Chairman of the Board and Mr. Wang Dongzhi was re-designated as the Chief Executive Officer of the Company (the "CEO"). Corporate governance has also been enhanced with the addition of several specialized committees.

For our on-going business development, the Company will continue to leverage its strategic presence in Hong Kong while leveraging its mainland China connections, pushing for further integration and synergy with the aim of grasping more cross-border opportunities. Building on our core businesses, such as direct investment, securities, investment banking and asset management, we will continue to pursue a profitable growth strategy in each segment. The number of the Company's high net worth customers has grown rapidly while the portfolio of investments is being optimized. The Company is fostering a coordinated development of its various business segments, thus building up its capability to provide comprehensive financial services. Overall, the Company's profit for 2017 grew considerably compared with that for 2016. Meanwhile, the Company adapts itself to the trends of the market by putting in place its plan for developing financial technology. This will enable it to capitalize on the upgrading of China's consumption demand and to reap the dividends paid by the rapid development of the tertiary industry.

FINANCIAL REVIEW

For the year ended 31 December 2017, the audited consolidated revenue of the Group was approximately HK$452,175,000 (2016: approximately HK$230,232,000), representing an increase of approximately 96% as compared with the corresponding period last year.

The analysis of the Group's total revenue recognised in the consolidated statement of profit or loss is as follow:

For the year ended 31 December 2017, in HK$'000

	2017	2016	Change
Interest income	**162,043**	75,666	114.2%
Commission and fee income	**33,099**	39,569	(16.4%)
Net investment income	**257,033**	114,997	123.5%
Total revenue	**452,175**	230,232	96.4%

The Group recorded profit of approximately HK$193,368,000 for the year ended 31 December 2017 (2016: approximately HK$31,343,000), the significant increase in profit was mainly due to the following factors:

(i) the increase in profit from the direct investment segment as a result of the expansion of investment holding business; and

(ii) the growth of the interest income from money lending business as a results of the expansion of the loans portfolio.

On financial position and cash flows:

— the Group's total assets were approximately HK$6,158,503,000 as at 31 December 2017 (as at 31 December 2016: approximately HK$5,913,876,000), representing an increase of 4.1%.

— net cash (outflows)/inflows from operating activities, investing activities and financing activities were approximately HK$(259,741,000), HK$(46,656,000) and HK$5,945,000 respectively for the year ended 31 December 2017 (2016: approximately HK$(4,220,207,000), HK$(137,042,000) and HK$736,939,000).

As at 31 December 2017, the Group's total cash and bank balances (excluding pledged bank deposits) were approximately HK$1,137,535,000 (as at 31 December 2016: approximately HK$1,428,308,000).

Key financial and business performance indicators

The key financial and business performance indicators of the Group are comprised of profitability growth; loan receivables growth; impaired loan receivables to total loan receivables ratio; and gearing ratio.

The Group recorded a profit attributable to owners of the Company of approximately HK$192,033,000 for the year ended 31 December 2017 which represented a 419.9% increment as compared to approximately HK$36,933,000 for the year ended 31 December 2016.

Loan and interest receivables balance arising from lending business increased to approximately HK$1,323,926,000 as at 31 December 2017 (as at 31 December 2016: approximately HK$1,230,939,000). The Group will continue to focus on growing its lending business in order to generate sufficient and stable returns to support its continuous operations.

Based on individual assessments on loan receivables, the Group recognised no impairment for the year ended 31 December 2017 (2016: Nil). Impaired loan receivables to total loan receivables ratio is Nil as of 31 December 2017 (2016: Nil). The Group aims to further enhance its credit policy and assessment so as to maintain credit quality of its loan receivables and to take prompt actions to pursue loans recovery regarding potential problem credits.

As at 31 December 2017, the Group had total assets of approximately HK$6,158,503,000 (as at 31 December 2016: approximately HK$5,913,876,000) and the gearing ratio (total debt to total equity) was approximately 14.1% (2016: approximately 15.7%). The Group strives to achieve appropriate leverage level in order to grow its business effectively, and at the same time continue to monitor its liquidity prudently, manage key risks cautiously and set appropriate yet flexible business development strategies to strike a balance between business growth and risk management.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group's cash and bank balances (excluding pledged bank deposits) amounted to approximately HK$1,137,535,000 (as at 31 December 2016: approximately HK$1,428,308,000). The current ratio as at 31 December 2017 was 698.7% (as at 31 December 2016: 847.8%), which indicated that the Group's overall financial position remained strong.

The Directors are of the opinion that there are sufficient cash resources for the Group to meet its financial obligation and business requirements.

OPERATIONAL REVIEW

Funding, capital structure and capital management

The main objective of the Group's funding activities is to ensure the availability of funds at reasonable costs to meet all contractual financial commitments and to generate reasonable returns from available funds.

The Group relies principally on its share capital, internally generated capital, issuance of notes, bank and other borrowing to fund its money lending business and investments. The Group's interest bearing borrowing in the form of note payable, loan payables, bank borrowings and margin payables amounted to approximately HK$746,371,000 as at 31 December 2017 (as at 31 December 2016: approximately HK$789,246,000). Based on the level of total debt to total equity of the Group, the Group's gearing ratio stood at a healthy level of 14.1% as at 31 December 2017. The Group's borrowings are mainly in US dollars, Renminbi and Hong Kong dollars, and have remaining average maturity periods of more than one year. The Group's cash and cash equivalents are mainly in US dollars, Renminbi and Hong Kong dollars. There were no foreign currency net investments hedged by foreign currency borrowings and other hedging instruments by the Group during the year under review.

Asset quality and credit management

The Group will continue to manage key risks cautiously and set appropriate yet flexible business development strategies to strike a balance between business growth and risk management. Based on individual assessments on the loan receivables, the Group recognized no impairment for the year ended 31 December 2017.

The Group aims to further enhance its credit policy and assessment so as to maintain credit quality of its assets. Further, the Group's investments and cash and bank balances are placed with a diversified portfolio of reputable financial institutions.

Human resources management

The objective of the Group's human resources management is to reward and recognise well performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression within the Group. Staff are enrolled in external training courses, seminars, professional and technical courses in order to update their technical knowledge and skills, to increase their awareness of the market developments, and to improve their management and business skills. Staff also participated in social activities organised by the Group to promote team spirit and social responsibility to the community.

EXPOSURE TO EXCHANGE RATE FLUCTUATION AND RELATED HEDGING

The Directors considered that the Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are denominated in foreign currencies other than its functional currency, which is Hong Kong dollars. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency should the need arises.

STAFF AND REMUNERATION POLICY

As at 31 December 2017, the Group has 71 employees (as at 31 December 2016: 59 employees).

The employees are remunerated based on their work performances, professional experiences and prevailing industry practices. The remuneration policy and package of the Group's employees are periodically reviewed by the Group's management.

CHARGES ON GROUP'S ASSETS

The analysis of the charge on Group's assets is as follow:

As at 31 December 2017, in HK$'000

	2017	2016
Pledged deposits at bank	313	282
Pledged deposits at securities margin accounts	–	31,699
Pledged investments in available-for-sale financial assets	–	61,855
Total charges on Group's assets	313	93,836

Deposits at bank is pledged as security for a corporate card granted to a director of the Group.

The above assets are pledged with creditworthy counterparties with no recent history of default.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2017 (as at 31 December 2016: Nil).

CAPITAL COMMITMENTS

The Group has entered into a contract to commit investing into an unlisted investment fund. The non-cancellable capital commitment as at 31 December 2017 is approximately HK$62,535,000 (as at 31 December 2016: approximately HK$106,250,000).

Save as disclosed above, the Group did not have any other significant capital commitments as at 31 December 2017.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

Save as disclosed elsewhere in this annual report, the Group had no material acquisition and disposal of subsidiaries and associated companies during the year ended 31 December 2017.

SIGNIFICANT INVESTMENTS

As at 31 December 2017, the Group had available-for-sale investments, financial assets designated as fair value through profit or loss and derivative financial instruments with a market value of approximately HK$2,724,766,000 (as at 31 December 2016: HK$1,853,501,000). The details of significant investments (each of which carrying value more than 1% of the total assets of the Group) as at 31 December 2017 are as follow:

Stock code (when applicable)	Name of investee company/fund	Nature of investments	Number of shares/ units held	Investment costs HK$'000	Fair value as at 31 December 2017 HK$'000	Percentage of Group's total assets as at 31 December 2017	Unrealised gain/(loss) on change in fair value for the year ended 31 December 2017 HK$'000	Realised gain(loss) for the year ended 31 December 2017 HK$'000	Impairment losses for the year ended 31 December 2017 HK$'000	Dividend income for the year ended 31 December 2017 HK$'000
Available-for-sale financial assets										
Not applicable	PACM Investment Funds SPC — PACM Property Fund Segregated Portfolio	Investment in unlisted investment fund	58,200	582,000	623,645	10.1%	66,549	–	–	–
Not applicable	Shareholder Value Fund	Investment in unlisted investment fund	25,000	193,869	158,780	2.6%	(37,230)	–	–	–
600533.SH	Nanjing Chixia Development Co Ltd	Investment in listed securities	27,617,154	183,739	160,236	2.6%	23,503	1,391	–	1,021
Financial assets designated at fair value through profit or loss										
Not applicable	Chariot SPC Fund — Chariot SP II	Investment in unlisted investment fund	24,000	240,000	282,684	4.6%	26,389	–	–	–
Not applicable	Fullgoal China Access RQFII Fund SPC — Fullgoal Industrial Investment Fund Segregated Portfolio	Investment in unlisted investment fund	100,850	1,008,845	1,098,787	17.8%	89,942	–	–	–
Not applicable	Central China Dragon Growth Fund SPC — Central China Drago Growth Fund SP3	Investment in unlisted investment fund	1,200,000	120,192	121,196	2.0%	1,004	–	–	2,671

Looking ahead, the stock market will remain volatile. The performance of proprietary investment will be affected by unstable market conditions. The Group will continue to implement strict risk control to minimise the impact of market volatility and will seek potential investment opportunities to diversify its investment portfolio with an aim to maximise value for the shareholders of the Company (the "Shareholders").

The Directors are pleased to present their report and audited consolidated financial statements of the Group for the year ended 31 December 2017.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of its principal subsidiaries include investment holding, provision of asset management services, consultancy services, financing services, insurance agency services, securities advisory and securities brokerage services.

The Group's revenue is mainly derived from business activities in Hong Kong and Mainland China. An analysis of the Group's revenue is set out in note 5 to the consolidated financial statements.

Particulars of the Company's major subsidiaries as at 31 December 2017 are set out in note 15 to the consolidated financial statements.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is exposed to various key risks including credit risk, interest rate risk, liquidity risk, operational risk and market risk. Details of the aforesaid key risks and risk mitigation measures are elaborated in note 3 "Financial Risk Management" to the consolidated financial statements included in this annual report.

The Group's long term profitability and business growth are affected by the volatility and uncertainty of macroeconomic conditions (including but not limited to gross domestic product growth, consumer and asset price indexes, and credit demand), financial volatility (exacerbated by the recent Brexit impact and divergent monetary policies of the US and other countries), and uncertain economic outlook and political conditions of Hong Kong, Mainland China, US, Eurozone and other countries. The divergence of monetary policies in major advanced economies is expected to continue to contribute partly to the volatility of fund and trade flows and that of asset prices and economic growth momentum in Hong Kong and Mainland China. Financial risk could quickly spill over from one to another nation given their increasing economic and political ties amongst each other. In particular, the potential impact on economic activities and on property, stock and commodity prices of Hong Kong are subject to political and economic developments of Mainland China, US, Eurozone and other countries.

Impact of Local and International Regulations

The business operation of the Group is also subject to government policy, relevant regulations and guidelines established by the regulatory authorities. Failure to comply with the rules and requirements may lead to penalties, amendments or suspension of the business operation by the authorities. The Group closely monitors changes in government policies, regulations and markets as well as conducting studies to assess the impact of such changes.

Third-Party Risks

The Group has been relying on third-party service providers in parts of its business to improve performance and efficiency of the Group. While gaining the benefits from external service providers, the management realises that such operational dependency may pose a threat of vulnerability to unexpected poor or lapses in service including reputation damage, business disruption and monetary losses. To address such uncertainties, the Group engages only reputable third-party providers and closely monitors their performance.

BUSINESS REVIEW

A fair review of the Group's business and its outlook are set out in the section of Management Discussion & Analysis. No important event affecting the Group has occurred since the end of the financial year under review.

The Group complies with the requirements under the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and the SFO for the disclosure of information and corporate governance. The Group also complies with the requirements of Employment Ordinance (Cap. 57 of the Laws of Hong Kong) and ordinances relating to occupational safety for the interest of employees of the Group.

The Group is committed to raising environmental awareness among its staff, partners, and stakeholders. It implemented energy saving practices in certain office and branch premises. For example, the Group runs an internal recycling program on a continuous basis for consumable goods such as toner cartridges and paper to minimize the impact on the environment and natural resources. And in doing so, the Group takes the initiative to reduce use of energy, waste, while the use of environmentally friendly products, such as recycled paper as key printing material, sets an example of habit for staff to follow. To complement this, the Group participated in the Konica Minolta Green Concert 2016 Power Triathlon, where staff participated in power generating competition, further promoting this initiative.

Going green will always continue to be a key focus for the Group. Drinking water dispensers are set with a timer for automatic shut-off for water boiling after office hours or fall within the Hong Kong Electrical and Mechanical Services Department ("EMSD") certified electricity consumption rating. The Group currently uses and will continue to install lighting fixtures with LED lighting or T5 fluorescent tubes, with certain rooms containing motion sensors for automatic shut- offs when idle. Air conditioning and electricity systems achieve EMSD Energy Efficient Registration Scheme standards and use R410 refrigerant in air-conditioning system in applicable offices.

The Group will review its environmental policies from time to time and will consider further eco-friendly practices in the operation of the Group's businesses to move towards enhancing environmental sustainability.

Further discussions on the Group's environmental policy and our relationship with various stakeholders are covered by the "Environmental, Social and Governance Report" section on pages 45 to 57 of this annual report.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND BUSINESS PARTNERS

The Group recognises the accomplishment of the employees by providing comprehensive benefit package, career development opportunities and internal training appropriate to individual needs. The Group provides a healthy and safe workplace for all employees. No strikes and cases of fatality due to workplace accidents are found in the year under review.

The Group encompasses working relationships with business partners to meet our customers' needs in an effective and efficient manner. The departments work closely to make sure the tendering and procurement process is conducted in an open, fair and just manner. The Group's requirements and standards are also well-communicated to business partners before the commencement of a project.

The Group values the views and opinions of all customers through various means and channels, including usage of business intelligence to understand customer trends and needs and regular analysis on customer feedback. The Group also conducts comprehensive tests and checks to ensure that only quality products and services are offered to the customers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2017 are set out in the consolidated statement of profit or loss and consolidated statement of comprehensive income on pages 65 to 66 of this annual report.

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

ANNUAL GENERAL MEETING

The 2018 annual general meeting (the "2018 AGM") is expected to be held in June 2018. A further announcement in relation to the date of the 2018 AGM and the closure of register of members will be published in accordance with the Listing Rules.

SHARES CAPITAL

Details of the shares are set out in note 30 to the consolidated financial statements.

RESERVES

Details of the movements in reserves during the year are set out in note 31 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 31 December 2017, calculated under Part 6 of the Hong Kong Companies Ordinance (Cap 622), amounted to HK$Nil (2016: HK$Nil).

FIVE YEAR FINANCIAL SUMMARY

The results, assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, are summarised on page 132 of this annual report.

DIRECTORS OF THE COMPANY

The Directors who held office during the year and up to the date of this report were:

Executive Directors

Chen Guogang *(Chairman)* (Appointed as First Vice Chairman on 11 January 2017 and CEO on 8 May 2017 and re-designated as Chairman on 21 November 2017)
Wang Dongzhi *(CEO)* (Appointed as First Deputy CEO on 24 July 2017 and re-designated as CEO on 21 November 2017)
Ni Xinguang *(Vice Chairman)* (Re-designated as executive Director on 11 January 2017 and as Vice Chairman on 21 November 2017)
Feng Xiaoying *(deputy CEO)* (Resigned on 9 February 2018)
Liu Tianlin *(Vice Chairman)* (Resigned on 24 July 2017)
Wang Sing *(CEO)* (Resigned on 8 May 2017)
Zhao Hongbo (Resigned on 11 January 2017)

Non-executive Directors
Ma Jianting (Appointed on 21 November 2017)
Li Huaizhen *(Chairman)* (Resigned on 21 November 2017)

Independent Non-executive Directors
Chen Johnny
Lyu Wei
Ling Yu Zhang (Appointed on 15 July 2017)
Guan Tao (Appointed on 15 July 2017)
Thaddeus Thomas Beczak (Resigned on 13 July 2017)

In accordance with article 116 of the articles of association of the Company (the "Articles"), Mr. Chen Guogang, Mr. Ni Xinguang and Mr. Lyu Wei will retire by rotation at the 2018 AGM and, being eligible, offer themselves for re-election.

In accordance with articles 99 and 117 of the Articles, Mr. Wang Dongzhi, Mr. Ma Jianting, Mr. Ling Yu Zhang and Dr. Guan Tao will retire at the 2018 AGM and, being eligible, offer themselves for re-election.

The persons who were directors of the subsidiaries of the Company during the year (not including those Directors listed above) were:

Cai Zaoping
Chen Fei (Appointed on 9 November 2017)
Chen Fenfei (Resigned on 16 April 2017)
Chen Jie (Appointed on 17 November 2017)
Chen Xiaoyan
Feng Xiaoying
Guo Jun
Guo Yifan (Appointed on 9 November 2017)
Han Qian
Lau Tak Wa (Appointed on 18 October 2017)
Liang Liang (Appointed on 14 July 2017)
Lin Dong
Lin Wei
Liu Tianfeng
Liu Yiping
Mao Haiying (Appointed on 11 December 2017)
Ni Mei-Xiu (Appointed on 16 September 2017)
Shen Zhaoyu

Sui Yuwei
Tan Wentao
Wei Wenjun
Wu Binhong
Xi Chenxing
Xu Jiashu
Xu Lixia
Zhang Ruichen
Zhangyi

DIRECTORS' PROFILES

Directors' profiles are set out on pages 39 to 44 of this annual report.

INDEPENDENCE CONFIRMATION

The Company has received, from each of the independent non-executive Directors, namely Mr. Chen Johnny, Mr. Ling Yu Zhang, Mr. Lyu Wei and Dr. Guan Tao, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

For the executive Directors, Mr. Chen Guogang entered into a service contract with the Company for a term of three years with effect from 11 January 2017. Mr. Wang Dongzhi entered into a service contract with the Company for a term of three years with effect from 24 July 2017. Mr. Ni Xinguang entered into a service contract with the Company for a period of two years commencing from 1 April 2008 which has expired on 31 March 2010. Mr. Ni has not entered into any new written service contract with the Company but is subject to retirement by rotation in accordance with the Articles. For the non-executive Directors, Mr. Ma Jianting entered into a service contract with the Company for a term of three years with effect from 21 November 2017. For the independent non-executive Directors, Mr. Chen Johnny entered into an appointment letter with the Company for a term of three years with effect from 11 December 2015. Mr. Ling Yu Zhang and Dr. Guan Tao entered into an appointment letter with the Company for a term of three years with effect from 15 July 2017. Mr. Lyu Wei, as independent non-executive Director, has not entered into any written service contract with the Company and is not appointed for specific term, but is subject to retirement by rotation in accordance with the Articles.

No Director proposed for re-election at the 2018 AGM has an unexpired service contract which is not determinable by the Company within one year without payment of compensation, other than normal statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OF ANY SPECIFIED UNDERTAKING OF THE COMPANY OR ANY OTHER ASSOCIATED CORPORATION

As at 31 December 2017, the interests or short positions of each Director or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("Model Code"), are set out below:

1. Aggregate long position in the shares, underlying shares and debentures of the Company and its associated corporations

Name of Director	Number of ordinary shares held Personal interests	Corporate interests	Total	Percentage of the issued share capital *(Note (b))*
Ni Xinguang ("Mr. Ni")	46,068,000	416,004,000 *(Note (a))*	462,072,000	1.60%

Notes:

(a) 416,004,000 shares were owned by Group First Limited, a private company wholly owned by Mr. Ni, representing approximately 1.4% of the issued share capital of the Company. By virtue of the SFO, Mr. Ni is deemed to have interest of the shares held by Group First Limited.

(b) The percentage was calculated based on the total number of 28,928,719,250 ordinary shares of the Company in issue as at 31 December 2017.

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executive of the Company had any interest in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code.

2. Aggregate short position in the shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2017, none of the Directors or chief executive of the Company, had any short position in the shares, underlying shares or debentures of the Company or its associated corporations which were recorded in the register required to be kept under section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered during the year or subsisting at the end of the year are set out below:

Share Options

The Company adopted a share option scheme on 9 December 2013 (the "2013 Share Option Scheme") to replace the share option scheme adopted on 28 May 2004 (the "2004 Share Option Scheme"). Since then, no further option can be granted under the 2004 Share Option Scheme, but all options granted previously will remain exercisable in accordance with the terms of the 2004 Share Option Scheme and the relevant letters of offers to the respective grantees.

There was no outstanding option held under 2004 Share Option Scheme and 2013 Share Option Scheme as at 31 December 2017.

Details of the 2013 Share Option Scheme are listed below in accordance with Rule 17.09 of the Listing Rules:

Purpose of the 2013 Share Option Scheme:	The purpose of the 2013 Share Option Scheme is to enable the Company to grant options (the "Options") to selected Eligible Participants (as defined below) as incentives or rewards for their contribution or potential contribution to the Group or any entity in which the Group holds an equity interest (an "Invested Entity"). The Company considers that the Invested Entity may contribute to the Group's profits. The Company also considers that the granting of the Options to the employees, directors, officers or consultants of the Invested Entity would provide an incentive for their contribution to the Invested Entity which indirectly benefits the Group.
Eligible Participants (each, an "Eligible Participant", and collectively, the "Eligible Participants"):	Any full time or part time employees of the Group or any Invested Entity (including any Directors, whether executive or non-executive and whether independent or not, of the Company or any Subsidiary or any Invested Entity); any holder of any securities issued by the Group; and any business or joint venture partners, contractors, agents or representatives, consultants, advisers, suppliers, producers or licensors, customers, licensees (including any sublicensee) or distributors, landlords or tenants (including any sub-tenants) of the Group or any Invested Entity or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group or any Invested Entity.

