民銀資本
CMBC CAPITAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock Code: 1141)

ANNUAL REPORT 2017

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Abbreviations

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

"Board"	the Board of Directors of the Company
"China Minsheng"	China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange (stock code: 1988) and the A shares of which are listed on the Shanghai Stock Exchange (stock code: 600016)
"CMBCI"	CMBC International Holdings Limited (民生商銀國際控股有限公司), a company incorporated in Hong Kong with limited liability and a controlling shareholder of the Company
"CMBCI Group"	CMBCI and its subsidiaries, excluding the members of the Group
"Company"	CMBC Capital Holdings Limited
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Group"	the Company and its subsidiaries
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"PRC"	the People's Republic of China, for the purpose of this report only, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
"Previous Year"	the financial year ended 31 March 2017
"Reporting Period"	the nine months ended 31 December 2017
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Shareholder"	holder(s) of the Share(s)
"Share"	ordinary shares of HK$0.01 each in the capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

Corporate Information

(as at the date of this report)

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Ren Hailong
Mr. Liao Zhaohui

Independent Non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

EXECUTIVE COMMITTEE

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

RISK MANAGEMENT AND INTERNAL CONTROL COMMITTEE

Mr. Liao Zhaohui *(Chairman)*
Mr. Ding Zhisuo
Mr. Lee, Cheuk Yin Dannis

STRATEGIC DEVELOPMENT COMMITTEE

Mr. Li Jinze *(Chairman)*
Mr. Ding Zhisuo
Mr. Ng Hoi Kam
Mr. Ren Hailong
Mr. Wu Bin

COMPANY SECRETARY

Mr. Dong Qizhen

TRADING OF SHARES

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL BANKERS

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

LEGAL ADVISER

Jun He Law Offices

AUDITOR

KPMG
Certified Public Accountants
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

http://www.cmbccap.com

Chairman's Statement

ECONOMIC, MARKET AND BUSINESS REVIEW

In 2017, the global market remained relatively stable with a steady growth. In particular, the economic recovery in Europe had began to show results, and the internal reforms in the United States had stimulated new expectations for economic growth. Notwithstanding certain regional or territorial conflicts had affected the market stability, the overall trend of the global economic recovery had been increasingly notable. The sustained growth of the U.S. economy, particularly after the launch of the reform of the U.S. tax regime, had significantly boosted the general expectations of the economic growth and had prompted the Federal Reserve to increase the interest rate steadily and possibly in a faster pace. The most prominent feature of the global economic growth in 2017 is that approximately three quarters of the countries in the world had achieved growth, which is the highest ratio since 2010. Although the countries in Europe had long suffered from high unemployment rate, they had also recorded economic growth with improvement in the employment rate in 2017.

Despite the fact that there has been a series of adverse events that happened in 2017, including the Federal Reserve's rate hikes and its plan on shrinking the balance sheet, the political instability in Europe, the tensions in the Middle East, North Korea's missile tests, and the controversy on Donald Trump's possible links with Russia, the stock markets in the United States and Hong Kong had remained strong. Quite unexpectedly, both stock markets had increased sharply over the period with relatively low volatility which is apparently inconsistent with the trend of the global economic growth and had paved the way for the extraordinary situation in 2018.

On the last trading day of 2017, the Hang Seng Index closed at 29,919 points, further showing that it had achieved one of the best performance among the world's stock markets. Particularly, during the period from January to July 2017, the Hong Kong stock market had recorded the longest successive monthly rise in a decade which had boosted the market confidence. Thereafter, the overall upward trend had continued. Based on the Hang Seng Index at the beginning of the year which was approximately 22,000 points, the Hang Seng Index had soared 36% in 2017 which was the largest rise in history and had surpassed the performance of the major indices in the world, including the United States, Europe and A-shares market in the PRC. It had outperformed the major global indices. It was generally accepted that such an upward trend was healthy because it was supported by good fundamentals and was mainly attributed to various factors including the optimistic global economic outlook (especially the economy of the Greater China region), the fund inflows from Mainland China, new listing of Chinese companies, strong corporate earnings and the optimisation of evaluations. In particular, the listing of the Chinese companies on the Hong Kong stock market and the fund inflows from Mainland China had improved the liquidity and the valuation of the Hong Kong stock market substantially.

Chairman's Statement

Leveraging on the trend of the fund inflows from Mainland China, the Company, being a listed brokerage firm, had actively seized the cooperation opportunity with China Minsheng, one of the largest private banks in the PRC. After six months of hard work by the relevant parties, China Minsheng had successfully taken over the Company and became its controlling shareholder. The name of the Company was then changed to CMBC Capital Holdings Limited (01141.HK). Since the change of controlling shareholder, notwithstanding that it has only been six months, with the strong support from China Minsheng and through dedicated operation by its management, the Company had achieved encouraging results. During the nine months ended 31 December 2017, the Group had achieved a net profit amounting to approximately HK$0.12 billion, compared to the net loss of approximately HK$1.04 billion for the year ended 31 March 2017. Its total assets had been steadily increased from approximately HK$1.74 billion to approximately HK$5.31 billion as at 31 December 2017, representing a growth of 206.3%. During the Reporting Period, the Group had acquired a subsidiary with Type 6 (advising on corporate finance) license. Subsequently, the Group had obtained the sponsor qualification within a short period of time. It had built a cooperative development system with China Minsheng in a regular and efficient manner, through which the Group can leverage the vast network and the enormous customer base of China Minsheng to facilitate the comprehensive and rapid development of the Group in the areas of securities trading and brokerage, asset management, investment banking, structured finance, direct investment, etc.

PROSPECTS

Looking ahead, it is expected that in 2018 the global economic growth momentum will continue. However, it will be difficult to predict accurately the impact of the U.S. tax reform and the new foreign trade policies introduced by the U.S. government on the global economy, which to a large extent, are subject to the uncertainty of Trump's administration. Of course, as the 19th National Congress of the Communist Party of China was successfully convened and new government officials had assumed office, it is expected that the Chinese government will continue to adhere to the principle of striving for steady progress and the concepts of new development. It is also expected that the Chinese government will focus on promoting high-quality development, implement intensive reform and opening, emphasize entrepreneurship and innovation, foster new momentum for economic growth and endeavor to protect and improve people's livelihood.

Chairman's Statement

We have to be well-aware of the challenges that we may face in 2018. The economy in the PRC may face a number of major conflicts: the conflict between the currency appreciation and the export growth, the conflict between the interest rate hike and the steady growth of domestic demand, the conflict between deleveraging and economic growth and the conflict between different risk elimination. These conflict will greatly increase the difficulties that are already faced by the government and entrepreneur and will adversely affect the stability and predictability of the capital markets in Mainland China, Hong Kong and even across the globe.

The complexity of the U.S. tax reform and the foreign policy coupled with the challenges arising from the deepening reforms in Mainland China will entail not only uncertainties, but will also bring new opportunities. In particular, some of the leading Chinese enterprises may be inclined to choose the capital market in Hong Kong for listing. The major reforms proposed by Hong Kong Exchanges & Clearing Limited in relation to biotechnology companies, corporate structure with weighted voting rights and the establishment of a convenient second listing channel, will create new opportunities for the capital market in Hong Kong. Adhering to the principle of "Standardization, Efficiency, Innovation, Excellence", the Company will capitalize on the advantages of being a fully licensed broker and a member of China Minsheng to provide efficient and high-quality professional services in the fields of cross-border merge and acquisition, listing, investment and financing for the emerging outstanding private enterprises in Mainland China. We will continue to create better and greater long-term return to our shareholders and endeavor to build the Company as one of the top investment banks in the Asia Pacific region by exploring opportunities in the regions of Southeast Asia and the European Union to establish an international development platform.

Management Discussion and Analysis

BUSINESS REVIEW

In May 2017, China Minsheng became the ultimate controlling shareholder of the Company and since then the Group started its rapid development. Subsequently in August 2017 and October 2017, the Company acquired the entire issued share capital of CMBC Capital Finance Limited and CMBC International Capital Limited, respectively and as a result, the Group is licensed to engage in Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities, as well as the licensed money lending business and has all material licenses required for services expected to be required by most of its potential clients at current stage.

Leveraging on the strong reputation, expertise and capability of China Minsheng, and the licenses it possesses, the Group has achieved rapid growth in its financial performance. During the Reporting Period, the Group's profit attributable to the owners of the Company was approximately HK$118.3 million (the Previous Year: loss of HK$1,042.1 million), the Group's basic and diluted earnings per share were HK0.30 cents (31 March 2017: basic and diluted loss per share of HK6.73 cents).