Maximum entitlement of each Eligible Participant:	The total number of shares issued and to be issued upon exercise of the Options granted to each Eligible Participant or grantee (including exercised and outstanding Options) in any twelve (12)-month period up to the date of grant shall not exceed 1% of the shares in issue. Where it is proposed that any offer is to be made to an Eligible Participant (or where approximate, an existing grantee) which would result in the shares issued and to be issued upon exercise of all Options granted and to be granted to such person (including exercised, cancelled and outstanding Options) in the twelve (12)-month period up to and including the relevant date of grant to exceed such limit, such offer and any acceptance thereof must be conditional upon shareholders' approval in general meeting with such Eligible Participant (or where appropriate, an existing grantee) and his, her or its associates abstaining from voting.
The amount payable on application or acceptance of the Option and the period within which payments or calls must be made or loans for such purposes must be paid:	HK$1.00 is to be paid by each grantee as consideration for the grant of Option within 21 days from the date of offer.
Remaining life of the 2013 Share Option Scheme:	The 2013 Share Option Scheme shall be valid and effective for the period commencing from 9 December 2013 and expiring at the close of business on its tenth (10th) anniversary i.e. 9 December 2023.

Details of the Options granted pursuant to the 2013 Share Option Scheme are as follows:

Date of grant:	4 November 2014 (the "Grant Date").
Exercise price of Options granted:	HK$0.170 per share, which represents the higher of (i) the closing price of HK$0.170 per share as stated in the Hong Kong Stock Exchange's daily quotations sheet on the Grant Date; and (ii) the average closing price of approximately HK$0.165 per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Grant Date.
Number of Options granted:	219,600,000
Validity period of the Options:	From 4 November 2014 to 3 November 2017 (three (3) years), both dates inclusive.

Further details of share options were stipulated in note 33 to the consolidated financial statements.

Apart from the aforesaid, at no time during the year ended 31 December 2017 was the Company or any of its subsidiaries or its fellow subsidiaries, or its parent company or its other associated corporations a party to any arrangement to enable the Directors of the Company or any of their spouses or children under the age of 18 to acquire benefits by means of the acquisition of shares in the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

DIRECTORS' MATERIALS INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

Apart from the particulars disclosed in note 37 under the heading "Related Party Transactions" to the consolidated financial statements, there were no transaction, arrangement and contract of significance in relation to the Group's business to which the Company's holding company, subsidiaries or fellow subsidiaries was a party, and in which a Director and the director's connected party had a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the year.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken in the usual course of business are set out in note 37 to the consolidated financial statements.

Continuing Connected Transaction

During the year ended 31 December 2017, the Group had the following continuing connected transaction.

According to the master financial services agreement dated 29 June 2016 (the "Master Financial Service Agreement") entered into among (i) the Company; and (ii) CMI Financial Holding Company Limited and CMI Financial Holding Corporation (together, the "CMI Entities"), the Company agreed to provide the CMI Entities certain brokerage services, including brokerage services for trading of securities, futures and options contracts, placing, block trade, underwriting and sub-underwriting services for securities and other related services. Such services will be provided via certain subsidiaries of the Group which are the holders of the licenses issued under the SFO to conduct relevant regulated activities (the "Licensed Subsidiaries").

CMI Financial Holding Company Limited is the controlling shareholder of the Company. CMI Financial Holding Corporation is an associate of CMI Financial Holding Company Limited. Accordingly, CMI Financial Holding Company Limited and CMI Financial Holding Corporation are connected persons of the Company. As such, the entering into of the Master Financial Services Agreement between the Company and the CMI Entities and the transactions contemplated thereunder would constitute a continuing connected transaction of the Company under Rule 14A.31 of the Listing Rules.

The Master Financial Services Agreement has a term commencing from 29 June 2016 and ending on 31 December 2018. The fees to which the Company is entitled to under the Master Financial Services Agreement is the commission, brokerage and other related fees payable by the CMI Entities to the Group under the Master Financial Services Agreement (including but not limited to commission fees, deposit and withdrawal fees and collection fees), determined after arm's length negotiations between the Company and the CMI Entities based on the volume of the brokerage services and at such rates that are at or no less than the prevailing rates charged by the Licensed Subsidiaries to other customers who are independent from the CMI Entities.

Pursuant to the resolutions passed at the extraordinary general meeting of the Company on 28 October 2016, the revised annual caps for the maximum amount of fees payable by the CMI Entities to the Company under the Master Financial Services Agreement for the three years ending 31 December 2018 are HK$28 million, HK$70 million and HK$80 million, respectively.

During the year ended 31 December 2017, the total fees paid by the CMI Entities to the Company were approximately HK$1,119,000 (2016: HK$13,218,000).

The independent non-executive Directors have reviewed and confirmed that the continuing connected transaction above has been entered into:

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

(b) on normal commercial terms or better; and

(c) according to the agreement governing them, on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transaction in accordance with Hong Kong Standard on Assurance Engagements HKSAE 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transaction disclosed by the Group above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Connected Transaction

On 6 November 2017, the Company entered into the office sharing agreement (the "Office Sharing Agreement") with AMTD Strategic Capital Limited as the licensor (the "Licensor"), pursuant to which the Licensor has agreed to grant the Company a license to occupy and use certain areas within the premises with a gross floor area of approximately 3,609.50 square feet located at suites 1301–02 and 1306–09, 13/F, AIA Central, 1 Connaught Road, Central, Hong Kong with a gross floor area of approximately 9,963 square feet (the "Premises") for a term of ten months commencing on 1 January 2017 and expiring on 31 October 2017.

The Licensor was a sub-leasee of the Premises pursuant to a separate sub-leasing agreement. The Directors are of the view that the entering into the Office Sharing Agreement by the Company with the Licensor would allow the Group to make use of an office premise located at a prime business area of Hong Kong at market price, which is advantageous to the Group. The increase in licensed area of the Premises is also in line of the Company's growing businesses in Hong Kong.

The license fees and service charges payable by the Company to the Licensor included:

(1) License fees: approximately HK$718,000 per month for the period between 1 January 2017 to 31 August 2017; and approximately HK$1,983,000 per month for the period between 1 September 2017 to 31 October 2017

(2) Management service charges: approximately HK$78,000 per month for the period between 1 January 2017 to 31 August 2017; and approximately HK$214,000 per month for the period between 1 September 2017 to 31 October 2017 (including all rates and management fees, but excluding water, electricity and other charges)

(3) Other fees: not more than approximately HK$150,000 for the entire term

The Licensor is an indirect wholly-owned subsidiary of AMTD Group Company Limited, which is an associate of China Minsheng Investment Corporation Limited, the ultimate holding company of the Company. As such, the Licensor is an associate of China Minsheng Investment Corporation Limited and thus a connected person of the Company. The entering into of the Office Sharing Agreement therefore would constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

During the year ended 31 December 2017, the total fees paid by the Company to the Licensor were approximately HK$10,811,000.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated 6 November 2017 for further details.

Advance to an Entity

Reference is made to the announcements of the Company dated 31 May 2016 and 9 October 2017 (the "Announcements"), and capitalised terms used in this section shall have the meanings as those defined in the Announcements.

On 31 May 2016, the Lender, a subsidiary of the Company, entered into the Loan Agreement with the Borrower, pursuant to which the Lender has agreed to provide the Term Loan to the Borrower. The interest of the Term Loan is at 10% per annum payable quarterly, and the Borrower shall repay the Term Loan, all unpaid interest accrued thereon and any other amounts due but unpaid under the Loan Agreement in full on the Maturity Date. The obligation of the Borrower under the Term Loan is (i) secured by a ship mortgage in respect of an oil and chemical tanker owned by the Borrower and a ship mortgage in respect of an oil and chemical tanker owned by Gaocheng, a wholly-owned subsidiary of the Borrower; and (ii) guaranteed by the Corporate Guarantee and the Personal Guarantee.

As the Term Loan has matured on 31 May 2017, the New Lender, another subsidiary of the Company, the Original Lender and the Borrower entered into the Amendment And Restatement Deed on 9 October 2017, pursuant to which (i) the Original Lender shall novate the Term Loan to the New Lender; and (ii) the Loan Agreement shall be amended to, amongst others, extend the maturity date of the Term Loan to the Extended Maturity Date, with effect from 31 May 2017. The interest rate of the Term Loan during the extended term from 1 June 2017 is at 10% per annum payable quarterly in advance. The Borrower has paid to the New Lender interest in the aggregate amount of HK$47,000,000 for the extended term.

Please refer to the Announcements for further details of the Term Loan.

INDEMNITY OF DIRECTORS

The Company has maintained appropriate Directors and officers liability insurance and such permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the year.

EMOLUMENTS OF DIRECTORS AND THE FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the highest paid individuals of the Group are set out in notes 8 and 9 to the consolidated financial statements.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2017, so far as was known to the Directors, the following persons, other than the Directors and chief executive of the Company, had an interest or short position in the shares and underlying shares of the Company, which were required to be recorded in the register maintained by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the shares and underlying shares of the Company

Name	Capacity in which ordinary shares were held	Number of ordinary shares	Percentage of the issued share capital *(Note (d))*
China Minsheng Investment Corporation Limited	Interests of a controlled corporation *(Note (a))*	14,464,590,000	50.00%
CMI Financial Holding Company Limited	Beneficial owner *(Note (a))*	14,464,590,000	50.00%
China Minsheng Asia Asset Management Company Limited (formerly known as Minsheng (Shanghai) Assets Management Company Limited)	Interests of a controlled corporation *(Note (a))*	14,464,590,000	50.00%
VMS Investment Group Limited	Investment Manager *(Note (b))*	2,389,910,000	8.26%
VMS Holdings Limited	Interests of a controlled corporation *(Note (b))*	2,389,910,000	8.26%
New Jargon Limited	Interests of a controlled corporation *(Note (b))*	2,389,910,000	8.26%
Gold Legend Global Limited	Beneficial owner *(Note (b))*	2,389,910,000	8.26%
Mak Siu Hang Viola	Interests of a controlled corporation *(Note (b))*	2,389,910,000	8.26%
Wanzaixingjun Investment Center (Limited Partnership)	Beneficial owner *(Note (c))*	1,993,600,000	6.89%
Yan Mengxiang	Investment Manager *(Note (c))*	1,993,600,000	6.89%

(a) The shares of the Company are held by CMI Financial Holding Company Limited, which is wholly owned by China Minsheng Asia Asset Management Company Limited (formerly known as Minsheng (Shanghai) Assets Management Company Limited). China Minsheng Asia Asset Management Company Limited (formerly known as Minsheng (Shanghai) Assets Management Company Limited) is wholly owned by China Minsheng Investment Corporation Limited.

(b) The interests in shares represent the shares acquired by Gold Legend Global Limited, which is wholly owned by New Jargon Limited, which is wholly owned by VMS Investment Group Limited, which is wholly owned by VMS Holdings Limited and which in turn is wholly-owned by Ms. Mak Siu Hang Viola. All these companies and Ms. Mak Siu Hang Viola are deemed under the SFO to be interested in such shares.

(c) Mr. Yan Mengxiang is deemed to be interested in the 1,993,600,000 shares as he holds 75% of the issued share capital of Wanzaixingjun Investment Center (Limited Partnership).

(d) The percentage has been calculated based on the total number of 28,928,719,250 ordinary shares of the Company in issue as at 31 December 2017.

Save as disclosed above, the Directors and the CEO are not aware that there is any party who, as at 31 December 2017, had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be 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 of general meetings of the Company or substantial Shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

RIGHTS TO ACQUIRE COMPANY'S SECURITIES

Other than as disclosed under the sections "Share Options" and "Directors' and Chief Executives' Interests and/or Short Positions in Shares, Underlying Shares and Debentures of the Company of Any Specified Undertaking of the Company or Any Other Associated Corporation" above, at no time during the year was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

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 year.

RETIREMENT BENEFITS

The Group did not operate any retirement scheme up to 30 November 2000. With effect from 1 December 2000, MPF Scheme has been set up for employees, including executive Directors of the Company, in Hong Kong, in accordance with the Mandatory Provident Fund Scheme Ordinance (the "MPF Ordinance"). Under the MPF Scheme, the Group's contributions are at 5% of employees' relevant income as defined in the MPF Ordinance up to a maximum of HK$1,500 per employee per month. The employees also contribute a corresponding amount to the MPF Scheme from 31 December 2000. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

COMPETING INTERESTS

None of the Directors and their respective close associates (as defined under the Listing Rules) had any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group during the year and up to the date of this report.

EMOLUMENT POLICY

The emolument policy of the employees and senior management of the Group is set up by the remuneration committee of the Company (the "Remuneration Committee") on the basis of their merit, qualifications and competence.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to market competitiveness, individual performance and achievement.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in note 33 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2017, the revenue attributable to the five largest customers of the Group accounted for less than 30% of the Group's total revenue. The Group is a provider of financial services. In the opinion of the Board, it is therefore of no value to disclose details of the Group's suppliers.

None of the Directors or any of their close associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any beneficial interest in the Group's 5 largest customers or suppliers.

CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" section of this annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors throughout the year ended 31 December 2017, there was a sufficiency of public float the Company's securities as required under the Listing Rules.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

As disclosed in the Company's announcement on 21 March 2018, a wholly owned subsidiary of the Company ("Subscriber"), together with other subscribers and eToro Group Ltd. ("eToro") have entered into the Share Purchase Agreement; and the Subscriber and eToro have entered into the Joinder Agreement, pursuant to which the Subscriber has agreed to subscribe for and eToro has agreed to allot and issue to the Subscriber, in tranches, the 1,216,248 Class E preferred shares of eToro for an aggregate consideration of US$50,000,000. eToro is principally engaged in social trading and provision of online investment platform of a wide array of assets classes.

Save as disclosed above, the Group had no significant events after the reporting period and up to the date of this report.

AUDITOR

RSM Hong Kong resigned as auditor of the Group upon signing the Auditor's Report of the 2015 financial statements. PricewaterhouseCoopers was appointed as auditor of the Group with effect from 30 June 2016 to fill the vacancy and their appointment was also approved by the Shareholders at the annual general meeting held in 2016.

At the annual general meeting held in 2017, PricewaterhouseCoopers was re-appointed as auditor of the Group to hold office until the 2018 AGM.

The financial statements for the year ended 31 December 2017 have been audited by PricewaterhouseCoopers who will retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Group will be proposed at the coming 2018 AGM.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process and internal controls of the Group. The Audit Committee currently comprises Mr. Chen Johnny (chairman), Mr. Lyu Wei, Mr. Ling Yu Zhang and Dr. Guan Tao. The Audit Committee has reviewed and discussed with the management and the external auditor financial reporting matters including the annual results for the year ended 31 December 2017.

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

By order of the Board
China Minsheng Financial Holding Corporation Limited
Chen Guogang
Chairman

Hong Kong, 23 March 2018

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and code provisions ("Code Provisions") set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules on the Stock Exchange.

Throughout the year ended 31 December 2017, the Company has complied with most of the Code Provisions of the CG Code, save for the deviation of the Code Provisions A.4.1, E.1.2 and A.6.7 which are explained below.

Code Provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. Except Mr. Lyu Wei, as the independent non-executive Director, all the non-executive Directors and the remaining independent non-executive Directors are appointed for a specific term of three years. Although Mr. Lyu Wei is not appointed for a specific term, the Company believes that as all Directors are subject to retirement by rotation and re-election at the annual general meeting at least once for every three years pursuant to the Articles, such practice meets the same objective and is no less exacting than those prescribed under Code Provision A.4.1.

Under the Code Provision E.1.2 of the CG Code, the Chairman should attend the annual general meeting and he should also invite the chairman of the audit, remuneration, nomination and any other committees (as appropriate) to attend. In addition, under the Code Provision A.6.7 of the CG Code, independent non-executive Directors and other non-executive Directors should attend general meetings and develop a balanced understanding of the views of the Shareholders. During the year ended 31 December 2017, the annual general meeting was held on 30 June 2017, and the whole Board and the auditor of the Company responsible for the audit of the Company's financial statements for the year ended 31 December 2016 have attended the meeting to answer questions of the Shareholders except that Mr. Chen Guogang, Mr. Ni Xinguang, Mr. Li Huaizhen and Mr. Lyu Wei could not attend the annual general meeting due to other business engagements but they have appointed the other attending Directors as their representative at the meeting to answer questions of the Shareholders.

BOARD OF DIRECTORS

Functions and role

The Board has overall responsibility in formulating the strategic development of the Group, monitoring and controlling the Company's operation and financial performance. All the appointed Directors are subject to rotation for re-appointment at the annual general meeting, and each of the Directors is subject to retirement by rotation at least once every three years. Appropriate and sufficient information was provided to each of the Directors to keep abreast of his responsibilities as a Director and of the conduct, business activities and development of the Company.

The independent non-executive Directors are expressly identified in all corporate communications such as circular, announcement or relevant corporate communications in which the names of Directors are disclosed. Each of the independent non-executive Directors has filed an annual confirmation to the Company confirming their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors meet the independent guideline set out in Rule 3.13 of the Listing Rules and are independent.

To the best knowledge of the Company, there is no financial, business, family relationship among the members of the Board as at 31 December 2017. All of them are free to exercise their individual judgment.

Composition

As at the date of this Report, the Board comprises eight Directors, of which three are executive Directors, one is non-executive director and four are independent non-executive directors. One of the four independent non-executive directors possesses appropriate professional accounting qualifications and financial management expertise, which complies with the requirement of the Listing Rules. The Directors' respective biographical information is set out in this annual report under the heading "Directors' Profiles" and the names of current Directors on Board and their positions are as follows:

Name of Directors	Position
Executive Directors	
Mr. Chen Guogang	Chairman
Mr. Wang Dongzhi	CEO
Mr. Ni Xinguang	Vice Chairman
Non-executive Directors	
Mr. Ma Jianting	
Independent Non-executive Directors	
Mr. Chen Johnny	
Mr. Lyu Wei	
Mr. Ling Yu Zhang	
Dr. Guan Tao	

The Board held fourteen Board meetings (including four regular Board meetings) during the financial year ended 31 December 2017. Appropriate and sufficient information was provided to the Board in a timely manner for their review before the meetings. Attendance of individual Directors at Board meetings is set out in the section of "Attendance of Board Meetings, Audit Committee Meetings, Nomination Committee Meetings, Remuneration Committee Meetings and Annual General Meeting in 2017".

Chairman and CEO

The positions and roles of Chairman and CEO are held and performed separately by two individuals to ensure their respective independence, accountability and responsibility. Mr. Chen Guogang, the Chairman, is responsible for the leadership of the Board, and oversees the business development of the Company and its subsidiaries including strategic and corporate development. On 8 May 2017, Mr. Wang Sing resigned as the CEO and Mr. Chen Guogang, has been appointed to replace Mr. Wang Sing as the CEO on the same date. On 21 November 2017, Mr. Chen Guogang has been re-designated as the Chairman, Mr. Wang Dongzhi, has been re-designated as the CEO on the same date. Mr. Wang Dongzhi, the CEO, is responsible for the management of day-to-day operation of the Group.

Board Practices

The Board, led by the Chairman, is responsible for overall management of the Company's business, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. One of the important roles of the Chairman is to provide leadership to the Board to ensure that the Board acts in the best interests of the Group. The Chairman shall ensure that the Board works effectively and discharges its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. All Directors have been consulted about any matters proposed for inclusion in the agenda. The Chairman has delegated the responsibility for drawing up the agenda for each Board meeting to the company secretary of the Company (the "Company Secretary"). With the support of executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner. Fourteen Board meetings (including four regular Board meetings) were held during the year for facilitating the function of the Board. The Board believes that the Board meetings held during the financial year were adequate to cover all major issues during the year. In any event all Directors were available for consultation by management from time to time during the year.

The Board also reserves for its decisions on all major matters of the Company, including: the approval and monitoring of major policy matters, overall strategies and annual budgets and business plans, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information and other significant financial and operational matters.

Management is responsible for the day-to-day operations of the Group under the leadership of the CEO. The CEO, working with the management team, is responsible for managing the businesses of the Group including implementation of strategies adopted by the Board and assuming full accountability to the Board for the operations of the Group. All Directors have made full and active contribution to the affairs of the Board and the Board always acts in the best interests of the Group. Apart from the regular Board meetings, the Chairman may hold meetings with the independent non-executive Directors without the presence of executive Directors.

In order to ensure that the Board is able to fulfill its responsibilities, the Board has established and delegated specific responsibilities to the Audit Committee, Nomination Committee and Remuneration Committee. The details of the committees are stipulated on pages 32 to 35 of this report.

Sufficient formal notice of every regular Board meeting is given to all Directors to give them the opportunity to attend. Board papers are circulated not less than three days before the Board meetings to enable the Directors to make informed decisions on matters to be raised at the Board meetings. The Company Secretary shall attend all regular Board meetings to advise on corporate governance, statutory compliance, accounting and financial matters when necessary. Directors shall have full access to information on the Group and are able to seek independent professional advice whenever deemed necessary. The Company Secretary shall prepare minutes and keep records of matters discussed and decisions resolved at all Board meetings. Draft and final versions of Board minutes have been sent to all Directors for their comment and records respectively within a reasonable time after the board meeting.

Appropriate insurance cover on Directors' and officers' liabilities has been in force to protect the Directors and officers of the Group from their risk exposure arising from the businesses of the Group.

The joint Company Secretaries, Mr. Wong Choi Chak and Mr. Pak Chung Yin (appointed on 11 January 2017 and resigned on 16 February 2018), are responsible to the Board for ensuring that Board procedures are followed and that the Board is fully briefed on all legislative, regulatory and corporate governance developments and has regarded to them when making decisions. The Company Secretary is also responsible for advising the Board on the Group's compliance with the continuing obligations of the Listing Rules, Codes on Takeovers and Mergers and Share Repurchases, Companies Ordinance, Securities and Futures Ordnance and other applicable laws, rules and regulations. During the year ended 31 December 2017, Mr. Wong Choi Chak undertook not less than 15 hours of professional training to update his skills and knowledge.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors, including non-executive Director and independent non-executive Directors, should keep abreast of their collective responsibilities as Directors and of the business and activities of the Group. Each newly appointed Director would receive a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he is sufficiently aware of his responsibilities under the Listing Rules and other relevant regulatory requirements. The Group also provides briefings and other training to develop and refresh the Directors' knowledge and skills, and update all Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirement to ensure compliance and to enhance their awareness of good corporate governance practices.