The Group's revenue increased by 97.3% to approximately HK$165.2 million during the Reporting Period, compared to approximately HK$83.7 million in the Previous Year. It was mainly due to the contribution from the investment and financing segment and the asset management and advisory segment.

The analysis of the Group's revenue and profit by the reportable segments is as below.

Securities

The Group's securities business mainly include the provision of brokerage services, securities margin financing services, futures and options contracts dealing services and securities underwriting services to clients. During the Reporting Period, the revenue and profit contributed by the securities segment were approximately HK$73.1 million and HK$49.1 million, respectively, compared to the revenue and loss of approximately HK$187.6 million and HK$460.4 million, respectively in the Previous Year. The loss in the Previous Year was mainly attributed to the impairment loss in respect of goodwill and intangible assets of approximately HK$639.7 million.

Management Discussion and Analysis

Investment and financing

During the Reporting Period, the segment revenue, which included dividend income from investments in listed equity securities and funds, interest income from investment in bonds, interest bearing notes and loans, amounted to HK$117.7 million as compared to loss of HK$159.3 million in the Previous Year. The segment results changed from segment loss of HK$160.6 million in the Previous Year to segment profit of HK$91.9 million in the Reporting Period. The segment profit was mainly attributable to dividend and interest income from investments of approximately HK$49.1 million and net gains of investment of approximately HK$68.6 million (Previous Year: Nil and loss of HK$159.3 million, respectively).

As at 31 December 2017, the Group's investment portfolio mainly constituted of listed equity securities, listed debt securities, funds, interest bearing notes and loans.

Asset management and advisory

The Group's asset management and advisory segment represents the provision of asset management services, financial advisory and financial arrangement services to clients. During the Reporting Period, the Group commenced the preparation work for its asset management services, including, inter alia, setting up the product structure, distribution network and negotiating with potential investors. The segment recorded advisory and arrangement income of approximately HK$43.1 million and segment profit of approximately HK$39.8 million during the Reporting Period whereas there was no such segment in the Previous Year.

Discontinued Operations

On 31 May 2017, CMBC International Investment Limited and Brilliant Decent Limited subscribed 25,000,000,000 new shares and 1,950,000,000 new shares allotted and issued by the Company, both at the price of HK$0.032 per Share, respectively (the "Subscriptions"). To satisfy the conditions precedent to the Subscriptions, the Group has disposed of the Group's companies other than the three licensed corporations comprising CMBC Securities Company Limited (formerly known as Skyway Securities Investment Limited), CMBC International Futures Company Limited (formerly known as Skyway Futures Limited) and CMBC Asset Management Company Limited (formerly known as Skyway Asset Management Limited) (collectively, the "Remaining Group"). As such, the Group considers the operations other than the Remaining Group to be discontinued during the Reporting Period.

Management Discussion and Analysis

FINAL DIVIDEND

The Board has not recommended the payment of a final dividend for the Reporting Period ended 31 December 2017 (31 March 2017: Nil).

FINANCIAL REVIEWS

Capital Structure

During the Reporting Period, the Company had (i) allotted and issued 317,305,500 new Shares in April 2017 pursuant to the exercise of the share options under the share option scheme (adopted on 24 September 2012) (the "Share Option Scheme") at the adjusted exercise price of HK$0.234 per Share; (ii) allotted and issued 491,637,500 new Shares in April 2017 pursuant to the exercise of the share options under the Share Option Scheme at the adjusted exercise price of HK$0.231 per Share; and (iii) allotted and issued 26,950,000,000 new Shares at HK$0.032 per share on 31 May 2017 pursuant to the Subscriptions. As at 31 December 2017, the total number of the issued share capital with the par value of HK$0.01 each was 45,778,757,729 and total equity attributable to shareholders was approximately HK$1,280.2 million (31 March 2017: HK$1,148.8 million).

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

Liquidity and Financial Resources

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

Management Discussion and Analysis

As at 31 December 2017, the Group had current assets of approximately HK$3,999.0 million (31 March 2017: HK$1,287.4 million) and liquid assets comprising cash (excluding segregated bank accounts) and investment in equity securities, bonds and funds totalling approximately HK$2,287.2 million (31 March 2017: HK$511.4 million). The Group's current ratio, calculated based on current assets of approximately HK$3,999.0 million (31 March 2017: HK$1,287.4 million) over current liabilities of approximately HK$3,886.0 million (31 March 2017: HK$241.4 million), was at a ratio of approximately 1.0 at the end of the Reporting Period (31 March 2017: 5.3).

The Group's finance costs for the Reporting Period mainly represented the effective interest on notes payable of approximately HK$6.2 million (Previous Year: HK$8.2 million), effective interest on promissory notes of approximately HK$0.3 million (Previous Year: HK$4.1 million), interest on bank borrowings and bank overdrafts of approximately HK$2.4 million (Previous Year: HK$8.6 million), and interest on loans from an intermediate holding company of approximately HK$20.0 million (Previous Year: Nil).

As at 31 December 2017, the Group's indebtedness comprised loans from an intermediate holding company, bank borrowings, notes payable and financial assets sold under repurchase agreements of approximately HK$3,507.4 million (31 March 2017: bank borrowings and bank overdrafts, mortgage bank loans, promissory notes and notes payable totalling HK$398.0 million). The loans from an intermediate holding company of approximately HK$3,052.5 million (31 March 2017: Nil) were denominated in HK$ and US$, due on the first anniversary from the drawdown date, and borne interests at 4% fixed rate per annum. The notes payable in the aggregate principal amount of HK$150 million (31 March 2017: HK$150 million) was denominated in HK$, due on the seventh anniversary from the respective issue dates of the notes, and borne interests at 5% fixed rate per annum. Promissory notes in the principal amount of HK$29 million were fully repaid and mortgaged bank loans of approximately HK$177.0 million were disposed together with the subsidiary, Sky Eagle Global Limited, during the Reporting Period.

The Group's gearing ratio, calculated on the basis of total indebtedness divided by the sum of total indebtedness and equity attributable to the Company's owners, was at a ratio of approximately 73.3% (31 March 2017: 25.7%).

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

Management Discussion and Analysis

Pledge of Assets

As at 31 December 2017, the Group did not charge or pledge any assets. As at 31 March 2017, the Group had pledged its investment property with a carrying value of HK$410 million to a commercial bank for a mortgage loan of approximately HK$177.6 million and marketable securities portfolio of approximately HK$60.6 million were pledged to banks to secure borrowings. The mortgage loans were disposed of during the Reporting Period.

Contingent Liability

As at 31 December 2017, the Group had no significant contingent liability (31 March 2017: Nil).

Capital Commitment

As at 31 December 2017, the Group had no significant capital commitment (31 March 2017: Nil).

FOREIGN CURRENCY RISK MANAGEMENT

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

HUMAN RESOURCES AND REMUNERATION POLICY

At 31 December 2017, the Group had about 60 (31 March 2017: about 47) employees including Directors. For the Reporting Period, total staff costs, including Directors' remuneration, was approximately HK$34.9 million (Previous Year: HK$19.5 million). Remuneration packages for employees and Directors are structured by reference to market terms and individual competence, performance and experience. Benefits plans maintained by the Group include mandatory provident fund scheme, subsidised training programme, Share Option Scheme, Share Award Scheme and discretionary bonuses.

Management Discussion and Analysis

PROSPECTS

The Company intends to continuously enhance profitability by offering a one-stop securities and investment banking solution encompassing cross-border and innovative financial products and services. In particular, the Group intends to, *inter alia*:

(1) further expand its loan and financing business by offering more diversified structured finance services mainly targeting on high-profile private enterprise customers in the comprehensive health, mass consumption, emerging technology and featured manufacturing industry (the "Target Clients") thereby generating stable revenue stream, as well as facilitating the rapid development of the Group's merger and acquisition advisory and sponsor services, debt and equity underwriting business as well as asset management business;

(2) further strengthen its brokerage service capability. In particular, the Group intends to steadily develop its brokerage services by further optimising the related IT system as well as leveraging on the established sales network and massive client base of China Minsheng;

(3) commence and expand the corporate finance advisory business. In particular, the Group intends to establish its own client base for its sponsor business by assisting the Target Clients to go listing on the Stock Exchange. In addition, surrounding "One Belt and One Road Initiatives", the Group also intends to provide all-round investment banking services to those PRC domestic enterprises which plan to expand its business into those "One Belt and One Road" countries or jurisdictions;