During the year ended 31 December 2017, the Directors participated in the continuous professional developments in relation to regulatory update, the duties and responsibility of the Directors and the business of the Group in the following manner:

Name of Directors	Attended Seminars or Briefing/Read Materials
Executive Directors	
Mr. Chen Guogang	✓
Mr. Wang Dongzhi	✓
Mr. Liu Tianlin	✓
Mr. Wang Sing	✓
Mr. Ni Xinguang	✓
Ms. Feng Xiaoying	✓
Non-executive Directors	
Mr. Li Huaizhen	✓
Mr. Ma Jianting	✓
Independent Non-executive Directors	
Mr. Chen Johnny	✓
Mr. Lyu Wei	✓
Mr. Thaddeus Thomas Beczak	✓
Mr. Ling Yu Zhang	✓
Dr. Guan Tao	✓

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company for each financial period which gives a true and fair view of the financial position of the Group and financial performance and cash flows for that period and ensure that they are prepared in accordance with statutory requirements and applicable accounting standards. With the assistance of the Company Secretary, the Directors also ensure the publication of the consolidated financial statements of the Group in a timely manner.

The report of the external auditor of the Company, PricewaterhouseCoopers, with regard to their reporting responsibilities on the Company's consolidated financial statements is set out in the Independent Auditor's Report on pages 58 to 64 of this annual report.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. All the Directors have confirmed, following specific enquiries made by the Company, that they have complied with the required standard as set out in the Model Code throughout the year ended 31 December 2017.

AUDIT COMMITTEE

Composition

The Company established an Audit Committee in 1999. It has written terms of reference in compliance with the CG Code. The Audit Committee consists of four independent non-executive Directors, namely Mr. Chen Johnny (chairman), Mr. Lyu Wei, Mr. Ling Yu Zhang and Dr. Guan Tao respectively. The composition and members of the Audit Committee complies with the requirements under Rule 3.21 of the Listing Rules. The Audit Committee meets twice a year on a half year basis, or more frequently if required.

Functions and Role

The primary functions of the Audit Committee are, inter alias, to assist the Board in fulfilling its overseeing responsibilities with respect to maintaining appropriate relationship with external auditor, and, to review the annual and interim report and other financial information provided by the Company to its shareholders, the public and other matters within the scope of the terms of reference. On 30 December 2015, the Board adopted a set of the revised terms of reference of the Audit Committee in line with the newly Listing Rules requirement in relation to the amendments to the corporate governance code and corporate governance report effective from 1 January 2016. The revised terms of reference setting out the Audit Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

In discharging its responsibilities, the Audit Committee performed the following work during the year of 2017:

(i) reviewed the effectiveness of audit process in accordance with applicable standards;

(ii) reviewed the consolidated financial statements and reports and the change in accounting principles and policies and assessment of potential impacts on the Group's consolidated financial statements;

(iii) reviewed the Group's risk management and internal control systems and discussed the relevant issues including financial, operational and compliance controls; and

(iv) reviewed the internal control matters reported by internal auditor and external auditor and ensure the Board will provide a timely response to the issues raised therein.

During the year ended 31 December 2017, six Audit Committee meetings were held and the record of attendance of individual member is listed out on page 36 of this annual report.

NOMINATION COMMITTEE

Composition

The Nomination Committee has been established with a defined terms of reference in consistent with the CG Code on 30 March 2012. The Nomination Committee consists of four independent non-executive Directors, namely Mr. Lyu Wei (chairman), Mr. Chen Johnny, Mr. Ling Yu Zhang and Dr. Guan Tao. The Nomination Committee meets at least once a year.

Functions and Role

The primary duties of the Nomination Committee are, inter alias, reviewing the structure, size and composition of the Board, making recommendations to the Board on Board succession, identifying individuals suitably qualified to become Board members and assessing the independence of independent non-executive Directors. On 24 September 2013, the Board adopted a set of the revised terms of reference of the Nomination Committee in line with the newly Listing Rules requirement in relation to board diversity effective from 1 September 2013 (The Board adopt a set of newly revised term of reference of the Nomination Committee on 23 March 2017). The revised terms of reference setting out the Nomination Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange.

The Nomination Committee is responsible for making recommendations to the Board on nomination and appointment of Directors and Board succession, with a view to appoint to the Board individuals with suitable experience and capabilities to maintain and improve the competitiveness of the Company.

Where vacancies on the Board exist, the Nomination Committee will carry out the selection process by making reference to the skills, past experience, qualifications, professional knowledge, personal integrity and time commitments of the proposed candidates, including the independence status in the case of an independent non-executive Director, the Board Diversity Policy, the Company's needs and other relevant statutory requirements and regulations. During the year ended 31 December 2017, Mr. Chen Guogang was appointed as the CEO and an executive Director. Mr. Thaddeus Thomas Beczak resigned as an independent non-executive Director. Mr. Ling Yu Zhang and Dr. Guan Tao were appointed as independent non-executive Directors. Mr. Wang Dongzhi was appointed as the First Deputy CEO and an executive Director. Mr. Li Huaizhen resigned as the Chairman and non-executive Director. Mr. Chen Guogang was re-designated as the Chairman and Mr. Wang Dongzhi was re-designated as the CEO. Mr. Ma Jianting was appointed as a non-executive Director.

During the year ended 31 December 2017, seven Nomination Committee meetings were held for, inter alia, considering the retirement and re-election of the Directors at the annual general meeting, the appointment of Mr. Chen Guogang as the First Vice Chairman, CEO and an executive Director and his re-designation as the Chairman, the appointment of Mr. Wang Dongzhi as the First Deputy CEO and an executive Director and his re-designation as the CEO, the re-designation of Mr. Ni Xinguang from a non-executive Director to an executive Director, the appointment of Mr. Ma Jianting as a non-executive Director, the appointment of Mr. Ling Yu Zhang and Mr. Guan Tao as the independent non-executive Directors and the respective appointments of the Directors as the chairman or members of the committees of the Board. The record of attendance of individual member is listed out on page 36 of this annual report.

REMUNERATION COMMITTEE

Composition

The Remuneration Committee had been established with written terms of reference in compliance with the CG Code. The Remuneration Committee members consists of four independent non-executive Directors, namely Mr. Chen Johnny (chairman), Mr. Lyu Wei, Mr. Ling Yu Zhang and Dr. Guan Tao respectively. Mr. Ling Yu Zhang and Dr. Guan Tao have been appointed as members of the Remuneration Committee on 15 July 2017. The Remuneration Committee meets at least once a year.

Functions and Role

The primary objectives of the Remuneration Committee include determining the remuneration policy, structure and remuneration packages of the Directors and senior management and make recommendations to the Board, and other related matters. The Remuneration Committee is responsible for establishing transparent procedures to develop such remuneration policy and structure which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions. The terms of reference setting out the Remuneration Committee's authority, duties and responsibilities are available on both the websites of the Company and the Stock Exchange. On 23 March 2017, the Board adopted a set of the revised term of reference of the Remuneration Committee. The revised term of reference setting out the Remuneration Committee's authority duties and responsibility are available on both the websites of the Company and the Stock Exchange. The Remuneration Committee has adopted the operation model where it performs an advisory role to the Board, with the Board retaining the final authority to approve the remuneration packages of individual executive Directors and senior management.

The Remuneration Committee are responsible for reviewing the market conditions, time commitment, responsibilities, performance of individuals and any other relevant information and propose to the Board for consideration and approval. None of the executive Directors can determine his own remuneration.

During the year ended 31 December 2017, seven Remuneration Committee meetings were held to review the existing remuneration policy and structure of Company, to review and recommend the remuneration of executive Directors and senior management for Board approval and to recommend the remuneration of Mr. Chen Guogang, the newly appointed executive Director and CEO (subsequently re-designated as the Chairman), Mr. Ling Yu Zhang and Dr. Guan Tao, the newly appointed independent non-executive Directors, Mr. Wang Dongzhi, the newly appointed executive Director and First Deputy CEO (subsequently re-designated as the CEO) and Mr. Ma Jianting, the newly appointed non-executive Director for Board approval. The record of attendance of individual member is listed out on page 36 of this annual report.

Emolument Policy

The emolument policy of the employees and senior management of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors are recommended by the Remuneration Committee, having regard to market competitiveness, individual performance and achievement, for the Board approval.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees.

BOARD DIVERSITY POLICY

On 9 July 2013, the Company has adopted a board diversity policy (the "Policy") setting out the approach to achieve and maintain diversity on the Board in order to enhance the effectiveness of the Board.

Pursuant to the Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and education background, ethnicity, professional experience, skills, knowledge and length of service.

The Board will consider to set measurable objectives to implement the Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

During the year ended 31 December 2017, the Nomination Committee has reviewed the Policy to ensure its continued effectiveness.

CORPORATE GOVERNANCE FUNCTION

All members of the Board are responsible for performing the corporate governance functions. The terms of reference of corporate governance functions was adopted by the Board at the Board meeting held on 30 March 2012 and is in compliance with paragraph D3.1 of the CG Code. During the year ended 31 December 2017, the Board has reviewed the policy of the corporate governance of the Company and the corporate governance report.

ATTENDANCE OF BOARD MEETINGS, AUDIT COMMITTEE MEETINGS, NOMINATION COMMITTEE MEETINGS, REMUNERATION COMMITTEE MEETINGS AND ANNUAL GENERAL MEETING IN 2017

	Attendance/Number of Meetings Held				
	Board	Audit Committee	Nomination Committee	Remuneration Committee	Annual General Meeting held on 30 June 2017
Directors					
Executive Directors:					
Chen Guogang *(Note 1)*	14/14	N/A	N/A	N/A	0/1
Wang Dongzhi *(Note 2)*	3/3	N/A	N/A	N/A	N/A
Ni Xinguang *(Note 3)*	14/14	N/A	N/A	N/A	0/1
Feng Xiaoying *(Note 4)*	13/13	N/A	N/A	N/A	1/1
Liu Tianlin *(Note 5)*	11/11	N/A	N/A	N/A	1/1
Wang Sing *(Note 6)*	6/6	N/A	N/A	N/A	N/A
Zhao Hongbo *(Note 7)*	0/0	N/A	N/A	N/A	N/A
Non-executive Directors:					
Ma Jianting *(Note 8)*	0/0	N/A	N/A	N/A	N/A
Li Huaizhen *(Note 9)*	12/14	N/A	N/A	N/A	0/1
Independent Non-executive Directors:					
Chen Johnny	14/14	6/6	7/7	7/7	1/1
Lyu Wei	14/14	4/6	6/7	6/7	0/1
Ling Yu Zhang *(Note 10)*	4/4	2/2	3/3	3/3	N/A
Guan Tao *(Note 11)*	4/4	1/2	3/3	3/3	N/A
Thaddeus Thomas Beczak *(Note 12)*	7/9	3/3	3/4	3/4	1/1

Notes:

1. Mr. Chen Guogang was appointed as an executive Director on 11 January 2017.
2. Mr. Wang Dongzhi was appointed as an executive Director on 24 July 2017.
3. Mr. Ni Xinguang was re-designated from a non-executive Director to an executive Director on 11 January 2017.
4. Ms. Feng Xiaoying resigned as an executive Director on 9 February 2018.
5. Mr. Liu Tianlin resigned as an executive Director on 24 July 2017.
6. Mr. Wang Sing resigned as an executive Director on 8 May 2017.
7. Mr. Zhao Hongbo resigned as an executive Director on 11 January 2017.
8. Mr. Ma Jianting was appointed as a non-executive Director on 21 November 2017.
9. Mr. Li Huaizhen resigned as a non-executive Director on 21 November 2017.
10. Mr. Ling Yu Zhang was appointed as an independent non-executive Director on 15 July 2017.
11. Mr. Guan Tao was appointed as an independent non-executive Director on 15 July 2017.
12. Mr. Thaddeus Thomas Beczak resigned as an independent non-executive Director on 13 July 2017.

AUDITOR'S REMUNERATION

During the year ended 31 December 2017, the fees paid or payable to external auditor of the Company, PricewaterhouseCoopers were HK$2,285,000 for statutory audit services rendered and HK$970,000 for non-audit services rendered to the Group respectively. The non-audit services included taxation service fee and other advisory services which amounted to HK$864,000 and HK$106,000 respectively.

INVESTOR RELATIONSHIP AND COMMUNICATION

The Company endeavors to maintain good investor relationship with the Shareholders and potential investors by way of annual general meeting, publication of interim and annual reports on the websites of the Company and the Stock Exchange, and timely press releases on the Company's website. A Shareholder's Communication Policy was adopted by the Board on 30 March 2012 aiming at providing the Shareholders and potential investors with ready and timely access to balanced and understandable information of the Company.

Shareholders are encouraged to attend the annual general meetings for which a notice would be served properly. The Chairman and/or Directors are available to answer questions on the Group's business at the meetings. At general meetings, separate resolutions are proposed on each substantial and separate issue such as the election of individual Directors and re-appointment of auditor.

The Company keeps on promoting investor relations and enhancing communication with the existing Shareholders and potential investors. It welcomes suggestions from investors, stakeholders and the public. Enquiries to the Board or the Company may be sent by post to the Company's registered office at Unit A02, 11/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

SHAREHOLDERS' RIGHT

Procedures for Shareholders to Convene an Extraordinary General Meeting

Pursuant to the Hong Kong Companies Ordinance and the Articles, an extraordinary general meeting can be convened by a written request signed by the Shareholders holding not less than one-twentieth of the paid-up share capital of the Company, stating the objects of the meeting, and deposited at the Company's registered office at Unit A02, 11/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.

Procedures for putting forward Proposals at a General Meeting

A Shareholder shall make a written requisition to the Board or the Joint Company Secretaries at the Company's registered office at Unit A02, 11/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, specifying the shareholding information of the Shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

Procedures for Directing Shareholders' Enquiries to the Board

Shareholders may at any time send their enquires and concerns to the Board in writing through the Joint Company Secretaries at the Company's registered office at Unit A02, 11/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong or send email to ir@cm-fin.com.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

CONSTITUTIONAL DOCUMENTS

During the year under review, there was no change in the Company's constitutional documents.

RISK MANAGEMENT AND INTERNAL CONTROL

During the year, the Board complied with the code provisions on risk management and internal control as set out in the CG code. The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and maintaining appropriate and effective risk management and internal control systems for the Group. The systems are designed to manage the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The management of the Company has established a set of comprehensive policies, standards and procedures in areas of operational, financial and risk controls for safeguarding assets against unauthorized use or disposition; for maintaining proper accounting records; and for ensuring the reliability of financial information to achieve a satisfactory level of assurance against the likelihood of the occurrence of fraud and errors.

The Board has overseen the Company's risk management and internal control systems on an ongoing basis. A year end review of the effectiveness of the Company's and its subsidiaries risk management and internal control systems has been conducted annually and the systems are considered to be effective and adequate. The Company also has an internal audit function to carry out the analysis and independent appraisal of the adequacy and effectiveness of the systems, and has procedures in place to keep information confidential and manage actual or potential conflicts of interest. Stringent internal structures have been designed to prevent the misuse of inside information and avoid conflicts of interest.

Mr. Chen Guogang ("Mr. Chen"), aged 58, was appointed as the First Vice Chairman and executive Director on 11 January 2017 and re-designated as Chairman on 21 November 2017. He obtained a doctorate degree in economics from Xiamen University in 1988. Mr. Chen is also a senior accountant granted by the Ministry of Foreign Trade and Economic Cooperation in the People's Republic of China and a certified public accountant granted by China Certified Public Accountant Association.

Mr. Chen is currently the vice-president of CMIG and the chairman of China Minsheng Asia Asset Management Company Limited. He is also a non-executive director of each of Far East Horizon Limited (a company listed on the Stock Exchange, stock code: 3360) and Link Holdings Limited (a company listed on the Stock Exchange, stock code: 8237). Mr. Chen is an independent non-executive director of each of Guotai Junan Securities Co. Ltd. (a company listed on the Stock Exchange, stock code: 2611 and the Shanghai Stock Exchange, stock code: 601211), China Dongxiang (Group) Co., Ltd. (a company listed on the Stock Exchange, stock code: 3818) and YTO Express Group Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 600233).

Mr. Chen joined New China Life Insurance Company Ltd. (a company listed on the Stock Exchange, stock code: 1336) in April 2010 and served as the chief financial officer. He subsequently served as the vice president and chief financial officer of New China Life Insurance Company Ltd. from September 2011 to May 2015. Prior to 2010, Mr. Chen served as a director of each of Sinofert Holdings Limited (a company listed on the Stock Exchange, stock code: 297) and Sinochem International Corporation (a company listed on the Shanghai Stock Exchange, stock code: 600500). Mr. Chen also served as the chief financial officer of Sinochem Group from December 2000 to April 2010, general manager of the finance department of Sinochem Group from June 1999 to December 2000, deputy chief financial officer of Sinochem Group from February 1999 to June 1999, vice president of China International United Petroleum and Chemicals Co., Ltd. from May 1997 to February 1999, vice director of the finance department of Sinochem Group from January 1995 to May 1997, general manager of the petroleum accounting department of Sinochem Group from March 1994 to January 1995, financial manager of its U.S. agrichemical subsidiary (中國中化集團公司美國農化公司) from July 1991 to March 1994.

Mr. Chen has entered into a service contract with the Company for a term of three years with effect from 11 January 2017, provided that either party may terminate such service contract at any time by giving at least three months' notice in writing. Mr. Chen is entitled to a remuneration of HK$600,000 per annum pursuant to the service contract. The Director's fee for Mr. Chen has been approved by the Board and the Remuneration Committee and will be reviewed by the Board and the Remuneration Committee on an annual basis. In accordance with the Articles, Mr. Chen's appointment as an executive Director is subject to retirement by rotation and re-election at the Company's general meeting.

Save as disclosed above, Mr. Chen does not hold any other positions in the Company or any of its subsidiaries and is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Chen did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange or other major appointments or professional qualifications during the three years preceding the date of this report. Save as disclosed above, Mr. Chen does not have any interests or deemed interests in the shares or underlying shares of the Company within the meaning of Part XV of the SFO.

Mr. Wang Dongzhi ("Mr. Wang"), aged 51, graduated from Fudan University with a bachelor degree in International Finance. Mr. Wang has been appointed as president of China Minsheng Future Holding Group Co., Ltd. since October 2016. He previously worked in various positions at China Minsheng Bank during the period from February 2002 to October 2016, including general manager of the Department of Health Business, deputy general manager of the Department of Notes Business, vice president, member of the Party Committee, secretary of the Disciplinary Committee and deputy head of the Branch Preparation Team of Sanya Branch; head of Management Department of the Company Bank Management Bureau of the Beijing Management Division; president of Beijing Nanerhuan Branch; vice president and assistant president of Beijing Chaoyangmen Branch; department manager of the Affair Department of the Company Affair Division 2 of the Beijing Management Division. Mr Wang had also previously served as manager of the International Business Department of Luoyang Branch and president of Kaihai Branch of Bank of Communication, and deputy manager of Luoyang Branch of Bank of China.

Mr. Wang has entered into a service contract with the Company for a term of three years with effect from 24 July 2017, provided that either party may terminate such service contract at any time by giving at least three months' notice in writing. Mr. Wang is entitled to a remuneration of HK$600,000 per annum pursuant to the service contract. The Director's fee for Mr. Wang has been approved by the Board and the Remuneration Committee and will be reviewed by the Board and the Remuneration Committee on an annual basis. In accordance with the Articles, Mr. Wang's appointment as an executive Director is subject to retirement by rotation and re-election at the Company's general meeting.

Save as disclosed above, Mr. Wang does not hold any other positions in the Company or any of its subsidiaries and is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Wang did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange or other major appointments or professional qualifications during the three years preceding the date of this report. Save as disclosed above, Mr. Wang does not have any interests or deemed interests in the shares or underlying shares of the Company within the meaning of Part XV of the SFO.

Mr. Ni Xinguang ("Mr. Ni"), aged 48, was appointed as an executive Director of the Company on 11 January 2017 and was appointed as Vice Chairman on 21 November 2017. He previously served as the Chairman and executive Director from 12 March 2004 until his re-designation as a non-executive Director on 11 December 2015, He re-designated as an executive Director on 11 January 2017. He is also currently a director of Cheong Wa Limited, China Seven Star Group Secretarial Services Limited, China Seven Star Network Financial Management Limited, Cyberspring Limited, China Fame International Investment Limited, Fuzhou Landun Science of Life Co., Ltd., Kailey International Limited, King Respect Limited, Power Giant Limited, Seven Star Shopping Limited, Smart Idea Investment Limited, Top Pro Limited, World Grace Holdings Limited, World Structure Limited, Seven Star Shopping (China) Co., Ltd.* (七星購物(中國)有限公司), Shanghai Seven Star Qiangguan Investment Management Co., Ltd.* (上海七星強冠投資管理有限公司) and 上海七星新能源投資有限公司 which are all subsidiaries of the Company.

Mr. Ni has extensive experience in the retail, distribution and printing business in the People's republic of China. Further to a Diploma in Education, Mr. Ni also has a Degree of Master of Business Administration from the Nanyang Technological University in the Republic of Singapore.

* For identification purposes only

Mr. Ni entered into a service contract with the Company for a period of two years commencing 1 April 2008 which has expired on 31 March 2011. Mr. Ni has not entered into any new written service contract with the Company but is subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Articles. Mr. Ni is entitled to an annual remuneration of HK$840,000 and RMB84,000 with discretionary bonus payment as determined by the Remuneration Committee based on Mr. Ni's and the Company's performance. The remuneration package of Mr. Ni is determined by reference to his duties, responsibilities as well as the Company's remuneration policy and the market benchmark.

Save as disclosed above, Mr. Ni does not hold any other positions in the Company or any of its subsidiaries and is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Ni did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange or other major appointments or professional qualifications during the three years preceding the date of this report. Save as disclosed above, Mr. Ni does not have any interests or deemed interests in the shares or underlying shares of the Company within the meaning of Part XV of the SFO.