(4) further develop its asset management business. Leveraging on the extensive client base of the Group and China Minsheng, the Group intends to enrich its asset management product portfolio by offering diversified asset management services, as well as to attract high net worth clients including listed companies and their senior management; and

(5) further develop the Group's business through investment in or acquisition of suitable companies and business, when opportunities arise. As at the date of this annual report, the Group does not have any concrete plan to make any acquisition. The Group intends to strengthen its profitability and optimise its asset structure, through pre-IPO investments in high profile enterprises in Great China area. The Company also considers to acquire the companies and business which may create synergy with the Group and China Minsheng's business. Although the Group currently does not have any specific acquisition plan, the Group will closely monitor the development trend in different markets such as Hong Kong, Europe and North-East Asia for its future globalised development. The Group will also look for potential acquisition targets with team advantage, profitability and sustainable growth.

On the whole, the Group will continue to implement the "one-body two-wings" strategy. "One-body" refers to the structural financing services provided by the Group. Benefiting from its bank-owned background, the Group is able to provide full-spectrum services (such as corporate advisory and consultation services) and one-stop solutions to clients with different funding requirements. "Two-wings" refers to the Group's securities business and asset management services. Leveraging on the development of "one-body" structural financing services, the Group is expected to achieve mutual growth in its securities business and asset management business.

RISK MANAGEMENT CAPABILITIES

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

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Li Jinze ("**Mr. Li**"), aged 48, is the current chief executive officer of CMBCI. Mr. Li has obtained a doctorate in international law from Wuhan University, and a post-doctor certificate in international finance from Nankai University. Since then, Mr. Li has passed Paper 1 and 2 of the Licensing Examination for Securities and Futures Intermediaries, and is a licensed fund practitioner and has a certificate for qualified lawyer in the People's Republic of China. Mr. Li previously worked at Industrial and Commercial Bank of China Limited ("ICBC"), serving as the deputy general manager of its legal department, the vice president of its Shanxi branch, and the deputy general manager of the international business department of its head office. In addition, Mr. Li was previously employed as the head of the preparatory group for the incorporation of the Singapore branch of China Minsheng. Major projects that Mr. Li was involved in include the reorganization of ICBC and the introduction of strategic investors in relation to its domestic and foreign listing, the reorganisation of the business of a Hong Kong investment bank, the establishment of a domestic trust involving the securitisation of non-performing assets, and the cases that involved oil proceeds which were subject to the sanction imposed by the Office of Foreign Assets Control of the United States government. Mr. Li has also published nearly 100 legal and financial articles in various publications including the People's Daily, China Legal Science and Studies of International Finance.

Mr. Ding Zhisuo ("**Mr. Ding**"), aged 52. Mr. Ding has extensive experience in investment banking industry. From July 1994 to January 2001, Mr. Ding had served as a senior staff, deputy director and director of the management information department of ICBC. From January 2001 to September 2007 and from December 2011 to July 2017, Mr. Ding had worked for China Huarong Asset Management Co. Ltd., a company whose shares are listed on the Stock Exchange (Stock Code: 2799), where he had served as the vice general manager and the general manager at the research and development department, assessment consulting department, the Shanghai office, the securities business department, the development and planning department and the operations evaluation department. From September 2007 to December 2011, Mr. Ding had served as the general manager of Huarong Securities Co., Ltd. (華融證券股份有限公司), a subsidiary of China Huarong Asset Management Co. Ltd. and principally engaged in the securities business. Mr. Ding joined China Minsheng in July 2017.

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

Mr. Ng Hoi Kam ("**Mr. Ng**"), aged 44, is the deputy general manager of the Group. Mr. Ng has over 20 years of experience in the investment banking and financial industry focusing on the areas of initial public offerings, mergers and acquisitions, corporate restructuring and other financial advisory services to listed companies and listing applicants in Hong Kong. He has led a number of capital markets deals in various sectors including healthcare, technology, utilities and financial, as well as large-scale and complicated merger and acquisition deals including those involving state-owned enterprises of the PRC. Mr. Ng served as the managing director of corporate finance in Haitong International Capital Limited before joining the Group in September 2017. From July 1997 to December 2000, he worked in Arthur Anderson & Co (now known as PricewaterhouseCoopers). Mr. Ng is a member of the Hong Kong Institute of Certified Public Accountants. He received his Master of Economics from the University of Hong Kong and Bachelor of Business Administration from the Chinese University of Hong Kong.