Mr. Ma Jianting ("Mr. Ma"), aged 36, was appointed as a non-executive Director on 21 November 2017. Mr. Ma graduated from Shanghai Jiao Tong University with a bachelor's degree in English (Finance and Business), and is a Certified Public Accountant of China. Mr. Ma joined CMIG in June 2017 as a senior manager of the Financial and Accounting Department. In July 2017, he was appointed as the finance director of China Minsheng Asia Asset Management Company Limited. From September 2003 to May 2017, Mr. Ma has worked at the Audit Department in Shanghai office of Ernst & Young Hua Ming LLP and was a senior manager prior to joining CMIG. During these periods, from September 2008 to March 2010, Mr. Ma was assigned to Manchester office of Ernst & Young LLP (United Kingdom) as an Audit Executive.

Mr. Ma has entered into a service contract with the Company for a term of three years with effect from 21 November 2017, provided that either party may terminate such appointment letter at any time by giving at least three months' notice in writing. Mr. Ma is entitled to a remuneration of HK$250,000 per annum. The remuneration package of Mr. Ma is determined by the Board with reference to his duties, responsibilities as well as the Company's remuneration policy and the market benchmark and will be reviewed by the Board on an annual basis.

Save as disclosed above, Mr. Ma does not hold any other positions in the Company or any of its subsidiaries and is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Ma did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange or other major appointments or professional qualifications during the three years preceding the date of this report. Save as disclosed above, Mr. Ma does not have any interests or deemed interests in the shares or underlying shares of the Company within the meaning of Part XV of the SFO.

Mr. Johnny Chen, aged 58, was appointed as an independent non-executive Director on 11 December 2015. Mr. Johnny Chen is also the chairman and member of Audit Committee and Remuneration Committee and member of Nomination Committee. Mr. Johnny Chen is currently an Adjunct Associate Professor of the Department of Finance and the Department of Management at the Hong Kong University of Science and Technology.

Mr. Johnny Chen joined the management of Zurich Insurance Group ("Zurich") in 2005. He worked in Zurich from March 2005 to February 2015 in multiple senior managerial roles in Asia-Pacific region. His last position in Zurich was the chairman of China.

Prior to joining Zurich, Mr. Johnny Chen was an executive member of the Greater-China Management Board and the operating committee of PricewaterhouseCoopers ("PwC"), as well as a managing partner of PwC China's Beijing office.

Mr. Johnny Chen holds a Master of Science Degree in Accounting from the University of Rhode Island and a Bachelor Degree of Accounting from the Johnson & Wales University and is a U.S. certified public accountant.

Mr. Johnny Chen is currently the chairman and executive director of Convoy Global Holdings Limited (a company listed on the Stock Exchange, stock code: 1019). Mr. Johnny Chen is also currently an independent non-executive director of Alibaba Pictures Group Limited (a company listed on the Stock Exchange, stock code: 1060), Stella International Holdings Limited (a company listed on the Stock Exchange, stock code: 1836), Viva China Holdings Limited (a company listed on the Stock Exchange, stock code: 8032), Uni-President China Holdings Ltd. (a company listed on the Stock Exchange, stock code: 220) and China Dongxiang (Group) Co., Ltd. (a company listed on the Stock Exchange, stock code: 3818).

Mr. Johnny Chen has entered into an appointment letter with the Company for a term of three years with effect from 11 December 2015, provided that either party may terminate such appointment letter at any time by giving at least three months' notice in writing. Mr. Johnny Chen is entitled to a remuneration of HK$250,000 per annum. The remuneration package of Mr. Johnny Chen is determined by the Board with reference to his duties, responsibilities as well as the Company's remuneration policy and the market benchmark and will be reviewed by the Board on an annual basis.

Save as disclosed above, Mr. Johnny Chen does not hold any other positions in the Company or any of its subsidiaries and is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Johnny Chen did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange or other major appointments or professional qualifications during the three years preceding the date of this report. Save as disclosed above, Mr. Johnny Chen does not have any interests or deemed interests in the shares or underlying shares of the Company within the meaning of Part XV of the SFO.

Mr. Lyu Wei ("Mr. Lyu"), aged 53, was appointed as an independent non-executive Director on 15 June 2005. Mr. Lyu is also the chairman and member of Nomination Committee, the member of Audit Committee and Remuneration Committee. Mr. Lyu is currently a professor of the Antai College of Economics & Management of Shanghai Jiao Tong University in the PRC. He graduated from the School of Management in Shanghai Fu Dan University with a Ph.D. degree. Mr. Lyu is also a director of Shanghai Guangdian Electric Group Co., Ltd. and an independent non-executive director of Shanghai Lujiazui Finance & Trade Zone Development Co., Ltd., Luolai Lifestyle Technology Co., Ltd., Foshan Electrical And Lighting Co., Ltd, Shandong Wohua Pharmaceutical Co., Ltd. and China Yongda Automobiles Services Holdings Limited (stock code: 3669), all are companies listed on the Shenzhen/Shanghai/Hong Kong Stock Exchange.

Mr. Lyu has not entered into any written service contract with the Company and is not appointed for a specific term but is subject to retirement by rotation and re-election at annual general meeting of the Company in accordance with the Articles. Mr. Lyu is entitled to an annual remuneration of HK$250,000 without any bonus payment. The remuneration of Mr. Lyu is not covered by any service contract. The remuneration package of Mr. Lyu is determined by reference to his duties, responsibilities as well as the Company's remuneration policy and the market benchmark.

Save as disclosed above, Mr. Lyu does not hold any other positions in the Company or any of its subsidiaries and is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Mr. Lyu did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange or other major appointments or professional qualifications during the three years preceding the date of this report. Save as disclosed above, Mr. Lyu does not have any interests or deemed interests in the shares or underlying shares of the Company within the meaning of Part XV of the SFO.

Mr. Ling Yu Zhang ("Mr. Ling"), aged 72, was appointed as an independent non-executive Director on 15 July 2017. Mr. Ling is also the member of Nomination Committee, Audit Committee and Remuneration Committee. Mr. Ling graduated from the Department of Mechanical Engineering of Beijing Institute of Technology and is a Senior Economist. Mr. Ling has more than 40 years of experience in the automobile and mechanical industry. Mr. Ling has been appointed as Vice director of Provincial Machinery and Industry Department in Fujian, Chairman of Fujian Motor Industry Group Company and member of the 9th committee of the Chinese People's Political Consultative Conference in Fujian. Mr. Ling had also previously served as an independent non-executive director of the Company for five years. Mr. Ling is a director of Fujian Newchoice Pipe Technology Co., Ltd., a company listed on the Shenzhen Stock Exchange.

Mr. Ling has entered into a service contract with the Company for a term of three years with effect from 15 July 2017, provided that either party may terminate such appointment letter at any time by giving at least three months' notice in writing. Mr. Ling is entitled to a remuneration of HK$250,000 per annum. The remuneration package of Mr. Ling is determined by the Board with reference to his duties, responsibilities as well as the Company's remuneration policy and the market benchmark and will be reviewed by the Board on an annual basis.

Save as disclosed above, Mr. Ling does not hold any other positions in the Company or any of its subsidiaries and is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the

Company. Save as disclosed above, Mr. Ling did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange or other major appointments or professional qualifications during the three years preceding the date of this report. Save as disclosed above, Mr. Ling does not have any interests or deemed interests in the shares or underlying shares of the Company within the meaning of Part XV of the SFO.

Dr. Guan Tao ("Dr. Guan"), aged 47, was appointed as an independent non-executive Director on 15 July 2017. Dr. Guan is also the member of Nomination Committee, Audit Committee and Remuneration Committee. Dr. Guan is a senior fellow of China Finance 40 Forum, and a member of the Chinese Economists 50 Forum. Dr. Guan is currently an independent director of Minmetals Capital Company Limited (listed on the Shanghai Stock Exchange, stock code: 600390) and Bank of Shanghai Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 601229). Previously, he worked at the State Administration of Foreign Exchange of the People's Republic of China, and was Director-General of the Department of Balance of Payments until 2015. Since 1994, he has been playing an active role in China's exchange rate reform, and published numerous reports and research papers on the subject. Dr. Guan's research focuses on currency convertibility, balance of payments, exchange rate policies and international capital flows. Dr. Guan received a doctorate degree in economics from Beijing Normal University and a master's degree in development economics from Australian National University.

Dr. Guan has entered into a service contract with the Company for a term of three years with effect from 15 July 2017, provided that either party may terminate such appointment letter at any time by giving at least three months' notice in writing. Dr. Guan is entitled to a remuneration of HK$250,000 per annum. The remuneration package of Dr. Guan is determined by the Board with reference to his duties, responsibilities as well as the Company's remuneration policy and the market benchmark and will be reviewed by the Board on an annual basis.

Save as disclosed above, Dr. Guan does not hold any other positions in the Company or any of its subsidiaries and is not connected with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. Save as disclosed above, Dr. Guan did not hold any directorships in any other listed companies on the Stock Exchange and any other stock exchange or other major appointments or professional qualifications during the three years preceding the date of this report. Save as disclosed above, Dr. Guan does not have any interests or deemed interests in the shares or underlying shares of the Company within the meaning of Part XV of the SFO.

The Group is pleased to present our environment, social and governance ("ESG") report ("ESG Report") for the year ended 31 December 2017.

This ESG Report is prepared in accordance with the ESG Reporting Guide under Appendix 27 of the Listing Rules.

This ESG Report highlights the Group's sustainability efforts in environmental and social aspects. For details of our corporate governance, please refer to the "Corporate Governance Report" included on pages 45 to 57 of this annual report.

REPORTING SCOPE

Unless otherwise stated, this ESG Report mainly focuses on asset management services ("Asset management"), securities brokerage services ("Securities brokerage"), investment holding ("Investment holding"), investment banking ("Investment banking"), insurance agency services ("Insurance agency") and other corporate and business activities ("Others") of Hong Kong operation.

STAKEHOLDERS ENGAGEMENT

We strive to create long-term value for our stakeholders. We maintain ongoing dialogue with our major stakeholders, including employees, customers, business partners, shareholders, suppliers, regulatory authorities, government and the community, to understand their expectations and address their concerns. We collect views from stakeholders through different channels such as meetings, interviews and discussions. Through continually listening their feedback, their views are taken account into this ESG Report and are crucial to the disclosure of this ESG Report.

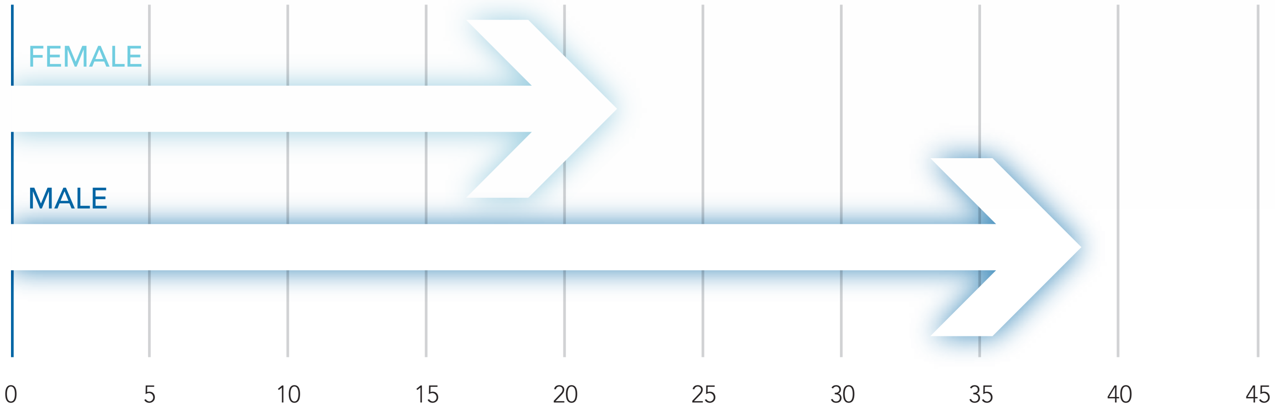
WELCOME YOUR FEEDBACK

We cherish every opinion of our stakeholders and continue to listen to make the disclosure more useful. If you have any opinions, please send your comments or suggestions by email to ir@cm-fin.com.

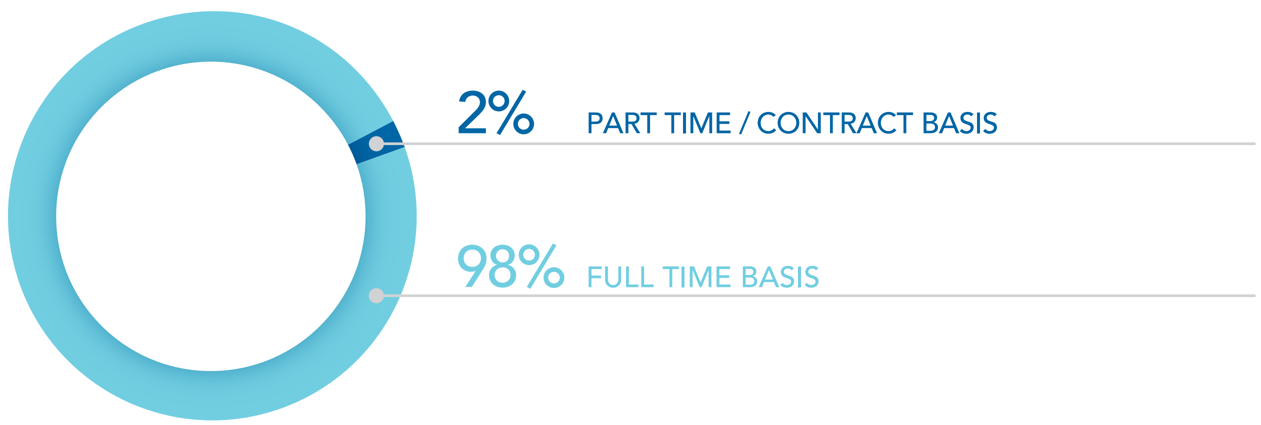
OUR PEOPLE

Employees are valuable assets of the Group. We have a total of 66 employees in Hong Kong as at 31 December 2017. We strive to become a good employer by fully supporting employees on having a healthy work life balance.

EMPLOYEES BY GENDER



EMPLOYEES BY EMPLOYMENT TYPE



EQUAL OPPORTUNITIES AND DIVERSITY

We, an equal opportunity employer, are committed to providing a working environment that is free from any form of discrimination based on ethnicity, gender, creed, religion, age, disability and sexual preference. We do not tolerate any workplace discrimination and will only consider competences, experience and qualifications during the process of recruitment, paying rates, training and development and promotions. Any harassment including sexual harassment is prohibited.

During the year ended 31 December 2017, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.

ATTRACT AND RETAIN TALENT

People are the Group's most valuable assets. We have made effort to attract and retain talents by offering a reasonable remuneration and benefits. The compensation we provided exceeds the mandated requirements. Other than mandatory provident fund, the benefits include five-day work week arrangement, medical and health insurance, paid annual leave, performance bonus and study allowance.

In addition, we review our salary level, benefits and opportunities for promotion regularly to enhance our competitiveness in the market.

HEALTH AND SAFETY

We always put health and safety at workplace as one of our top priorities. We make our best endeavors to provide a healthy and safe work environment in order to protect our employees from occupational hazards, the following key measures have been implemented:

- Regular cleaning of floors, walls, windows, washrooms, air conditioners is carried out to create a hygienic workplace
- Participate the fire drills that organised by property management company periodically to raise awareness of safety
- Maintain adequate ventilation in office to remove or dilute stale air and ensure that office has proper lighting to reduce visual strain and discomfort
- Smoking is prohibited in all enclosed areas within our offices, without exception
- Carry out inspection for any unsafe conditions and fix it immediately
- Providing medical insurance coverage to our employees

During the year ended 31 December 2017, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards. We also did not receive any reports on work-related injuries or causalities during the year ended 31 December 2017.

DEVELOPMENT AND TRAINING

The success of the Group is attributed to employee's ability and enhancing their skills and knowledge through training and development is important to stay competitive in the market. To enhance the Company's value, we offer both internal and external training programs for our people to make sure they are well equipped for accomplishing their tasks.

Our employees are given internal training about the latest relevant regulations and laws regarding on the securities, current market situation, global economic changes and computer software application to ensure that they are able to take up their job duties in the Group. In addition, we also encourage our employees to continue education so as to strengthen their relevant knowledge. Life-long learning initiatives are offered to our staff, including education subsidies and examination leave. Employees are allowed to reimburse relevant examination fee and subscription fee.

LABOUR STANDARDS

We conform strictly to the labour laws and standards of Hong Kong and have adopted a zero-tolerance approach to child labour and forced labour. During the year ended 31 December 2017, we were not aware of any issue or risk associated with child labour or forced labour of the Company.

SUPPLY CHAIN MANAGEMENT

We adhere to all applicable local laws and regulations during our operation. We aim at establishing long term and mutually beneficial relationships with our suppliers. We take environment and society into account in our business operation.

In the meanwhile, we have adopted a green procurement practices including but not limited to upholding integrity, treating their employees fairly, adapting a zero-tolerance approach to child labour and force labour and protecting the environment. During the year ended 31 December 2017, we were not aware that any key suppliers had any significant negative impact on business ethics, environmental protection, human rights and labour practices, nor any of them had any non-compliance incident in respect of human rights issues.

PRODUCT RESPONSIBILITY

For financial services business, we did not have material impact over health and safety and advertising labelling that relating to our product and service.

Instead, we have to comply with the requirements under the Companies Ordinance, the Listing Rules and the SFO for the disclosure of information and corporate governance.

We attach great importance to the protection of client information security, and requires all business departments, branches and subsidiaries to protect client information security strictly complying with the relevant requirements. We adhere to the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) and all collected customer information will only be used for business purposes and will be kept confidential.

During the year ended 31 December 2017, the Group has had no non-compliance cases regarding violations of the Personal Data (Privacy) Ordinance and we were not aware of any non-compliance with relevant rules and regulations for the year ended 31 December 2017.

In addition, to protect the legal interests of investors and fulfill the responsibility of protecting investors, policies and procedures have been established in handling investors' complaints. The policies has specified the division of responsibilities for clients' complaints, complaints handling mechanism, emergency complaints handling mechanism and the responsibility investigation for complaints handling.

CULTURE OF INTEGRITY

To maintain a fair, ethical and efficient business and working environment, the Group strictly adheres to the laws and regulations relating to anti-corruption and bribery irrespective of the area or country where the Group is conducting business such as Hong Kong's Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong). We will not tolerate any form of corruption. All employees are expected to discharge their duties with integrity and self-discipline, and they are required to abstain from engaging in bribery, extortion, fraud and money laundering activities or any activities which might exploit their positions against the Group's or client's or impair their interests.

Whistle-blowers can report verbally or in writing to immediate supervisor or Audit Committee members for any suspicious activities including any request, receipt or acceptance of any forms of benefits from any persons, companies or organisations having conflict of interest with the Group and misconduct behaviours which are related to bribery, extortion, fraud and money-laundering. The Group advocates a confidentiality mechanism to protect the whistle-blowers from fear of threatens and any disadvantage to the whistleblowers' employment relationship.

During the year ended 31 December 2017, no case in relation to bribery, extortion, fraud and money laundering was reported.

COMMUNITY INVOLVEMENT

We place great emphasis on cultivating social responsibility awareness among our staff and encourage them to participate in charitable activities. During the year ended 31 December 2017, we have sponsored HK$20,000 for MSF Film Festival that was organised by Medecins Sans Frontieres. MSF Film Festival serves as an important reminder that restrictions on independent humanitarian assistance, and unnecessary death and suffering are no relics of the past, but major challenges nowadays. They inspire us every day and we would like to inspire our staff in the same way.

We have also joined the Used Book Recycling Campaign of World Vision for the year ended 31 December 2017. Staff members are encouraged to donate their used books to support Tianjin Wuqing Children Rehabilitation Centre to provide rehabilitative training and special education for children with disabilities. This event raised awareness of recycling as well as bringing hope to children with disabilities. Apart from book recycling, we have also joined mooncake box recycling to raise staff awareness for reducing waste.

In addition, we have participated Konica Minolta Green Concert 2017 with power generated from the "VR Power Challenge" aiming to spread the message of environmental protection and raise fund for amputees.


柯尼卡美能達
綠色音樂會
KONICA MINOLTA
佳明集團
柯尼卡美能達綠色音樂會
KONICA MINOLTA GREEN CONCERT 2017
VR


柯尼卡美能達
綠色音樂會
柯尼卡美能達綠色音樂會
KONICA MINOLTA GREEN CONCERT 2017
VR

ENVIRONMENTAL PROTECTION

As a responsible corporate citizen, we pay attention to sustainability and the global climate change during business development. Notwithstanding the fact that we are an office-based with no significant impact on environment, we keep an eye on the amount of emissions we produce in response to the rising concerns about global warming.

Our operations were in strict compliance with relevant laws and regulations related to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste in Hong Kong and PRC during the year ended 31 December 2017. We do not have any significant impact on the environment and natural resources.

We are committed to operating in compliance with applicable environmental laws and regulations in all material respects and protecting the environment by minimising the negative impact of the Group's existing business activities on the environment. During the year ended 31 December 2017, the Group was not aware of any incidents of non-compliance with laws and regulations that have a significant impact on the Group relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

We realised that the key resource consumed by the Group is paper. To minimise the use of paper, we have put great efforts described as below:

— Promotion of "think before you copy" attitude
— Set duplex printing as the default mode for most network printers
— Adoption of electronic reimbursement system to reduce use of paper
— Place boxes and trays beside photocopiers as containers to collect single-sided paper for reuse and used paper for recycling

Given the nature of the Group's principal activities for the year ended 31 December 2017, the Group's operation did not give rise to any material adverse impacts on the environment. The Green House Gas ("GHG") emission from the Group is mainly generated from its purchased electricity consumed by the daily operation. During the year ended 31 December 2017, our total electricity consumption is 97,324.27 KWh, representing 61.85 KWh per floor area.