Mr. Ng is a Responsible Officer of type 6 regulated activity of CMBC International Capital Limited, a company licensed by the SFC to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities, and whose total issued share capital was acquired by the Company from CMBCI pursuant to an acquisition agreement dated 27 July 2017.

NON-EXECUTIVE DIRECTORS

Mr. Ren Hailong ("**Mr. Ren**"), aged 53, is the current general manager of the transaction banking department of China Minsheng. Mr. Ren holds a master's degree from the Graduate School of People's Bank of China. He previously served as the senior staff member and principal staff member of the State Administration of Foreign Exchange, the deputy director and director of Guangxi Beihai Industrial Development Zone Credit Cooperatives; the president of China Minsheng's Wanshoulu Sub-branch; the deputy director of the business department of China Minsheng's head office (being in charge of specific work); the vice president, vice president (being in charge of specific work), deputy party secretary (being in charge of specific work) and party secretary of China Minsheng's Hangzhou branch; and the general manager of e-banking department of China Minsheng.

Mr. Liao Zhaohui ("**Mr. Liao**"), aged 50, is the current deputy general manager of financial market risk management department of China Minsheng. Mr. Liao holds a doctor's degree from the Graduate School of People's Bank of China. He has nearly 30 years of working experience in banking. Mr. Liao previously worked for the Bank of Communications Beijing Branch and the People's Bank of China Jiangxi Branch. He has since held positions at the international business, risk management and financial market departments of China Minsheng since 1999. He was conferred the title of "Advanced Worker (Producer)" and a third prize by China Minsheng, and won the third prize granted by China Foundation for Development of Financial Education in 2000.

Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee, Cheuk Yin Dannis ("**Mr. Lee**"), aged 47, is a first class honor graduate with a bachelor's degree in Business Administration from Texas A&M University, and a member of the Hong Kong Institute of Certified Public Accountants and the American Institute of Certified Public Accountants (AICPA). He currently holds the positions of managing director of DLK Advisory Limited, independent non-executive director and chair of the audit committee of Geely Automobile Holdings Limited (Stock Code: 175) and Tiangong International Company Limited (Stock Code: 826) and independent non-executive director of China Unienergy Group Limited (Stock Code: 1573). He once served as the CFO of AMVIG Holdings Limited and the senior manager of Arthur Andersen (now known as PricewaterhouseCoopers LLP). Mr. Lee has over 10 years of experience in business operations and expansion, operations in the capital market and accounting, and successfully planned and completed many important initial public offerings and corporate financing projects.

Mr. Wu Bin ("**Mr. Wu**"), aged 45, is the current president and partner of Zhongping Capital, and holds a doctor's degree in Economics from Fudan University. From September 1998 to February 2014, Mr. Wu served as the vice president of Haitong International Securities Group Limited (Stock Code: 665), the chairman of Haitong UniTrust International Leasing Corporation, the chairman of Haitong Asset Management Corporation and the director of Haitong International Finance Holdings Limited. He also successively served as the vice president of Shanghai Media Group (SMG), the vice chairman of Shanghai Oriental Pearl Group Co., Ltd., the chairman of Shanghai Media Development Corporation, the chairman of Shanghai EPIC Music, a director of Shanghai Shendi (Group) Co., Ltd. (Shanghai Disney Holdings Limited) and a director of CBN China Business News. Named as the Shanghai Financial Industry Leader, Mr. Wu was the former vice chairman of compliance committee of Securities Association of China, a member of asset management committee and an expert member of China Securities Investor Protection Fund.

Mr. Wang Lihua ("**Mr. Wang**"), aged 55, is the current managing partner of Tian Yuan Law Firm and a part time professor at Peking University. Mr. Wang holds a master's degree in Economic Law from Peking University. He previously served as the president of the 1st Beijing Xicheng Lawyers Association, a standing member of the All China Lawyers Association, a member of the Experts Panel of the Beijing Municipal Government, an expert of the International Chamber of Commerce China, a member of the Review Committee for Mergers and Acquisitions and Restructurings of Listed Companies of China Securities Regulatory Commission ("CSRC") for the 2nd and 3rd sessions, and the independent director of Shandong Xingmin Wheel Co., Ltd. Mr. Wang was previously the director of the Scientific Research Office of Peking University Law School, the vice president of the 7th Council of Beijing Lawyers Association, a member of the Public Offering Review Committee of CSRC for the 7th and 8th sessions, a member of the Mergers and Acquisitions and Restructuring Review Committee of Listed Companies of CSRC for the 3rd and 4th sessions and the independent director of Xinjiang Chalkis Co. Ltd.

SENIOR MANAGEMENT

Mr. Huang Rong ("**Mr. Huang**"), aged 40, is the Deputy General Manager of the Company. He joined the Group in February 2018. He is mainly responsible for the assets management business of the Group. Mr. Huang has approximately 18-year experience in financial industry. Graduated from Peking University with Master of management, Mr. Huang has worked in Bank of China, Guangdong Assets and Equity Exchange Group and certain assets management companies, prior to joining the Group.

Mr. Li Jianyang ("**Mr. Li Jianyang**"), aged 42, is the head of securities of the Group. Mr. Li Jianyang joined the Group in July 2017. Mr. Li Jianyang is mainly responsible for the Group's securities business. Mr. Li Jianyang has 8-year experience in Hong Kong capital market. Prior to joining the Group, Mr. Li Jianyang has worked in Hong Kong investment banking arm of ICBC group. Mr. Li Jianyang graduated from University of International Business and Economics (UIBE) with Master of Finance.

Mr. Chen Yi ("**Mr. Chen**"), aged 36, is the head of financial institution and market development. Mr. Chen joined the Group in July 2017. Mr. Chen is mainly responsible for the communication with the financial institutions and market development of the Group's business. Mr. Chen has more than 10-year experience in financial industry. Since April 2006, Mr. Chen has worked in China Minsheng and served as deputy head and head of secretary department of general office and head of investor relationship management department. Mr. Chen graduated from the University of Wales Swansea with Master of science in Mathematics and Computing for Finance.

Ms. Qi Xiangli ("**Ms. Qi**"), aged 41, is the chief risk officer of the Group. She joined the Group in July 2017. Ms. Qi is mainly responsible for the Group's risk management and internal control matters. Prior to joining the Group, Ms. Qi has worked in Agriculture Bank of China Limited, ICBC and the Bank of Nova Scotia, and is responsible for the risk management of corporate and retail business. Ms. Qi graduated from Tsinghua University with Master of Business Administration.

Report of the Directors

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

CHANGE OF COMPANY NAME

With effect from 26 May 2017, the English name of the Company has been changed from "Skyway Securities Group Limited" to "CMBC Capital Holdings Limited" and the Chinese name "民銀資本控股有限公司" has been adopted as the secondary name of the Company to replace its former Chinese name "天順證券集團有限公司", which was formerly adopted for identification purpose only.

EVENT AFTER THE REPORTING PERIOD

Details of a significant event after the Reporting Period of the Group are set out in note 46 to the consolidated financial statements.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding. Details of principal activities of its principal subsidiaries are set out in note 45 to the consolidated financial statements.

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

RESULTS AND DIVIDENDS

The Group's profit for the Reporting Period and the state of affairs of the Group at that date are set out in the consolidated financial statements on pages 68 to 179.

The Board has not recommended the payment of any final dividend for the Reporting Period (31 March 2017: Nil).

BUSINESS REVIEW

The business review of the Group for the Reporting Period is set out in the section headed "Management Discussion and Analysis" on pages 7 to 14 of this annual report, the discussion thereof form part of the Report of the Directors.

SUMMARY FINANCIAL INFORMATION

A summary of the published results, and assets, liabilities and non-controlling interests of the Group for the last five financial period/years, as extracted from the audited consolidated financial statements and reclassified as appropriate, is set out on page 180 of this annual report. The summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the Company's share capital during the Reporting Period are set out in note 34 to the consolidated financial statements.

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 38 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

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

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

RESERVES

Details of movements in the reserves of the Company and of the Group during the Reporting Period are set out in note 47 to the consolidated financial statements and in the consolidated statement of changes in equity on pages 72 and 73, respectively.

DISTRIBUTABLE RESERVES

At 31 December 2017, the Company has no reserves available for distribution (31 March 2017: Nil), in accordance with the provisions of the Companies Act 1981 of Bermuda (as amended).

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the total revenue attributable to the Group's five largest customers represented 35.9% of the Group's total revenue and the revenue attributable to the largest customer included therein amounted to 14.3%.