GHG EMISSIONS

Scope 1[1]: 0 tonnes CO_2 equivalent
Scope 2[2]: 76.89 tonnes CO_2 equivalent

1 Scope 1 emissions refer to direct emissions from mobile combustion of vehicles
2 Scope 2 emissions refer to indirect emissions from purchased electricity

We promote energy conversation by using various efficient measures, including:

- Promoting 4Rs including Reduce, Reuse, Recycle and Replace
- Setting air conditioning at 25 Degree Celsius
- Installed lighting fixtures with LED lighting or T5 fluorescent tubes, with certain rooms containing motion sensors for automatic shut- offs when idle
- Installed high-performance electrical equipment including air conditioning and electricity systems within EMSD Energy Efficient Registration Scheme standards
- Switching off idle electronic appliances
- Deploying natural light and use energy-saving lightings
- Drinking water dispensers are set with a timer for automatic shut-off for water boiling after office hours or fall within the Hong Kong Electrical and Mechanical Services Department ("EMSD") certified electricity consumption rating
- Participated in charity event, such as the Konica Minolta Green Concert 2017 VR Power Challenge to promote this initiative

WASTE MANAGEMENT

Our wastes are mainly classified into two categories, including general wastes (household wastes) and recyclable wastes. We did not generate any hazardous waste in the ordinary course of business. We have generated approximately of 3.84 tonnes non-hazardous waste for the year ended 31 December 2017.

In order to reduce non-hazardous waste, we advocate the principle of 3Rs (Reduce, Reuse and Recycle). Toner cartridges are collected and returned to supplier for recycling purpose. We also encourage our employees to reuse the pen shafts by using refills instead of throwing away the whole ballpoint pens. In addition, in order to minimise the wastes generated from food packaging bags, we provide microwave in the office to encourage staff to bring their own lunch boxes instead of ordering foods.

To reduce paper consumption, we make use of electronic reimbursement system, encourage the use of digital document and double-sided printing and copying. Recycling bins have been provided in offices to promote paper recycling. During the year ended 31 December 2017, we have reduced approximately of 380kg GHG through paper recycling.

WATER CONSERVATION

Our key water usage arises from toilet flushing, water tap and drinking water. We operate in leased office premises of which water supply and discharge are controlled by building management who considered provision of water usage data to individual occupant not feasible. We promote water-saving behavior by posting slogans at office.

We will continue to look for opportunities to reduce further emissions and wastes on an ongoing basis in order to minimise the Group's negative impacts on the environment and natural resources.

ESG REPORTING GUIDE CONTENT INDEX

Subject areas, aspects, general disclosure and key performance indicators ("KPI")		Chapter/Disclosure	Page
A. Environmental			
Aspect A1: Emissions			
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.	• Environmental Protection	51
KPI A1.1	The types of emissions and respective emissions data.	• Environmental Protection • GHG Emissions	51 51
KPI A1.2	Greenhouse gas emissions in total and where appropriate, intensity.	• Environmental Protection • GHG Emissions	51 51
KPI A1.3	Total hazardous waste produced and where appropriate, intensity.	• Waste Management We did not generate any hazardous waste in the ordinary course of business.	52
KPI A1.4	Total non-hazardous waste produced and where appropriate, intensity.	• Waste Management	52
KPI A1.5	Description of measures to mitigate emissions and results achieved.	• Environmental Protection • Waste Management	51 52
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	• Waste Management	52
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	• Environmental Protection • Waste Management • Water Conservation	51 52 52
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	• Environmental Protection	51
KPI A2.2	Water consumption in total and intensity.	• Water Conservation	52

Subject areas, aspects, general disclosure and key performance indicators ("KPI")		Chapter/Disclosure	Page
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	• Environmental Protection • Water Conservation	51 52
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	• Water Conservation	52
KPI A2.5	Total packaging material used for finished products, and if applicable, with reference to per unit produced.	• Waste Management	52
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	• Environmental Protection • Waste Management • Water Conservation	51 52 52
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	• Waste Management • Environmental Protection • Water Conservation	52 51 52
B. Social			
Employment and Labour Practices			
Aspect 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.	• Our People • Equal Opportunities And Diversity • Attract And Retain Talent	45 47 47
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	• Our People	45
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	N/A	N/A

Subject areas, aspects, general disclosure and key performance indicators ("KPI")		Chapter/Disclosure	Page
Aspect 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.	• Health and Safety	47
KPI B2.1	Number and rate of work-related fatalities.	• Health and Safety	47
KPI B2.2	Lost days due to work injury.	• Health and Safety	47
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	• Health and Safety	47
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	• Development and Training	48
KPI B3.1	The percentage of employees trained by gender and employee category.	N/A	N/A
KPI B3.2	The average training hours completed per employee by gender and employee category.	N/A	N/A
Aspect 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.	• Labour Standards	48
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	N/A	N/A
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	N/A	N/A

Subject areas, aspects, general disclosure and key performance indicators ("KPI")		Chapter/Disclosure	Page
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	• Supply Chain Management	48
KPI B5.1	Number of suppliers by geographical region.	N/A	N/A
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	N/A	N/A
Aspect 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.	• Product Responsibility	48
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A	N/A
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	N/A	N/A
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	N/A	N/A
KPI B6.4	Description of quality assurance process and recall procedures.	N/A	N/A
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	N/A	N/A

Subject areas, aspects, general disclosure and key performance indicators ("KPI")		Chapter/Disclosure	Page
Aspect 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.	• Culture Of Integrity	49
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	• Culture Of Integrity	49
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	• Culture Of Integrity	49
Community			
Aspect 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.	• Community Involvement	49
KPI B8.1	Focus areas of contribution.	N/A	N/A
KPI B8.2	Resources contributed to the focus area.	N/A	N/A

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CHINA MINSHENG FINANCIAL HOLDING CORPORATION LIMITED
(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of China Minsheng Financial Holding Corporation Limited (the "Company") and its subsidiaries (the "Group") set out on pages 65 to 131, which comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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.

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment of loan and interest receivables
- Valuation of financial assets classified as available-for-sale and fair value through profit or loss which were categorised as level 3
- Impairment assessment of goodwill
- Consolidation of structured entities

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of loan and interest receivables	
As at 31 December 2017, the Group has loan and interest receivables of HK$1,323,926,000. Management have concluded that there was no impairment indicators for these loan and interest receivables and therefore no impairment allowances was required. In assessing impairment indicators on loan and interest receivables, management established criteria to determine when an impairment event has occurred. The audit focused on impairment assessment due to the materiality of the balances of loan and interest receivables and significant management judgment inherent in the identification of impairment events. Refer to notes 3.7.2 and 21 to the consolidated financial statements.	Our audit procedures in relation to management's impairment assessment of loans and interest receivables included: • Evaluating and testing management's key control over the identification of impairment event based on established criteria which is the adverse change in the payment status of borrowers. The key control is the review of quarterly credit monitoring reports by the risk function independent from the transaction initiation unit which prepare the credit monitoring reports. The control exercised by the risk function focuses on independent assessment of the borrowers' and guarantors' financial capability subsequent to the draw down; • Challenging management's judgment over the occurrence of impairment events against the evidence available to management; and • Validating samples of key inputs used in the credit monitoring reports by checking to the underlying source documents obtained by management and also other external evidence independently gathered by us. We found the management's impairment assessment of loan and interest receivables were supported by available evidence that we gathered.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of financial assets classified as available-for-sale and fair value through profit or loss which were categorised as level 3	
As at 31 December 2017, the Group held financial assets classified at available-for-sale and fair value through profit or loss with carrying value amounting to HK$782,624,000 and HK$1,149,510,000 respectively, which were categorized as level 3 in the fair value hierarchy. In assessing valuation of financial assets classified as available-for-sale and fair value through profit or loss which were categorised as level 3, management exercise significant judgment on the selection of of appropriate valuation technique and unobservable inputs. The audit focused on the valuation of the unquoted financial assets categorised as level 3 in the fair value hierarchy due to the materiality of the balances and the high degree of subjectivity and management judgment. Due to the fact that availability of market data and observable inputs is limited for these unquoted financial assets, management judgment is involved in both selection of appropriate valuation technique and unobservable inputs. In particular, we focused on: • Determination of the appropriate valuation techniques to be applied; • Identification and management assessment of recent market transactions and other unobservable external evidence; and • Determination of the need of any adjustment required to the recent market transactions, to reflect the facts and circumstances of the unlisted financial assets of the Group. Refer to notes 3.5, 3.7.1, 17 and 19 to the consolidated financial statements.	Our audit procedures in relation to valuation of the unlisted financial assets categorised as level 3 in the fair value hierarchy included: • Assessed the appropriateness of the valuation techniques based on our industry knowledge and the market practices; • Verified key inputs and information identified by management used in the valuation by checking these to the underlying source documentation, including external report relevant for valuation; • Assessment of the need of key valuation adjustments by challenging management on the appropriateness of key assumptions and judgment employed based on available information and facts and circumstances of these unlisted financial assets. Based on the procedures we performed, we found the valuation technique adopted to be appropriate and considered that the key inputs and assumptions used by management in the valuation techniques were supported by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of goodwill	
The Group recorded goodwill of HK$15,871,000 on the consolidated statement of financial position as at 31 December 2017, after charging an impairment loss on goodwill of HK$538,000 in the statement of profit or loss. Management have concluded that there was an impairment loss of goodwill arose from the acquisition of a subsidiary, accordingly, an impairment loss on goodwill of HK$538,000 was recognised in the statement of profit or loss for the year ended 31 December 2017. Management have also concluded that there was no other impairment in respect of the remaining goodwill of HK$15,871,000 arose from the acquisition of two other subsidiaries. These conclusions were based on the impairment assessment using a value-in-use model that required significant management judgment with respect to the key assumptions applied to the discounted cash flow projections. Refer to notes 3.7.2, 6 and 13 to the consolidated financial statements.	Our audit procedures in relation to management's impairment assessment included: • Assessment of the appropriateness of value-in-use model used by management based on our industry knowledge and the market practice; • Challenging the reasonableness of key assumptions producing the discounted cash flow projections including the revenue growth rate, long term growth rate and discount rate based on our knowledge of the Group's business and overall industry environment; and • Reconciling input data to supporting evidence. We found the inputs used and assumptions made by management in relation to the value-in-use calculations were supported by available evidence.

Key Audit Matter	How our audit addressed the Key Audit Matter
Consolidation of structured entities	
As at 31 December 2017, the Group has investments in unconsolidated structured entities classified as available-for-sale financial assets and financial assets at fair value through profit or loss of approximately HK$782,425,000 and HK$1,502,666,000 respectively. Management's decision on whether or not to consolidate structured entities was based on an assessment of the Group's power, its variable returns and the ability to exercise its power to influence the variable returns from these structured entities. We focused on the consolidation assessment of these structured entities made by management during our audit as whether or not to consolidate these entities involved significant judgment. Refer to notes 3.7.2, 17 and 19 to the consolidated financial statements.	Our audit procedures in relation to consolidation of structured entities included: • Assessed the Group's contractual rights and obligations in light of the transaction structures, and evaluated the Group's power over the structured entities; • Performed independent analysis and tests on the variable returns from the structured entities, including but not limited to retention of residual income, and, if any, liquidity and other support provided to the structured entities; and • Assessed whether the fund managers of these structured entities acted as a principal or an agent of the Group through analysis of the fund manager's decision-making authority, its remuneration entitlement, other interests and rights held. Based on the procedures performed above, we found management's judgment relating to the consolidation of structured entities acceptable.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of 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 DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company 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 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 Audit Committee are responsible 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. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance 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 judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 Mr. Poon Tak Cheong, Raymond.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 March 2018

	Note	2017 HK$'000	2016 HK$'000
Interest income		162,043	75,666
Commission and fee income		33,099	39,569
Net investment income		257,033	114,997
Total revenue	4,5	452,175	230,232
Commission expenses		(304)	(296)
		451,871	229,936
Other income		12,484	1,534
		464,355	231,470
Expenses			
Staff costs and related expenses	8	(89,352)	(65,063)
Other termination benefits	8	(12,736)	–
Premises expenses		(22,223)	(8,875)
Legal and professional fees		(28,159)	(22,460)
Depreciation		(3,867)	(1,919)
Information technology expenses		(4,895)	(2,691)
Impairment losses on available-for-sale financial assets		(9,268)	(42,950)
Other operating expenses		(35,062)	(36,081)
Total operating expenses		(205,562)	(180,039)
Operating profit		258,793	51,431
Share of post-tax loss of associates	16	(3,361)	(3,259)
Finance costs	27	(47,280)	(6,121)
Profit before income tax	6	208,152	42,051
Income tax expenses	7	(14,784)	(10,708)
Profit for the year		193,368	31,343
Profit/(loss) attributable to:			
— Owners of the Company		192,033	36,933
— Non-controlling interests		1,335	(5,590)
		193,368	31,343
		HK$ Cents per share	HK$ Cents per share
Earnings per share attributable to owners of the Company			
Basic earnings per share	11	0.66	0.13
Diluted earnings per share	11	0.66	0.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
Profit for the year	193,368	31,343
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Net change on fair value on available-for-sale financial assets, net of tax	48,223	(54,422)
Currency translation differences	14,166	(6,915)
Other comprehensive income for the year, net of tax	62,389	(61,337)
Total comprehensive income for the year	255,757	(29,994)
Total comprehensive income for the year attributable to:		
— Owners of the Company	269,593	(39,025)
— Non-controlling interests	(13,836)	9,031
	255,757	(29,994)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	12	9,264	9,493
Goodwill	13	15,871	16,409
Other intangible assets	14	500	500
Investments in associates	16	164,206	123,207
Rental and other deposits		7,002	367
Available-for-sale financial assets	17	623,844	865,455
Financial assets designated at fair value through profit or loss	19	1,659,513	256,295
Total non-current assets		2,480,200	1,271,726
Current assets			
Margin receivables and other trade receivables	20	445,365	106,944
Available-for-sale financial assets	17	407,509	599,151
Financial assets designated at fair value through profit or loss	19	33,900	100,417
Derivative financial instruments	18	–	32,183
Loan and interest receivables	21	1,323,926	1,230,939
Deferred tax assets	7	11,760	8,045
Other receivables, prepayments and deposits	22	70,256	68,248
Pledged bank deposits	24	313	282
Margin accounts with financial institution	23	370	212,814
Deposits with brokers	23	247,369	854,819
Cash and bank balances	24	1,137,535	1,428,308
Total current assets		3,678,303	4,642,150
Total assets		6,158,503	5,913,876

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	30	5,667,546	5,667,546
Other reserves		784,797	704,603
Accumulated losses		(918,861)	(1,110,894)
		5,533,482	5,261,255
Non-controlling interests		(258,347)	(244,511)
Total equity		5,275,135	5,016,744
LIABILITIES			
Non-current liabilities			
Note payable	25	349,200	349,200
Derivative financial instruments	18	7,690	–
Deferred tax liabilities	7	–	353
Total non-current liabilities		356,890	349,553
Current liabilities			
Loan and interest payables	26	196,721	393,508
Bank borrowings	26	200,450	–
Current tax liabilities	7	30,835	14,100
Trade payables	28	9,106	16,759
Margin payables		–	46,538
Derivative financial instruments	18	383	–
Accruals and other payables	29	88,983	76,674
Total current liabilities		526,478	547,579
Total liabilities		883,368	897,132
Total equity and liabilities		6,158,503	5,913,876

Approved by the Board of Directors on 23 March 2018 and are signed on its behalf by:

Chen Guogang
Director

Wang Dongzhi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company									
	Share capital HK$'000	Share-based payments reserve HK$'000	Special capital reserve HK$'000	Foreign currency translation reserve HK$'000	Statutory surplus reserve HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2017	5,667,546	6,389	726,699	20,075	5,862	(54,422)	(1,110,894)	5,261,255	(244,511)	5,016,744
Comprehensive income										
Profit for the year	–	–	–	–	–	–	192,033	192,033	1,335	193,368
Other comprehensive income										
Available-for-sale financial assets (net of tax):										
— Change in fair value	–	–	–	–	–	182,355	–	182,355	–	182,355
— Transferred to profit or loss upon disposal	–	–	–	–	–	(143,400)	–	(143,400)	–	(143,400)
— Impairment losses	–	–	–	–	–	9,268	–	9,268	–	9,268
Currency translation differences	–	–	–	29,337	–	–	–	29,337	(15,171)	14,166
Total comprehensive income for the year ended 31 December 2017	–	–	–	29,337	–	48,223	192,033	269,593	(13,836)	255,757
Total transactions with owners, recognised directly in equity										
Recognition of share-based payments	–	6,061	–	–	–	–	–	6,061	–	6,061
Transfer from equity-settled to cash-settled share-based payments	–	(3,427)	–	–	–	–	–	(3,427)	–	(3,427)
Balance at 31 December 2017	5,667,546	9,023	726,699	49,412	5,862	(6,199)	(918,861)	5,533,482	(258,347)	5,275,135

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company									
	Share capital HK$'000	Share-based payments reserve HK$'000	Special capital reserve HK$'000	Foreign currency translation reserve HK$'000	Statutory surplus reserve HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2016	5,666,290	556	726,699	41,611	5,862	–	(1,147,827)	5,293,191	(253,542)	5,039,649
Comprehensive income										
Profit for the year	–	–	–	–	–	–	36,933	36,933	(5,590)	31,343
Other comprehensive income										
Available-for-sale financial assets (net of tax):										
— Change in fair value	–	–	–	–	–	(59,046)	–	(59,046)	–	(59,046)
— Transferred to profit or loss upon disposal	–	–	–	–	–	(38,326)	–	(38,326)	–	(38,326)
— Impairment losses	–	–	–	–	–	42,950	–	42,950	–	42,950
Currency translation differences	–	–	–	(21,536)	–	–	–	(21,536)	14,621	(6,915)
Total comprehensive income for the year ended 31 December 2016	–	–	–	(21,536)	–	(54,422)	36,933	(39,025)	9,031	(29,994)
Total transactions with owners, recognised directly in equity										
Issue of shares under share option scheme	1,256	(556)	–	–	–	–	–	700	–	700
Recognition of share-based payments	–	6,389	–	–	–	–	–	6,389	–	6,389
Balance at 31 December 2016	5,667,546	6,389	726,699	20,075	5,862	(54,422)	(1,110,894)	5,261,255	(244,511)	5,016,744

	2017 HK$'000	2016 HK$'000
Cash flows from operating activities		
Profit before income tax	208,152	42,051
Adjustments for:		
Interest income	(162,043)	(75,666)
Dividend income	(15,938)	(16,486)
Depreciation	3,867	1,919
Loss (net of withholding tax) on disposals of property, plant and equipment	37	499
Written-off of property, plant and equipment	124	–
Share of loss from investments accounted for using equity method	3,361	3,259
Non-cash Share-based payment	2,633	6,389
Impairment loss on goodwill	538	–
Disposal gains on available-for-sale investments	(143,400)	(38,326)
Impairment losses on available-for-sale investments	9,268	42,950
Realised losses/(gains) on derivative financial instruments	417	(11,289)
Fair value gains on financial assets at fair value through profit or loss	(133,269)	(16,712)
Fair value losses/(gains) on derivative financial instruments	35,872	(32,183)
Finance expenses	47,280	6,121
Foreign exchange losses on operating activities	4,750	7,707
Operating cash flows before movements in working capital	(138,351)	(79,767)
Change in margin receivables and other trade receivables, other receivables, prepayments and deposits	(349,508)	(99,302)
Change in loan and interest receivables	(97,000)	(1,223,000)
Change in margin accounts with financial institution, deposits with brokers and pledged bank deposits	819,894	(1,067,616)
Change in trade payable, margin payable, accruals and other payables	(44,335)	67,064
Cash from/(used in) operations	190,700	(2,402,621)
Purchases of available-for-sale financial assets	(1,308,449)	(2,670,444)
Purchases of financial assets at fair value through profit or loss	(1,309,233)	(340,000)
Settlement of derivative financial instruments	(20,132)	–
Proceeds from disposal of available-for-sale financial assets	1,924,900	1,084,258
Proceeds from disposal of derivative financial instruments	23,621	11,289
Proceeds from disposal of financial assets at fair value through profit or loss	105,988	–
Dividend received	15,914	16,486
Bank and other interest received	171,924	81,264
Interest paid	(53,394)	(352)
Income tax paid	(1,580)	(87)
Net cash used in operating activities	(259,741)	(4,220,207)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from investing activities			
Acquisition of subsidiaries		–	(553)
Purchases of property, plant and equipment		(2,331)	(10,058)
Proceeds from disposals of property, plant and equipment		35	35
Investment in associate		(44,360)	(126,466)
Net cash used in investing activities		(46,656)	(137,042)
Cash flows from financing activities			
Proceeds from issue of note		–	349,200
Proceeds from loan payable/ bank borrowing		396,408	387,739
Repayment of loan borrowing		(390,463)	–
Net cash from financing activities		5,945	736,939
Net decrease in cash and cash equivalents		(300,452)	(3,620,310)
Cash and cash equivalents at the beginning of the year		1,428,308	5,062,465
Exchange gains/(losses) on cash and cash equivalents		9,679	(13,847)
Cash and cash equivalents as at the end of the year		1,137,535	1,428,308
Analysis of the balances of cash and cash equivalents			
Cash and bank balances	24	1,137,535	1,428,308

1. GENERAL INFORMATION

The Company was incorporated in Hong Kong with limited liability. The address of its registered and business office is Unit A02, 11/F, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its principal subsidiaries include investment holding, provision of asset management services, consultancy services, financing services, insurance agency services, securities advisory and securities brokerage services.

This consolidated financial statements is presented in thousands of Hong Kong dollars ("HK$'000"), unless otherwise stated.

In the opinion of the directors of the Company, at 31 December 2017, CMI Financial Holding Company Limited, a company incorporated in Hong Kong, is the immediate holding company; China Minsheng Investment Corporation Limited, a company incorporated in the People's Republic of China (the "PRC"), is the ultimate holding company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial investments, and financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.7.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(a) New and amended standards adopted by the group

In the year ended 2017, the Group has adopted the following amendments to HKFRSs which were effective for accounting periods beginning on or after 1 January 2017:

Amendments to HKAS 12	Income Taxes — Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKAS 7	Statement of Cash Flows — Disclosure Initiative

The adoption of these amendments to HKFRSs does not have any financial impact on the Group.

Only amendments to HKAS 7 require the disclosure of changes in liabilities arising from financing activities (Note 38).

(b) New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2017 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below.

(i) HKFRS 9 Financial instruments

HKFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in September 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. A significant portion of the Group's available-for-sale financial assets would likely be classified as at fair value through other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

(b) New standards and interpretations not yet adopted *(Continued)*

(i) HKFRS 9 Financial instruments (Continued)

The new impairment and classification and measurement requirements will be applied by adjusting our Consolidated Balance Sheet on 1 January 2018, the date of initial application, with no restatement of comparative period financial information.

The adoption of HKFRS 9 is expected to result in certain differences in the classification of financial assets when compared to the classification under HKAS 39. The most significant changes include approximately HK$1,031,353,000 of financial assets which were previously classified as available-for-sale financial assets will be reclassified to financial assets at fair value through profit or loss. Based on current estimates, the adoption of HKFRS 9 is expected to result in an increase to accumulated losses as at 1 January 2018 of less than 5%. The primary impact is attributable to increases in the allowance for credit losses under the new impairment requirements. Management will continue to monitor and refine certain elements of our impairment process in advance for our future reporting.

(ii) HKFRS 15 Revenue from contracts with customers

HKFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 'Revenue' and HKAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

Management expects that the standard should not have significant impact, when applied, on the consolidated financial statements of the Group.

(iii) HKFRS 16 Leases

HKFRS 16, 'Leases' addresses the definition of a lease, recognition and measurement of leases and establishes principles for reporting useful information to users of financial statements about the leasing activities of both lessees and lessors. A key change arising from HKFRS 16 is that most operating leases will be accounted for on balance sheet for lessees. The standard replaces HKAS 17 'Leases', and related interpretations. The Directors of the Group are assessing the impact of HKFRS 16.

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

There are no other HKFRS or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are entity (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non- controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation *(Continued)*

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions — that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investments in associates include goodwill identified on acquisition. Upon the acquisition of the ownership interest in an associate, any difference between the cost of the associate and the group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill. If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Associates *(Continued)*

The Group's share of post-acquisition profit or loss is recognised in the consolidated statement of profit or loss, and its share of post- acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value. Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in thousands of HK dollars ("HK$'000"), which is the Company's functional and the Group's presentation currency.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statement of profit or loss within 'finance costs'. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss within "other income" or "other operating expenses".

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss, except that for non-monetary financial assets, such as equities, classified as available for sale, in which case with translation differences are included in other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.5 Foreign currency translation *(Continued)*

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each consolidated statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

(c) all resulting currency translation differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation of property, plant and equipment is calculated using the straight -line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Over the lease term (2–3 years)
Furniture, fixtures and office equipment	20%
Software	20%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other income" in the consolidated statement of profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Trading right

Separately acquired licences are shown at historical cost. Licenses acquired in a business combination are recognised at fair value at the acquisition date. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, available-for-sale financial assets and loans and receivables. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Assets are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

The Group's financial assets include margin receivables and other trade receivables, other receivables, available-for-sale financial assets, financial assets designated at fair value through profit or loss, derivative financial instruments, loan and interest receivables, deposits with brokers, margin accounts with financial institution, pledged bank deposits and cash and cash equivalents.

Transfers between levels of the fair value hierarchy are deemed to be occurred at the beginning of the reporting period.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in revenue in the consolidated statement of profit or loss within "Net investment income" in the period in which they arise. These net fair value changes do not include any interest earned on these financial assets. Interest income is recognised on an accrual basis using the effective interest rate method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Financial assets designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria under HKAS 39 are satisfied.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Financial assets *(Continued)*

Subsequent measurement *(Continued)*

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "Interest income" in profit or loss. The loss arising from impairment on loans and receivables is recognised in profit or loss.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss. Interest calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in the consolidated statement of profit or loss within "Net investment income".

2.9 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.9 Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost *(Continued)*

The Group reviews its loans and margin receivable portfolio to assess impairment on a regular basis. In determining whether an impairment loss should be recorded in the consolidated statement of profit or loss, the Group makes judgement as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from the loans and accounts receivable. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the Group. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Available-for-sale financial assets

A significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss — is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated statement of profit or loss on equity instruments are not reversed through the consolidated statement of profit or loss.

2.10 Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active market, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Financial liabilities

Financial liabilities including note payable, loan and interest payables, trade payables, margin payables and other payables are subsequently measured at amortised cost, using the effective interest method.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.13 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.14 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

2.15 Segregated accounts

Segregated accounts maintained by the Group to hold clients' monies are treated as off balance sheet items and are disclosed in note 24 to the consolidated financial statements.

2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Dividend on ordinary shares is recognised as a liability in the consolidated financial statements in the period in which it is approved by the shareholders or directors where appropriate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Note payable, loan payable and bank borrowings

Note payable, loan payable and bank borrowings recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction cost) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Note payable, loan payable and bank borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Note payable, loan payable and bank borrowings classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.18 Trade payables

Trade payables are obligations to pay for services that have been acquired in the ordinary course of business. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.19 Current and deferred income tax *(Continued)*

(b) *Deferred income tax*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognised.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Employee benefits

(a) *Retirement benefits scheme*

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit or loss as they become payable in accordance with the rules of the Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of its payroll costs, depending on the location of the subsidiaries, of their payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

(b) *Employee level entitlements*

Employee entitlements to annual leave are recognised when they are accrued to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

(c) *Bonus*

The Group recognises a liability and an expense for bonuses, in which the bonus scheme is at the discretion of the Group's Directors based on the Group performance that takes into consideration the profit attributable to the Group after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(d) *Share-based payments*

The Group issues equity-settled share-based payments to certain employees and Directors (note 30).

Equity-settled share-based payments to employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straightline basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to certain employees and Directors are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as expense.

(e) *Other termination benefits*

The Group recognises a liability and an expense for the remaining remuneration under the employment contract when the employees are voluntarily separated from the Company and they are not considered providing any future economic benefits to the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.22 Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) *Interest income*

Interest income includes interest income from loan lending, bank deposits and margin lending. Interest income for all interest-bearing financial instruments are recognised within "Interest income" in the consolidated statement of profit or loss using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, where appropriate, a shorter period to the net carrying amount of the financial asset. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

(b) *Commission and fee income*

Commission and fee income includes brokerage commission income, loan arrangement fee income, underwriting fee income, advisory fee income and insurance agency income.

Brokerage commission income on dealing in securities contracts is recognised on a trade date basis when the relevant transaction is executed.

Loan arrangement fees are recognised as revenue when the loan has been granted by the Group and accepted by the borrowers and the related arrangement services have been completed.

Underwriting commission income are recognised as revenue in accordance with the terms of the underwriting agreement or deal mandate when the relevant significant acts have been completed.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Revenue recognition *(Continued)*

(b) Commission and fee income *(Continued)*

Advisory fee income are recognised when advisory services are rendered.

Insurance agency and other fee income are recognised as revenue when the Group performs its role as an agent and when the corresponding services are rendered.

(c) Net investment income

Net investment income includes gain on disposals of available-for-sale investments, net gain on financial assets designated at fair value through profit or loss and derivative financial instruments and dividend income. They are recognised on the transaction dates when the relevant contract notes are executed whilst the unrealised profits or losses are recognised from valuation at the end of the reporting period in accordance with the accounting policies for financial instruments. Dividend income is recognised when the right to receive payment is established.

2.23 Finance costs

General and specific 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 finance costs are recognised in consolidated statement of profit or loss in the period in which they are incurred.

Finance costs include interest expense and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The exchange gain and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity had borrowed funds in its functional currency, and the borrowing costs actually incurred on foreign currency borrowings.

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management objective is to enhance shareholder value while retaining exposure within acceptable thresholds in response to changes in markets. The Group has a robust risk management system in place to identify, analyse, assess and manage risks.

The Group's risk management is carried out by the Risk Management Department under policies approved by the board of directors. The Group's Risk Management and Operation Department provides written principles for overall risk management, as well as written policies covering specific areas, such as mitigating credit risk, market risk, liquidity risk, capital management risk and risk limits setting and monitoring.

The Group's Investment Committee ensures that there are formal and transparent procedures for planning and approving investments for the Group. The Investment Committee meets on a regular basis to review and approve various investment projects to be committed by the Group, and to monitor and assess the risks on the investment projects to ensure that they are in line with the investment strategy and policies of the Group.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Market risk

3.1.1 Foreign exchange risk

The Group has certain exposures to foreign currency risk as some of its business transactions, assets and liabilities are denominated in currencies other than the functional currency, such as US dollars ("USD"), Renminbi ("RMB") and European dollar ("EUR"). As USD is pegged to HK$, the Group does not expect any significant movement in the USD/HK$ exchange rate. The directors have also assessed the impact of foreign currency risk and considered that it is insignificant to the Group. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposures closely and will consider hedging significant foreign currency exposures should the need arise.

The following table indicates the impact of management's reasonable expectation on the movement in foreign exchange rate on the Group's profit/loss before income tax and on other comprehensive income as at 31 December 2017 and 2016:

As at 31 December 2017

	(Decrease)/ Increase in profit before tax HK$'000	(Decrease)/ increase in other comprehensive income HK$'000
If Hong Kong Dollar strengthens/weakens against RMB by 5%	-/+ 4,374	-/+ 16,201

As at 31 December 2016

	(Decrease)/ Increase in profit before tax HK$'000	(Decrease)/ increase in other comprehensive income HK$'000
If Hong Kong Dollar strengthens/weakens against RMB by 5%	-/+ 4,101	-/+ 17,282
If Hong Kong Dollar strengthens/weakens against EUR by 5%	-/+ 151	-/+ 4,563

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Market risk *(Continued)*

3.1.2 Price risk

The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated statement of financial position either as available-for-sale or at fair value through profit or loss. Some of the Group's equity investments are listed on stock exchange in the world and are valued at quoted market prices as at reporting date.

To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. The Group's exposures are closely monitored by other relevant internal control units, including Risk Management Department, the Finance Department, the Legal and Compliance Department and the Internal Audit Department.

Listed equity investments

The table below summarises the impact of changes in the Hong Kong Hang Seng Index and other relevant indexes on the Group's profit before income tax for the year and on the investment revaluation reserve. The analysis is based on the assumption that the equity index had changed by 5% (2016: 5%) with all other variables held constant and all the listed equity instruments move according to the historical correlation with the index.

Hong Kong Hang Seng Index and other relevant indexes

	2017		2016	
	Impact on profit before tax HK$'000	Impact on the investment revaluation reserve in equity HK$'000	Impact on profit before tax HK$'000	Impact on the investment revaluation reserve in equity HK$'000
Increase/Decrease by 5%	-/+1,365	+/-3,895	–	+/-33,050

Unlisted investment fund and equity investments

The fair value of unlisted investment fund and equity investments depend on the valuation of the respective investments or underlying investments. It is assumed that if the valuation increased/decreased by 5%, profit before income tax for the year would have an estimated HK$75,133,000 increase/decrease (2016: HK$19,322,000), and investment revaluation reserve in other comprehensive income would have an estimated HK$39,729,000 increase/decrease (2016: HK$40,180,000).

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Market risk *(Continued)*

3.1.3 Interest rate risk

The Group's exposures to the risk of changes in market interest rates relates primarily to the Group's loan and interest receivables, margin receivables, note payable, loan payable, margin payables and cash and bank balances.

The Group's investment in fixed-rate term loans are of shorter duration and carried at amortised cost and therefore management consider they are not subject to fair value change as a result of change in reasonable possible shift of market interest rate.

Loans to margin clients at floating/variable rates (such as margin receivables) expose the Group to interest rate risk. Interest income on cash at banks and interest expense on borrowing will fluctuate at floating rates based on movement in short term bank interest rate.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Interbank Offered Rate ("HIBOR") arising from the Group's variable interest rate instruments. As at 31 December 2017, if the interest rate had been 50 basis points (31 December 2016: 50 basis points) higher/lower, the Group's profit before income tax would decrease/increase by HK$2,746,000 (31 December 2016: HK$1,746,000). The sensitivity analysis above is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (31 December 2016: 50 basis points) increase or decrease is used when reporting interest rate internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

3.2 Credit risk

Credit exposures arise principally from financial assets designated at fair value through profit or loss, margin receivables, loan and interest receivables, pledged bank deposits, margin accounts, deposits with brokers, bank balances, derivative financial instruments and client trust bank balances with a maximum exposure equal to the carrying amounts of these financial assets in the consolidated statement of financial position.

Credit risk of the Group mainly arises from credit exposures with respect to margin financing business of the Group's securities brokerage business and the loan lending business of the Group. In addition, the Group is exposed to a concentration of credit risk on cash and investments at banks or custodians.

The Group minimises the credit risk by segregating the Risk Management function from the investment department. This provide a fundamental control to prevent fraud, ensure quality of works, and safeguard the Group's assets as well as integrity of books and records.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Credit risk *(Continued)*

The Group manages its credit risk in the following perspectives:

Margin Financing Business and Loan Lending Business

The Group maintains effective credit risk management system to evaluate creditworthiness of counterparties. The following factors will be considered when determining the credit risk of loan receivables:

1. Counterparties' credit rating by reputable credit rating agencies;
2. Counterparties' investment objective, investment history, and risk appetite;
3. Counterparties' past record and defaults;
4. Counterparties' capital base, the existence and amount of guarantees, and by whom such guarantees are given;
5. Any known events which may have an adverse impact on the counterparties' financial status, potential for default or accuracy of information stored regarding the client; and
6. Where credit is extended to cover margin trading, appropriate haircuts are made to market value to establish the counterparty has adequate equity.

The Group monitors the cash flows from loan receivables to ensure that they are in accordance with mutually signed agreement and the expected timeline. In case there is delay, the Group will communicate with counterparties to identify if there is trigger event on credit risk issue.

Cash and Investments at Bank or Custodian

The Group's bank balances are deposited in reputable and large commercial banks. For the client trust bank balances which are held in segregated accounts, they are deposited in authorized financial institutions in Hong Kong. The credit risk of bank balances and client trust bank balances are considered to be low. The Group has exposure to the concentration of credit risk from one bank of HK$379,979,000 (2016: HK$857,148,00) with a credit rating of BBB+ (2016: BBB+).

None of the financial assets is either past due or impaired. No impairment allowance were made for the year ended 31 December 2017 and 2016.

3.3 Liquidity risk

Interest-bearing borrowings are the general sources of funds to finance the operations of the Group. Majority of the Group's external financing are subject to floating rates and are renewable upon maturity. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations and compliance with the statutory requirements. The Group aims to maintain flexibility in funding by keeping committed credit lines available and sufficient bank deposits to meet its short term cash requirements. The Group's liquidity risk management includes making available standby banking facilities and diversifying the funding sources.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Liquidity risk *(Continued)*

Certain subsidiaries of the Group's operations are subject to various statutory liquidity requirements as prescribed by the Hong Kong Securities and Futures Commission in accordance with the Hong Kong Securities and Futures Ordinance (the "HKSFO"). The Group has put in place a monitoring system to ensure that it maintains adequate liquid capital to fund its business commitments and to comply with relevant liquid capital requirements under the HKSFO. The liquidity risk of the Group is managed by regularly monitoring current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash and current working capital to meet its liquidity requirements in the short and longer term. The Group holds sufficient cash and deposits on demand to repay its liabilities.

The table below presents the cash flows payable by the Group under financial liabilities by remaining contractual maturities as at 31 December 2017 and 2016. The amounts disclosed in the table are the contractual undiscounted cash flows.

As at 31 December 2017

	On demand or less than 1 year HK'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Note payable	–	–	349,200	–	349,200
Loan and interest payables	224,241	27,259	51,904	–	303,404
Bank borrowings	201,264	–	–	–	201,264
Trade payables	9,106	–	–	–	9,106
Other payables	6,706	–	–	–	6,706
Derivative financial instruments	383	7,690	–	–	8,073
	441,700	34,949	401,104	–	877,753

As at 31 December 2016

	On demand or less than 1 year HK'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Note payable	–	–	349,200	–	349,200
Loan and interest payables	436,620	25,173	73,452	–	535,245
Trade payables	16,759	–	–	–	16,759
Margin payables	46,538	–	–	–	46,538
Other payables	6,817	–	–	–	6,817
	506,734	25,173	422,652	–	954,559

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.4 Capital management

The Group's objectives when managing capital are

(a) to comply with the liquid capital requirements under the Securities and Futures Commission in Hong Kong;

(b) to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;

(c) to support the Group's stability and growth; and

(d) to maintain a strong capital base to support the development of its business.

Consistent within others in the industry, the Group monitors capital on the basis of the gearing ratio. The ratio is calculated as total debt divided by total equity.

The Group's gearing ratio at the balance sheet date is shown below:

	2017	2016
	HK$'000	HK$'000
Total debt	**746,371**	789,246
Total equity	**5,275,135**	5,016,744
Gearing ratio	**14.1%**	15.7%

Two subsidiaries of the Group (the "Licensed Subsidiaries") are registered with the Hong Kong Securities and Futures Commission ("SFC") to conduct respective regulated activities in Hong Kong. The Licensed Subsidiaries are subject to liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules ("FRR") adopted by the SFC. Under the FRR, the Licensed Subsidiaries must maintain its liquid capital (assets and liabilities adjusted as determined by FRR) in excess of required liquid capital.

All licensed corporations within the Group complied with their required liquid capital during the years ended 2017 and 2016.

A subsidiary of the Group, which was acquired in 2016, is a member of the Professional Insurance Brokers Association Limited and is required to maintain a minimum paid-up capital of HK$100,000 at all times.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.5 Fair value estimation

The following table represents the carrying value of financial instruments measured at fair value at the end of reporting period across the three levels of the fair value hierarchy defined in HKFRS 7 Financial Instruments: Disclosures, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

Level 1 (highest level):	fair values measured using quoted prices (unadjusted) in active markets.
Level 2:	fair values measured using quoted price in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.
Level 3 (lowest level):	fair values measured using valuation techniques in which any significant input is not based on observable market data.

As at 31 December 2017

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets designated at fair value through profit or loss				
— Unlisted investment funds	–	403,879	1,098,787	1,502,666
— Convertible bond	–	106,124	50,723	156,847
— Listed equity investments	33,900	–	–	33,900
Available-for-sale financial assets				
— Listed equity investments	233,007	–	–	233,007
— Unlisted bond	–	15,722	–	15,722
— Unlisted equity investments	–	–	199	199
— Unlisted investment funds	–	–	782,425	782,425
Total	266,907	525,725	1,932,134	2,724,766
Liabilities				
Derivative financial instruments				
— Equity swap	–	(383)	–	(383)
— Total return swap	–	(7,690)	–	(7,690)
	–	(8,073)	–	(8,073)

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.5 Fair value estimation *(Continued)*

As at 31 December 2016

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Financial assets designated at fair value through profit or loss				
— Unlisted investment funds	–	356,712	–	356,712
Available-for-sale financial assets				
— Listed equity investments	661,005	–	–	661,005
— Unlisted equity investments	–	–	50,495	50,495
— Unlisted investment funds	–	196,010	557,096	753,106
Derivative financial assets				
— Foreign exchange forward contracts	–	13,744	–	13,744
— Written put option	–	18,439	–	18,439
Total	661,005	584,905	607,591	1,853,501

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily listed equity investments classified as financial assets designated at fair value through profit or loss or available-for-sale financial assets.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Unlisted investment funds classified as level 2 is mainly because they are open-ended investment fund and their underlying investments are listed equity investments.

For the year ended 31 December 2017, the Group transferred an unlisted investment fund from level 2 into level 3 as the fund is going to be redeemed by all investors, including the Group. The investment fund should therefore be accounted as liquidation basis and the Group has measured its fair value as at 31 December 2017 using its adjusted net assets value.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.5 Fair value estimation *(Continued)*

The following table presents the changes in level 3 instruments for the year ended 31 December 2017:

	2017 HK$'000	2016 HK$'000
Available-for-sale financial assets		
At the beginning of the year	607,591	199
Purchased during the year	–	632,307
Disposal during the period	(50,307)	–
Transfer from level 2	286,724	–
Unrealised loss recognised during the year	(61,395)	(24,904)
Currency translation difference	11	(11)
At the end of the year	782,624	607,591
Changes in unrealised gains/(losses) for the year included in profit or loss at the end of the year	–	–

	2017 HK$'000	2016 HK$'000
Financial assets designated at fair value through profit or loss		
At the beginning of the year	–	–
Purchase during the year	1,058,845	–
Unrealised gain recognised during the year	90,665	–
At the end of the year	1,149,510	–
Changes in unrealised gains/(losses) for the year included in profit or loss at the end of the year	90,665	–

Below is the table setting out quantitative information about fair value measurements using significant unobservable inputs (Level 3).

Equity Investments	Fair value as at 31 December 2017	Valuation techniques	Unobservable input	Range
Unlisted investment funds	1,722,432,000	Net asset value (note a)	n/a	n/a
	158,780,000	Adjusted net assets value	n/a	n/a
Unlisted convertible bond	50,922,000	Discounted cash flow	Discount rate	12.4%

(a) The Group has determined that the reported net asset value represents fair value at the end of the reporting period.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.6 Offsetting financial assets and financial liabilities

The following financial assets are subject to offsetting, enforceable master netting arrangements and similar agreements.

As at 31 December 2017

	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in consolidated statement of financial position: Financial Instruments HK$'000	Related amounts not set off in consolidated statement of financial position: Cash collateral HK$'000	Net Amount HK$'000
Derivative financial liabilities	(8,073)	–	(8,073)	–	370	(7,703)
Total	(8,073)	–	(8,073)	–	370	(7,703)

As at 31 December 2016

	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities set off in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Related amounts not set off in consolidated statement of financial position: Financial Instruments HK$'000	Related amounts not set off in consolidated statement of financial position: Cash collateral HK$'000	Net Amount HK$'000
Derivative financial assets	32,183	–	32,183	–	–	32,183
Total	32,183	–	32,183	–	–	32,183

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.6 Offsetting financial assets and financial liabilities *(Continued)*

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default of the other party. According to the terms of each agreement, an event of default includes failure by a party to make payment when due; failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within periods of 30 to 60 days after notice of such failure is given to the party; or bankruptcy.

3.7 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.7.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Fair value of available-for-sale financial assets and financial assets designated at fair value through profit or loss not quoted in active markets

The directors of the Group use their judgement in selecting an appropriate valuation technique for financial instruments not quoted in an active market. Valuation techniques commonly used by market practitioners are applied. The estimation of fair value of unlisted equity instruments are determined in accordance with generally accepted pricing models, which includes some assumptions not supported by observable market prices or rates. The carrying amount of such unlisted investments classified as level 3 as at 31 December 2017 is approximately HK$1,932,134,000 (2016: HK$607,591,000). The values assigned to the financial assets are based upon available information and do not necessarily represent amounts which might ultimately be realised, since such amounts depend on future circumstance and cannot be reasonably determined until the individual position is realised. The directors believe that the chosen valuation techniques and assumptions are appropriate in determining the fair value of financial instruments.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.7 Critical accounting estimates and judgements *(Continued)*

3.7.2 Critical judgements in applying the group's accounting policies

The preparation of financial statements requires management to make judgements that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Impairment allowances on loans receivables

The Group reviews its loan receivables from loan lending business to assess impairment at least on a quarterly basis. In determining whether an impairment loss should be recorded in the consolidated statement of profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a loan receivable before the decrease can be identified with an individual loan receivable. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group. Management uses estimates based on historical loss experience as far as practicable for assets with credit risk characteristics and objective evidence of impairment similar to those in the loan receivables when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly.

Impairment of goodwill

Management judgement is required in the area of goodwill impairment, particularly in assessing whether: (i) an event has occurred that may affect the carrying value of CGUs; (ii) the carrying value of an CGUs can be supported by the net present value of future cash flows from the CGUs using estimated cash flow projections; and (iii) the cash flow is discounted using an appropriate rate. Changing the assumptions selected by management to determine the level, if any, of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could significantly affect the Group's reported financial condition and results of operations. In performing the goodwill impairment assessment, the Group has also considered the impact of the current economic environment on the operation of the Group.

3. FINANCIAL RISK MANAGEMENT *(Continued)*

3.7 Critical accounting estimates and judgements *(Continued)*

3.7.2 Critical judgements in applying the group's accounting policies (Continued)

Consolidation of structured entities

The Group makes significant judgment to assess whether or not to consolidate structured entities. When performing this assessment, the Group:

— assesses its contractual rights and obligations in light of the transaction structures, and evaluates the Group's power over the structured entities;

— performs independent analyses and tests on the variable returns from the structured entities, including but not limited to commission income and asset management fees earned, retention of residual income, and, if any, liquidity and other support provided to the structured entities; and

— assesses its ability to exercise its power to influence the variable returns assessed whether the Group acts as a principal or an agent through analysis of the scope of the Group's decision-making authority, remuneration entitled, other interests the Group holds, and the rights held by other parties.

4. SEGMENT INFORMATION

Due to the business transformation process of the Group in 2016, Management has continued to revisit the operating segments to be presented to the chief operating decision maker ("CODM").

CODM has been identified as the Executive Directors of the Company. Management has determined the operating segments based on the reports reviewed by the CODM that are used to assess performance and allocate resources. The CODM considers the business from the operations nature perspective, including the provision for asset management services ("Asset Management"), securities brokerage services ("Securities brokerage"), investment holding ("Investment holding"), investment banking ("Investment banking"), insurance agency services ("Insurance agency"), trading of chemical materials ("Trading of chemical materials") and corporate functions ("Others"). Each of the Group's operating segments represents a strategic business unit that is managed by different business unit leaders. Information provided to the CODM is measured in a manner consistent with that in the consolidated financial statements.

4. SEGMENT INFORMATION *(Continued)*

For the year ended 31 December 2017

	Asset management HK'000	Securities brokerage HK'000	Investment holding HK$'000	Investment banking HK$'000	Insurance agency HK$'000	Others HK$'000	Total HK$'000
Revenue from external customers	18,457	75,062	347,108	2,740	–	8,808	452,175
Segment profit/(loss) before income tax	430	44,458	295,742	(29,104)	–	(103,374)	208,152
Other segment information:							
Interest income	–	54,767	97,228	1,240	–	8,808	162,043
Depreciation and amortisation	(269)	(573)	(99)	–	–	(2,926)	(3,867)
Staff costs and related expenses	(6,241)	(7,121)	(10,867)	(12,982)	–	(52,141)	(89,352)

For the year ended 31 December 2016

	Asset management HK'000	Securities brokerage HK'000	Investment holding HK$'000	Investment banking HK$'000	Insurance agency HK$'000	Trading of chemical materials HK$'000	Others HK$'000	Total HK$'000
Revenue from external customers	20,838	32,772	170,909	–	374	–	5,339	230,232
Segment profit/(loss) before income tax	(294)	19,581	110,581	(25,394)	(376)	(12,401)	(49,646)	42,051
Other segment information:								
Interest income	–	18,258	53,385	–	–	70	3,953	75,666
Depreciation and amortisation	(226)	(465)	–	–	–	(566)	(662)	(1,919)

5. REVENUE

	2017 HK$'000	2016 HK$'000
Interest income:		
Interest income from money lending business	124,221	67,174
Interest income from margin lending business	27,594	3,451
Interest income from bank deposits	10,228	5,040
Other interest income	–	1
	162,043	75,666
Commission and fee income:		
Advisory fee income	3,585	–
Commission income from securities brokerage	3,270	15,526
Loan arrangement fee income	11,640	6,650
Fee income received from asset management	8,604	1,982
Referral fee income	–	14,739
Underwriting fee income	6,000	–
Insurance agency fee income	–	672
	33,099	39,569
Net investment income:		
Net gain on financial assets designated at fair value through profit or loss	133,269	16,712
Net (loss)/gain on derivative financial instruments	(36,289)	43,473
Gain on disposal of available-for-sale investments	143,400	38,326
Dividend income	16,653	16,486
	257,033	114,997
	452,175	230,232

6. PROFIT BEFORE INCOME TAX

The Group's profit for the year is stated after charging/(crediting) the following:

	2017 HK$'000	2016 HK$'000
Profit before income tax has been arrived at after charging/(crediting):		
Auditors' remuneration		
Audit fees	2,508	1,580
Non-audit fees	970	3,325
Loss on disposals of property, plant and equipment	37	499
Written-off of property, plant and equipment	124	–
Impairment loss on goodwill	538	–
Foreign exchange losses, net	4,756	7,516
Written-back of trade and tax payables	(12,168)	(1,091)

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) and at the rates of income tax prevailing in the countries in which the Group operates respectively.

The PRC Enterprise Income Tax rate is 25% (2016: 25%).

	2017 HK$'000	2016 HK$'000
Hong Kong Profits Tax		
— charge for the year	**17,627**	12,515
— overprovision for prior year	**(155)**	–
PRC Enterprise Income Tax		
— charge for the year	**790**	1,542
— underprovision for prior year	**1**	14
Deferred income tax		
— credit for the year	**(3,479)**	(3,363)
	14,784	10,708

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

	2017 HK$'000	2016 HK$'000
Profit before income tax	**208,152**	42,051
Income tax at income tax rate applicable to assessable profit of the operation in different jurisdictions	**33,767**	13,640
Tax effect of expenses not deductible for tax purpose	**8,400**	9,727
Tax effect of income not taxable for tax purpose	**(26,168)**	(13,601)
Under provision in prior year	**(471)**	14
Utilisation of tax losses previously not recognised	**(1,257)**	(2,789)
Tax effect of temporary difference not recognised in prior year now recognised	**114**	–
Tax effect of tax losses not recognised	**363**	3,797
Others	**36**	(80)
Income tax for the year	**14,784**	10,708

7. INCOME TAX *(Continued)*

As at 31 December 2017, deferred tax asset of HK$6,950,000 (2016: HK$3,386,000) has been recognised for some of the unused tax losses. There were no material unrecognised tax losses which have been agreed with the Inland Revenue Department.

	2017			2016		
	Before tax HK$'000	**Tax credit HK$'000**	**After tax HK$'000**	Before tax HK$'000	Tax credit HK$'000	After tax HK$'000
Fair value losses on available-for-sale financial assets	47,720	503	48,223	(58,728)	4,306	(54,422)
Currency translation differences	14,166	–	14,166	(6,915)	–	(6,915)
Other comprehensive income	61,886	503	62,389	(65,643)	4,306	(61,337)
Deferred tax		503			4,306	

The following is the analysis of the deferred tax balances for financial reporting purpose:

	2017 HK$'000	2016 HK$'000
Deferred tax assets		
— Net fair value losses	4,810	4,659
— Tax losses	6,950	3,386
	11,760	8,045
Deferred tax liabilities		
— Net fair value gain	–	353

8. STAFF COSTS AND RELATED EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2017 HK$'000	2016 HK$'000
Staff costs and related expenses:		
Salaries, bonuses and allowances	81,979	57,903
Equity-settled share-based payments	6,061	6,389
Retirement benefit scheme contributions	1,312	771
Other termination benefits	12,736	–
	102,088	65,063

Five highest paid individuals

The five highest paid individuals in the Group during the year included 1 (2016: 1) director whose emoluments are reflected in the analysis presented in Note 9. The emoluments of the remaining 4 (2016: 4) individuals are set out below:

	2017 HK$'000	2016 HK$'000
Basic salaries and allowances	7,339	9,983
Discretionary bonus	7,312	2,095
Equity-settled share-based payments	1,563	3,087
Retirement benefit scheme contributions	63	53
Other termination benefits	1,622	–
	17,899	15,218

The emoluments fell within the following bands:

	Number of individuals	
	2017	2016
Nil to HK$2,000,000	–	3
HK$2,000,001 to HK$5,000,000	3	1
Over HK$5,000,000	1	–

9. BENEFITS AND INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE

(a) Directors' emoluments

The remuneration of every director is set out below:

For the year ended 31 December 2017

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	
	Fees	Salaries	Discretionary bonus	(Note a) Estimated money value of other benefits	Employer's contribution to a retirement benefit scheme	Remunerations paid or receivable in respect of accepting office as director	Housing allowance		Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Name of director									
Mr. Cheng Guogang	584	–	–	–	–	–	–	–	584
Mr. Wang Dongzhi	263	–	–	–	–	–	–	–	263
Mr. Wang Sing[1]	–	2,214	–	–	8	–	–	11,114	13,336
Mr. Li Huazhen[2]	535	–	–	–	–	–	–	–	535
Mr. Ni Xinguang	937	–	–	–	35	–	–	–	972
Mr. Liu Tianlin[3]	338	–	–	–	–	–	–	–	338
Ms. Feng Xiaoying[4]	400	2,292	688	–	–	–	–	–	3,380
Mr. Zhao Hongbo[5]	8	–	–	–	–	–	–	–	8
Mr. Chen Johnny	250	–	–	–	–	–	–	–	250
Mr. Lyu Wei	250	–	–	–	–	–	–	–	250
Mr. Ling Yu Zhang	116	–	–	–	–	–	–	–	116
Mr. Thaddeus Thomas Beczak[6]	134	–	–	–	–	–	–	–	134
Mr. Ma Jianting	28	–	–	–	–	–	–	–	28
Mr. Guan Tao	116	–	–	–	–	–	–	–	116
Total for 2017	3,959	4,506	688	–	43	–	–	11,114	20,310

1 Resigned on 8 May 2017
2 Resigned on 21 November 2017
3 Resigned on 24 July 2017
4 Resigned on 9 February 2018
5 Resigned on 11 January 2017
6 Resigned on 13 July 2017

9. BENEFITS AND INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE *(Continued)*

(a) Directors' emoluments *(Continued)*

For the year ended 31 December 2016

	Emoluments paid or receivable in respect of a person's services as a director, whether of the Company or its subsidiary undertaking								
	Fees HK$'000	Salaries HK$'000	Discretionary bonus HK$'000	(Note a) Estimated money value of other benefits HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Remunerations paid or receivable in respect of accepting office as director HK$'000	Housing allowance HK$'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking HK$'000	Total HK$'000
Name of director									
Mr. Wang Sing	–	15,673	–	–	16	–	–	–	15,689
Mr. Li Huazhen	347	–	–	–	–	–	–	–	347
Mr. Ni Xinguang	939	–	–	–	28	–	–	–	967
Mr. Liu Tianlin	600	–	–	–	–	–	–	–	600
Ms. Feng Xiaoying	400	–	–	–	–	–	–	–	400
Mr. Zhao Hongbo	250	–	–	–	–	–	–	–	250
Mr. Chen Johnny	250	–	–	–	–	–	–	–	250
Mr. Zhang Sheng	255	–	–	–	–	–	–	–	255
Mr. Lyu Wei	215	–	–	–	–	–	–	–	215
Mr. Ling Yu Zhang	169	–	–	–	–	–	–	–	169
Mr. Thaddeus Thomas Beczak	215	–	–	–	-	-	-	–	215
Total for 2016	3,640	15,673	–	–	44	–	–	–	19,357

Estimated money values of other benefits include rent paid, share options, share base payment and insurance premium.

Neither the chief executive nor any of the directors waived any emoluments during the year (2016: nil).

(b) Directors' material interests in transactions, arrangements or contracts

Except for transactions disclosed in note 36, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

10. DIVIDEND

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

11. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$192,033,000 (2016: HK$36,933,000) and the weighted average number of ordinary shares of 28,928,719,000 (2016: 28,927,886,000) in issue during the year.

Diluted earnings per share

Diluted earnings per share amount was the same as basic earnings per share amount as there were no potential dilutive ordinary shares outstanding for the year ended 31 December 2017.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Software HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 January 2016	570	2,574	–	6,284	9,428
Additions	5,249	3,665	1,144	–	10,058
Write-off/disposals	–	(362)	–	(704)	(1,066)
Currency translation difference	(35)	321	–	(330)	(44)
At 31 December 2016 and 1 January 2017	5,784	6,198	1,144	5,250	18,376
Additions	3,064	706	–	–	3,770
Write-off/disposals	(325)	(536)	(28)	(212)	(1,101)
Currency translation difference	62	128	–	320	510
At 31 December 2017	8,585	6,496	1,116	5,358	21,555
Accumulated depreciation and impairment					
At 1 January 2016	354	1,377	–	5,743	7,474
Charge for the year	1,144	546	102	127	1,919
Write-off/disposals	–	137	–	(669)	(532)
Currency translation difference	(14)	340	–	(304)	22
At 31 December 2016 and 1 January 2017	1,484	2,400	102	4,897	8,883
Charge for the year	2,675	843	228	121	3,867
Write-off/disposals	(325)	(431)	(8)	(141)	(905)
Currency translation difference	46	96	–	304	446
At 31 December 2017	3,880	2,908	322	5,181	12,291
Carrying amount					
At 31 December 2017	4,705	3,588	794	177	9,264
At 31 December 2016	4,300	3,798	1,042	353	9,493

13. GOODWILL

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. The carrying amount of goodwill had been allocated as follows:

	2017 HK$'000	2016 HK$'000
Securities brokerage:		
CM Securities (Hongkong) Company Limited ("CMS")	10,792	10,792
Asset management:		
CM Asset Management (Hongkong) Company Limited ("CMAM")	5,079	5,079
Insurance brokerage:		
Jiangyang International Asset Management Limited	–	538
	15,871	16,409

The recoverable amounts of the CGUs have been determined on the basis of their value in use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, revenue growth rate and expenses growth rate, and long term growth rate during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGUs operate. Revenue and expenses growth rate are based on past practices and expectations on market development.

For each of the CGUs with significant amount of goodwill, the key assumptions used in the value-in-use calculations in 2017 and 2016 are as follows.

	2017		2016	
	Securities brokerage	Asset management	Securities brokerage	Asset management
% of revenue growth rate	20%	20%	20%	15%
% of expenses growth rate	20%	20%	20%	20%
Long term growth rate	2.5%	2.5%	2.5%	2.5%
Pre-tax discount rate	21%	24%	21%	24%

The impairment charge of HK$538,000 (2016: Nil) was recognized during the year ended 31 December 2017. This was a result of the Group assessment on that no or few future economic benefits are expected from its use or disposal.

14. OTHER INTANGIBLE ASSETS

	Trading right HK$'000	Insurance agency licence HK$'000	Total HK$'000
Cost			
At 1 January 2016, 31 December 2016 and 31 December 2017	500	522	1,022
Accumulated amortisation			
At 1 January 2016, 31 December 2016 and 31 December 2017	–	522	522
Carrying amount			
At 31 December 2017	500	–	500
At 31 December 2016	500	–	500

Trading right

The trading right represents the eligibility rights to trade on or through the SEHK and have no foreseeable limit to the period over which the Group can use to generate net cash flows. As a result, the trading right are considered by the management of the Group as having indefinite useful lives because they are expected to contribute to net cash inflows indefinitely. The trading right will not be amortised until their useful lives are determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. The respective recoverable amounts of the cash generating units relating to securities brokerage business, whereby these trading right are allocated to, using a value in use calculation, exceed the carrying amounts. No impairment is therefore considered necessary.

15. SUBSIDIARIES

The following is a list of the principal subsidiaries at 31 December 2017:

Name	Place of incorporation/ registration, operation and kind of legal entity	Issued share capital/ registered capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
Cheong Wa Limited	Hong Kong, limited liability company	HK$29,970,106	100%	–	Investment holding
CM Financial Investment Management Limited (formerly known as CM Asset Management Holdings Limited)	Hong Kong, limited liability company	HK$260,000,002	100%	–	Investment holding
CM Securities Holdings Limited	Hong Kong, limited liability company	HK$880,000,001	100%	–	Investment holding
Top Pro Limited	The British Virgin Islands, limited liability company	US$1	100%	–	Investment holding
CM Wealth Holdings Limited	Hong Kong, limited liability company	HK$1	–	100%	Provision of money lending services
CM Securities (Hongkong) Company Limited	Hong Kong, limited liability company	HK$905,000,000	–	100%	Provision of securities brokerage services
CM Asset Management (Hongkong) Company Limited	Hong Kong, limited liability company	HK$33,700,000	–	100%	Provision of securities advisory and asset management services
Fuzhou Landun Science of Life Co., Ltd 福州藍頓生命科技有限公司	The PRC, wholly-foreign owned enterprise with limited liability	HK$100,000,000	–	100%	Investment holding
Shanghai Seven Star International Shopping Co., Ltd. (“Seven Star (Shanghai)”) 上海七星國際購物有限公司	The PRC, limited liability company	RMB6,000,000	–	100% (Note)	Investment holding and trading of chemical materials
Seven Star Shopping (China) Co., Ltd.^ 七星購物（中國）有限公司	The PRC, wholly-foreign owned enterprise with limited liability	RMB360,000,000	–	100%	Investment holding, provision of consultancy services and trading of chemical materials
Seven Star Shopping Limited	Hong Kong, limited liability company	HK$1	–	100%	Investment holding
CM Securities Investment Limited	The British Virgin Islands, limited liability company	US$6,410,000	–	100%	Investment holding

15. SUBSIDIARIES *(Continued)*

The following is a list of the principal subsidiary at 31 December 2017: *(Continued)*

Name	Place of incorporation/ registration, operation and kind of legal entity	Issued share capital/ registered capital	Percentage of ownership interest/ voting power/ profit sharing Direct	Indirect	Principal activities
Tianjin Tong Ming Xin Peng Corporate Management Company Limited^ 天津桐鳴鑫鵬企業管理有限責任公司	The PRC, limited liability company	RMB387,690,000	–	100%	Investment holding
Shanghai Seven Star Electronic Commerce Co., Ltd.^,# 上海七星電子商務有限公司	The PRC, limited liability company	RMB30,000,000	–	96%	Investment holding
Shanghai Seven Star New Energy Investment Co., Ltd.^ ("Shanghai New Energy") 上海七星新能源投資有限公司	The PRC, limited liability company	RMB600,000,000*	–	100%	Investment holding
Shanghai Seven Star Qiangguan Investment Management Co., Ltd.^ ("Shanghai Qiangguan") 上海七星強冠投資管理有限公司	The PRC, limited liability company	RMB10,000,000**	–	70%	Not yet commence real estate business
Shanghai Xiangsheng Insurance Agency Co., Ltd.^,## ("Xiangsheng Insurance") 上海祥生保險代理有限公司	The PRC, limited liability company	RMB20,000,000	–	96%	Provision of insurance agency services
CM SPC	Cayman Island	US$1	–	100%	Investment holding
Prosperity (Cayman) Limited	Cayman Island	US$1	–	100%	Investment holding

^ The English names are for identification purposes only

Directly held by Seven Star (Shanghai)

Indirectly held by Seven Star (Shanghai)

* The registered capital of Shanghai New Energy is RMB600,000,000 and RMB8,816,239 has been paid up as at 31 December 2017.

** The registered capital of Shanghai Qiangguan is RMB10,000,000 and no capital has been paid up as at 31 December 2017.

Note: Although the Group does not own any equity interest in Seven Star (Shanghai), Seven Star (Shanghai) and its subsidiaries ("Seven Star (Shanghai) Group") are treated as subsidiaries because the Group is able to control the relevant activities of Seven Star (Shanghai) Group as a result of the Structured Contracts (as defined in the announcement of the Company dated 7 September 2006) entered into by the Group.

The above list contains the particular of subsidiaries which principally affected the results, assets or liabilities of the Group. None of the subsidiaries has issued any debt securities.

15. SUBSIDIARIES *(Continued)*

The following table shows information of the subsidiaries that are in operations and have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

Name	Seven Star (Shanghai)		Xiangsheng Insurance	
	2017	2016	**2017**	2016
Principal place of business/ country of registration	The PRC/PRC		The PRC/PRC	
% of ownership interests/ voting rights held by NCI	**100%/0%**	100%/0%	**100%/0%**	100%/0%
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 31 December:				
Non-current assets	**47,385**	44,609	**–**	–
Current assets	**145,129**	136,776	**22,802**	19,335
Non-current liabilities	**(443,953)**	(417,811)	**(7,315)**	–
Current liabilities	**(6,699)**	(6,307)	**–**	(4,675)
Net liabilities	**(258,138)**	(242,733)	**15,487**	14,660
Accumulated NCI	**(97,798)**	(91,788)	**(4,974)**	(4,894)
Year ended 31 December:				
Revenue	**–**	(32,223)	**–**	374
Loss	**(1,035)**	(1,125)	**(82)**	(376)
Total comprehensive income	**(14,371)**	13,513	**909**	(1,254)
Loss allocated to NCI	**(1,035)**	(1,125)	**(82)**	(376)
Net cash used in operating activities	**(1,135)**	(348)	**2,583**	(1,805)
Net cash generated from investing activities	**–**	77	**16**	1
Effect of foreign exchange rate changes	**707**	56	**(199)**	325
Net decrease in cash and cash equivalents	**(428)**	(215)	**2,400**	(1,479)

16. INVESTMENTS IN ASSOCIATES

Set out below are the associates of the Group as at 31 December 2017 which, in the opinion of the directors, are material to the Group.

Name of entity	Place of business	Country of incorporation	% of ownership interest	Nature of the relationship	Measurement method
Grand Flight Holding Company Limited	PRC	Cayman Islands	30	Note 1	Equity
Grand Flight Hooyoung Investment L.P.	PRC	Cayman Islands	30	Note 2	Equity

Note 1: Grand Flight Holding Company Limited is a company registered in Cayman Islands.

Note 2: Grand Flight Hooyoung Investment L.P. is an investment fund registered in Cayman Islands.

The total cash considerations for the investment was US$15,846,794 (approximately HK$122,960,000). There is no quoted market price available for both associates.

	2017 HK$'000	2016 HK$'000
Beginning of the period	**123,207**	–
Addition	**44,360**	126,466
Share of post-tax loss of associates	**(3,361)**	(3,259)
	164,206	123,207

16. INVESTMENTS IN ASSOCIATES *(Continued)*

The following table shows information of the associates of the Group.

	Grand Flight Holding Company Limited 2017 HK$'000	Grand Flight Holding Company Limited 2016 HK$'000	**Grand Flight Hooyoung Investment L.P. 2017 HK$'000**	Grand Flight Hooyoung Investment L.P. 2016 HK$'000
At 31 December:				
Current assets	9,769	5,922	541,920	409,740
Current liabilities	4,337	5,201	–	–
Net current assets	5,432	721	541,920	409,740
Year ended 31 December:				
Revenue	15,618	11,555	–	–
Profit/(loss)	4,706	721	(15,711)	(11,585)
Total comprehensive income/(loss)	4,706	721	(15,711)	(11,585)
Opening net assets 1 January	721	–	409,970	–
Increase in equity interest	–	–	148,520	421,553
Profit/(loss) for the year	4,706	721	(15,711)	(11,583)
Currency translation difference	5	–	(859)	230
Closing net assets	5,432	721	541,920	409,970
Interest in associates (30%)	1,630	216	162,576	122,991

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 HK$'000	2016 HK$'000
Balance at 1 January	1,464,606	199
Additions	1,502,318	2,670,444
Disposals	(2,117,435)	(1,142,675)
Net change of unrealised gains/(losses) transfer to equity	181,853	(63,351)
Currency translation differences	11	(11)
Balance at 31 December	1,031,353	1,464,606

The Group transferred profits of HK$143,401,000 (2016: HK$38,326,000) and losses HK$9,268,000 (2016: HK$42,950,000) from equity into the consolidated statement of profit or loss. Profits were due to the released gain on disposal and losses were due to impairments.

17. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

Available-for sale financial assets include the followings:

	2017 HK$'000	2016 HK$'000
Unlisted equity investments	**199**	50,495
Listed equity investments	**233,007**	661,005
Unlisted bond	**15,722**	–
Investment in unlisted funds	**782,425**	753,106
	1,031,353	1,464,606
Classified as		
Non-current assets	**623,844**	865,455
Current assets	**407,509**	599,151
	1,031,353	1,464,606

The investments in unlisted funds of HK$782,425,000 (2016: HK$753,106,000) as above represents investments in two structured entities. The maximum exposure to loss is HK$782,425,000 (2016: HK$753,106,000) which represents the fair value as at 31 December 2017.

The size of these two unconsolidated structured entities is approximately HK$623,645,000 and HK$664,434,000 respectively. During the year, the Group did not provide financial support to these unconsolidated entities and has no intention of providing financial or other support.

Available-for-sale financial assets are denominated in the following currencies:

	2017 HK$'000 equivalent	2016 HK$'000 equivalent
Hong Kong Dollars	**696,415**	904,371
Chinese Yuan	**160,436**	225,490
European Dollars	**–**	76,881
United States Dollars	**174,502**	257,864
	1,031,353	1,464,606

The management assessed that there was objective evidence that an impairment loss on particular investment in listed equity securities incurred individually. The amount of the loss was measured as the difference between the asset's carrying amount and the quoted market price of the particular investment. The carrying amount of the investments was reduced directly and the amount of loss has been transferred from investment revaluation reserve to consolidated statement of profit or loss. As at 31 December 2017, the Company has recognised impairment losses amounted to HK$9,268,000 (2016: HK$42,950,000).

The management considered no impairment indicators noted for the remaining investments classified as available-for-sale financial assets above.

18. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments include the followings:

	2017 HK$'000	2016 HK$'000
Foreign exchange forward contracts	–	13,744
Written put options	–	18,439
Equity swap	(383)	–
Total return swap	(7,690)	–
	(8,073)	32,183
Classified as		
Non-current liabilities	(7,690)	–
Current (liabilities)/assets	(383)	32,183
	(8,073)	32,183

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss include the followings:

	2017 HK$'000	2016 HK$'000
Financial assets designated at fair value through profit or loss		
Unlisted investment funds	1,502,666	256,295
Unlisted bond fund	–	100,417
Convertible bonds	156,847	–
Listed shares	33,900	–
	1,693,413	356,712
Classified as		
Non-current assets	1,659,513	256,295
Current assets	33,900	100,417
	1,693,413	356,712

The investments in unlisted investment funds of HK$1,502,666,000 (2016: HK$256,295,000) as above represent investments in unconsolidated structured entities. The maximum exposure to loss is HK$1,502,666,000 (2016: HK$256,295,000) which represents the fair value as at 31 December 2017.

The size of these unconsolidated structured entities is HK$1,532,965,000 (2016: HK$256,295,000).

During the year, the Group did not provide financial support to these unconsolidated entities and has no intention of providing financial or other support.

The above investments was designated upon initial recognition of fair value through profit or loss.

20. MARGIN RECEIVABLES AND OTHER TRADE RECEIVABLES

	2017 HK$'000	2016 HK$'000
Margin clients	442,855	104,944
Less: Impairment allowances on trade receivables	–	–
	442,855	104,944
Trade receivables arising from the businesses of asset management	2,510	1,982
Others	–	18
	445,365	106,944

The settlement terms of trade receivables arising from the business of securities dealing and broking excluding margin clients are two days after trade date.

Loans to margin clients are secured by clients' pledged Hong Kong-listed securities at fair value of HK$1,442,588,000 (2016: HK$398,238,600) which can be sold at the Company's discretion to settle margin call requirements imposed by their respective securities transactions. The loans are repayable on demand and bear interest at commercial rates.

The Group considered that the business nature of margin receivable are short-term with no significant over-due amounts and the directors are of the opinion that no further aging analysis is disclosed.

Aging analysis of other trade receivables from the trade date is as follow:

	2017 HK$'000	2016 HK$'000
0–90days	2,510	1,982
91–180days	–	–
181–365days	–	–
Over 365days	–	18
	2,510	2,000

The carrying amount of the margin receivables and other trade receivables approximate to their fair value.

The Group believes that the amount is considered recoverable given that the collaterals are sufficient to cover the balances. No impairment allowance is provided for the margin loan receivable (2016: Nil).

21. LOAN AND INTEREST RECEIVABLES

As at 31 December 2017, these loan receivables bear interest at fixed rate ranged from 8.5% to 10% per annum (31 December 2016: 7.3% to 30%). Interest income derived from loan receivables was recognised and presented under "Interest income". The carrying value of the loan receivables approximate to their fair values.

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

As these loan receivables will be settled within 12 months, the carrying amount approximate to their fair value.

One of the loan receivable matured on 28 February 2018 was subsequently extended to 30 November 2018 on commercial terms.

As at 31 December 2017, the loan receivables are neither past due nor impaired (2016: Nil). Having considered the business nature of loan and interest receivables, the directors are of opinion that no further aging analysis is disclosed.

22. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2017 **HK$'000**	2016 HK$'000
Securities receivable	–	58,418
Investment proceeds receivable	60,901	–
Other receivables, prepayments and deposits	9,355	9,830
	70,256	68,248

Securities receivable represents pending trade receivables from brokers as at 31 December 2016.

23. MARGIN ACCOUNTS WITH FINANCIAL INSTITUTION AND DEPOSITS WITH BROKERS

Margin accounts with financial institution represents margin deposits held in respect of some currency forward contract and equity derivative contract and deposits with brokers represents deposits placed with broker for trading financial assets. The amount carried interest at variable interest rates for the year.

As at 31 December 2017, the pledged deposits held at margin accounts amounted to HK$370,000 (2016: HK$34,648,000).

The carrying amount of deposits with brokers and margin accounts approximate to their fair value.

24. PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES

At 31 December 2017, the Group's pledged bank deposits included a deposit pledged to a bank of approximately HK$313,000 (2016: HK$282,000) as security for a corporate card granted to a director of the Group. The credit limit of the corporate card is approximately HK$224,000 (2016: HK$224,000).

At 31 December 2017, the bank and cash balances of the Group denominated in RMB or HKD and kept in the PRC amounted to approximately HK$226,691,000 (2016: HK$184,928,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

The Group maintains segregated accounts with authorised institutions to hold clients' monies in the normal course of business. At 31 December 2017, client money maintained in segregated accounts not otherwise dealt with in the financial statements amounted to HK$92,905,000 (2016: HK$1,930,497,000).

The carrying amount of pledged bank deposits and cash and bank balances approximate to their fair value.

25. NOTE PAYABLE

As at 31 December 2017, the non-current portion of outstanding loan balances of HK$349,200,000 (31 December 2016: HK$349,200,000) represent the unsecured notes issued by the Company.

The note bear interest at variable interest rates of HIBOR plus 6.5% and are repayable in 5 years from the end of the reporting period.

The fair value of note payable approximate to their carrying amount, as the impact of discounting is not significant.

26. BANK BORROWINGS LOAN AND INTEREST PAYABLES

As at 31 December 2017, the current portion of outstanding loan balances excluding interest payables of HK$396,408,000 (31 December 2016: HK$387,739,000) represent the unsecured loan borrowed by the Company.

The loans bear interest at HIBOR + 1.3% to 5.5% fixed per annum and are repayable within a year from the end of the reporting period.

The fair value of loan payables equal their carrying amount, as the impact of discounting is not significant.

The carrying amount of loan and interest payables approximate to their fair value.

27. FINANCE COSTS

An analysis of finance costs is as follows:

	2017 HK$'000	2016 HK$'000
Finance costs on bank borrowings	5,050	–
Finance costs on loan payables	14,869	3,389
Finance costs on note payable	25,518	2,069
Other finance costs	1,843	663
	47,280	6,121

28. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers but certain suppliers would require the Group to pay in advance.

The aging analysis of trade payables, based on date of receipt of goods and services, is as follows:

	2017 HK$'000	2016 HK$'000
0–90 days	–	–
91–180 days	–	–
181–365 days	–	1
Over 365 days	9,106	16,758
	9,106	16,759

29. ACCRUALS AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Accrued employee benefits	37,193	25,167
Deposits received	613	577
Receipts in advance	22,315	13,247
Other tax payable	4,136	7,931
Other payable and accruals	24,726	29,752
	88,983	76,674

30. SHARE CAPITAL

		2017		2016	
	Note	Number of shares '000	Amount HK$'000	Number of shares '000	Amount HK$'000
Ordinary shares, issued and fully paid:					
At 1 January		28,928,719	5,667,546	28,927,291	5,666,290
Issue of shares under share option scheme	(a)	–	–	1,428	1,256
At 31 December		28,928,719	5,667,546	28,928,719	5,667,546

Notes:

(a) During the year ended 31 December 2016, 1,428,000 shares of the Company were issued under share option scheme, as follows:

Issue date	Exercise price HK$	Number of shares '000	Net proceeds HK$'000
1 August 2016	0.49	1,428	700
		1,428	700

Upon exercise of share options, the fair value of the options on the date of grant are transferred from the Company's share-based payments reserve to the Company's share capital. During the year ended 31 December 2016, approximately HK$1,256,000 was credited to the Company's share capital.

31. OTHER RESERVES

(i) Share-based payments reserve

The share-based payments reserve represented the fair value of the actual or estimated number of unexercised share options granted to directors, employees and consultants of the Group recognised in accordance with the accounting policy adopted for share-based payments in Note 2 to the consolidated financial statements.

(ii) Special capital reserve

The application of the special capital reserve is subject to the court order granted by the High Court of Hong Kong SAR. Pursuant to the High Court Order dated 20 November 2002, as long as the Company shall remain a listed company, the balances shall be treated as an undistributable reserve of the Company provided that (1) the Company shall be at liberty to apply the said special capital reserve for the same purposes as a share premium account may be applied; and (2) the amount standing to the credit of the special capital reserve may be reduced by the amount of any increase, after the effective date, in the paid up share capital or the amount standing to the credit of the share premium account of the Company as a result of the payment up of shares by the receipt of new consideration or the capitalisation of distributable profits.

(iii) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 2.5 to the consolidated financial statements.

(iv) Statutory surplus reserve

In accordance with the PRC Company Law and the respective company's articles of association, a subsidiary of the Group established in the PRC, being a wholly foreign owned enterprise, is required to appropriate 10% of the annual statutory profit after tax (after offsetting any prior years' losses), to the statutory surplus reserve. When the balance of the reserve fund reaches 50% of the entity's registered capital, any further appropriation is optional. With the approval from the relevant authorities, the statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. The reserve fund cannot be distributed in the form of cash.

(v) Investment revaluation reserve

The investment revaluation reserve comprises all fair value gain/loss arising from the revaluation of the available-for-sale investment.

32. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	Note	2017 HK'000	2016 HK'000
Assets			
Non-current assets			
Property, plant and equipment		7,387	6,148
Interest in subsidiaries		3,882,493	3,528,463
Investments in associates		164,206	123,207
Rental and other deposits		6,624	–
Financial assets designated at fair value through profit or loss		121,195	–
Available-for-sale financial assets		623,645	557,096
Total non-current assets		4,805,550	4,214,914
Current assets			
Other receivables, prepayments and deposits		2,824	65,431
Available-for-sale financial assets		160,236	174,995
Loan and interest receivables		250,037	396,817
Deposits with brokers		239,984	264,318
Cash and bank balances		259,784	732,611
Total current assets		912,865	1,634,172
Total assets		5,718,415	5,849,086
Equity			
Equity attributable to owners of the Company			
Share capital	29	5,667,546	5,667,546
Other reserves	30	753,864	700,459
Accumulated losses		(1,300,260)	(1,304,565)
Total equity		5,121,150	5,063,440
Liabilities			
Non-current liabilities			
Note payable		349,200	349,200
Total non-current liabilities		349,200	349,200
Current liabilities			
Loan and interest payables		205,763	393,197
Accruals and other payables		42,302	43,249
Total current liabilities		248,065	436,446
Total liabilities		597,265	785,646
Total equity and liabilities		5,718,415	5,849,086

Approved by the Board of Directors on 23 March 2018 and are signed on its behalf by:

Chen Guogang	**Wang Dongzhi**
Director	*Director*

32. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company

	Share premium HK$'000	Share-based payments reserve HK$'000	Revaluation reserve HK$'000	Special capital reserve HK$'000	Total HK$'000
At 1 January 2016	–	556	–	726,699	727,255
Issue of shares under share option scheme *(Note 32)*	–	(556)	–	–	(556)
Share-based payments	–	6,389	–	–	6,389
Change in value of available-for-sale financial assets	–	–	(32,629)	–	(32,629)
At 31 December 2016	–	6,389	(32,629)	726,699	700,459
At 1 January 2017	–	6,389	(32,629)	726,699	700,459
Issue of shares under share option scheme *(Note 32)*					
Share-based payments	–	6,061	–	–	6,061
Transfer from equity-settled to cash settled share-based payments	–	(3,427)	–	–	(3,427)
Change in value of available-for-sale financial assets	–	–	50,771	–	50,771
At 31 December 2017	–	9,023	18,142	726,699	753,864

33. SHARE-BASED COMPENSATION

Equity-settled share option scheme

On 9 December 2013, the shareholders of the Company approved the termination of the share option scheme adopted by the Company on 28 May 2004 (the "2004 Share Option Scheme") and the adoption of a new share option scheme (the "2013 Share Option Scheme"). The 2013 Share Option Scheme will expire on 8 December 2023.

2013 Share Option Scheme

Under the 2013 Share Option Scheme, the directors of the Company may, at their discretion, grant options to executives and key employees in the service of any member of the Group and other persons who may make a contribution to the Group subject to terms and conditions stipulated therein. The exercise price for any particular option shall be such price as the board of directors of the Company may in its absolute discretion determine at the time of grant of the relevant option subject to the compliance with the requirements for share option schemes under the Listing Rules.

At 31 December 2016 and 31 December 2017, no option was outstanding under the 2013 Share Option Scheme.

2004 Share Option Scheme

The 2004 Share Option Scheme was terminated on 9 December 2013 such that no further option can be granted under the 2004 Share Option Scheme, but all options granted previously will remain exercisable in accordance with the terms of the 2004 Share Option Scheme and the relevant letters of offers to the respective grantees.

At 31 December 2016 and 31 December 2017, there are no options to subscribe for shares were outstanding.

Details of the share options outstanding during the year are as follows:

	2017		2016	
	Weighted average exercise price in HK$ per share	**Number of share options**	Weighted average exercise price in HK$ per share	Number of share options
At 1 January	–	–	0.49	1,428,000
Granted during the year	–	–	–	–
Exercised during the year	–	–	0.49	(1,428,000)
Lapsed during the year	–	–	–	–
At 31 December	–	–	–	–
Exercisable at 31 December	–	–	–	–

No options outstanding at the end of the year.

33. SHARE-BASED COMPENSATION *(Continued)*

Share award

The Group has entered share award scheme to incentivise selected employees or directors for their contributions to the Group and to attract suitable personnel for further development of the Group. Pursuant to the agreement, the ordinary shares of the Company will be acquired by the Company at the cost of the Company and will be granted to the selected participants after vesting. The total number of shares granted under the agreement will be vested for three years.

During the year, share award amounted to HK$6,061,000 (2016: HK$6,389,000) has been accrued by the Company.

34. LITIGATION

As at 31 December 2017, five suppliers (the "Plaintiffs") filed petitions to the courts in Shanghai against a subsidiary of the Company for settlement of trade debts of approximately RMB8,431,000 (equivalent to approximately HK$9,425,000) in aggregate. Up to the date of these financial statements, all hearings (including appeals) had been held and the verdicts were in favor of the Plaintiffs.

As the claimed trade debts have been properly recognised in the consolidated financial statements, the directors believe that these litigations would not have material impact to the Group and the Company.

35. CONTINGENT LIABILITIES

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

36. COMMITMENTS

(a) Operating lease commitments

At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 HK$'000	2016 HK$'000
Within one year	31,682	4,446
In the second to fifth years inclusive	15,166	7
After five years	–	–
	46,848	4,453

Operating lease payments represent rentals payable by the Group for certain of its offices and warehouse. Leases are negotiated for terms ranging from one to three years and rentals are fixed over the lease terms and do not include contingent rentals.

(b) Capital commitments

The Group has entered a contract to commit investing into an unlisted investment fund. The non-cancellable capital commitment as at 31 December 2017 is HK$62,535,000 (2016: HK$106,250,000)

37. RELATED PARTY TRANSACTIONS

(a) In addition to those related party transactions disclosed elsewhere in the financial statements, the Group had the following transactions with its related parties during the year:

	2017 HK$'000	2016 HK$'000
Commission income (Note i)	1,766	13,966
Interest income (Note ii)	110	245

Note i: During the year ended 31 December 2017, the Group received commission fees income from immediately holding company and fellow subsidiaries. Commission fee income is determined with reference to the market rate offered to other third party clients.

Note ii: During the year ended 31 December 2017, the Group lent unsecured loans to a related party of the Company. As at 31 December 2017, the outstanding loan balance is HK$Nil. The unsecured loan is chargeable at an interest rate of 7.3%. The loan was repaid on 3 January 2017.

(b) During the year ended 31 December 2017, the Group has shared an office space in Hong Kong from a related party. The total consideration paid was HK$10,811,000.

(c) The remuneration for directors and other members of key management of the Group during the year is disclosed in Note 9 to the consolidated financial statements.

38. CASH FLOW INFORMATION

	Liabilities from financing activities	
	Loan payables HK$'000	Bank borrowings (excluding interest payables) HK$'000
As at 1 January 2017	387,739	–
Cashflows — Proceed from bank borrowings	–	200,000
Cashflows — Repayment of loan payables	(194,055)	–
Foreign exchange adjustments	2,724	–
As at 31 December 2017	196,408	200,000

39. EVENTS OCCURRING AFTER THE REPORTING PERIOD

As disclosed in the Company's announcement on 21 March 2018, a wholly owned subsidiary of the Company ("Subscriber"), together with other subscribers and eToro Group Ltd. ("eToro") have entered into the Share Purchase Agreement; and the Subscriber and eToro have entered into the Joinder Agreement, pursuant to which the Subscriber has agreed to subscribe for and eToro has agreed to allot and issue to the Subscriber, in tranches, the 1,216,248 Class E preferred shares of eToro for an aggregate consideration of US$50,000,000. eToro is principally engaged in social trading and provision of online investment platform of a wide array of assets classes.

FIVE YEAR FINANCIAL SUMMARY (UNAUDITED)

	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
Results					
Turnover	452,175	230,232	201,091	68,086	112,220
Profit/(loss) attributable to:					
— Owners of the Company	192,033	36,933	(28,580)	(30,144)	(1,757)
— Non-controlling interests	(1,335)	(5,590)	(16,025)	(10,979)	(19,504)
Assets and liabilities					
Total assets	6,158,503	5,913,876	5,084,840	40,193	61,477
Total liabilities	(883,368)	(897,132)	(45,191)	(36,365)	(47,320)
Total equity	5,275,135	5,016,744	5,039,649	3,828	14,157