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

Report of the Directors

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors are of the view that the business operations of the Group are highly dependent on various internal or external factors, including the economic and market environment in China and Hong Kong. The principal risks and uncertainties faced by the Group include but not limited to (i) credit risk that may arise from possible default of the Group's business counterparties, including borrowers, trading counterparties and note issuers; (ii) market risk that may arise when there is fluctuation of the equity and bond price of companies invested by the Group; and (iii) legal and compliance risk that may arise when the Group is not able to comply with changes in laws, regulations and rules of regulatory authorities that are applicable to it and its business on a timely manner due to the Group's rapid expansion and development of its business.

The Group assesses, monitors and manages the credit and market risks through the risk management department which is independent from the business department, and relevant assessment result is reported on time to relevant business teams and the management of the Group. After receiving the assessment and report, relevant business teams will propose risk mitigation plans and submit such plans to the management or relevant committee, after obtaining clearance from legal department and compliance department and risk management department, for discussion and approval. While relevant business teams are in charge of implementing risk mitigation plans, the risk management department cooperates closely with business teams and makes valuable recommendations on risk management for new and existing transaction.

The Group's legal department and compliance department keep track of the development of applicable laws, regulations and rules, and establish, improve and implement compliance policies for the Group as well as provide compliance advice for the management of the Group and relevant business teams. The Group has also engaged external counsels to provide advice regarding development of laws, regulations and rules applicable to the Group and its business.

ENVIRONMENTAL POLICIES

The Board and the management of the Company are committed to better protect the environment by encouraging its employees to reduce consumption of electricity and paper, reduce waste, and use environmental friendly products whenever possible. Details of the relevant policies are set out in the Environmental, Social and Governance Report on pages 44 to 58 of this annual report.

Report of the Directors

COMPLIANCE WITH LAWS AND REGULATIONS

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

RELATIONSHIP WITH EMPLOYEES

The Group recognises the unique position and value of its employees. In addition to the offering of market competitive remuneration, the Group also provides positive working environment and organises leisure activities such as birthday parties and annual dinner to build up strong connection with the employees. Details of the policies in relation to employment are set out in the Environmental, Social and Governance Report on pages 44 to 58 of this annual report.

RELATIONSHIP WITH CUSTOMERS

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

DIRECTORS

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

Executive Directors

Mr. Li Jinze *(Chairman)* (appointed on 7 June 2017)
Mr. Ding Zhisuo *(General Manager)* (appointed on 26 October 2017)
Mr. Ng Hoi Kam (appointed on 26 October 2017)
Ms. Lin Yuehe (resigned on 28 June 2017)
Mr. Wang Haixiong (resigned on 28 June 2017)

Non-executive Directors

Mr. Ren Hailong (appointed on 7 June 2017)
Mr. Liao Zhaohui (appointed on 7 June 2017)

Independent Non-executive Directors

Mr. Lee, Cheuk Yin Dannis (appointed on 7 June 2017)
Mr. Wu Bin (appointed on 7 June 2017)
Mr. Wang Lihua (appointed on 7 June 2017)
Mr. Chan Kwan Pak (resigned on 28 June 2017)
Mr. Siu Gee Tai (resigned on 28 June 2017)
Mr. Siu Siu Ling, Robert (resigned on 28 June 2017)

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

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

CONNECTED TRANSACTIONS

During the Reporting Period, the Company (for itself and on behalf of other members of the Group) entered into the service agreement dated 3 October 2017 (the "Service Agreement") with CMBCI (for itself and on behalf of other members of CMBCI Group), pursuant to which, among other things:

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

(ii) CMBCI Group agreed to provide the underwriting referral services to the Group.

For details, please refer to the announcement dated 3 October 2017 and the circular dated 10 October 2017 made by the Company.

During the Reporting Period, no transaction has been carried out under the Service Agreement.

Regarding the related party transactions as set out in note 43 to the consolidated financial statements, the loans from the intermediate holding company and the corresponding interest are connected transactions exempted from announcement, reporting and independent shareholders' approval requirements under the Listing Rules.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

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

DIRECTOR'S INTERESTS IN COMPETING BUSINESS

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

REMUNERATION POLICY

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

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

MANAGEMENT CONTRACTS

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

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

As at 31 December 2017, none of the Directors nor chief executive of the Company or their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

PERMITTED INDEMNITY PROVISION

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2017, save as disclosed below, according to the list of substantial shareholders extracted from the website of the Stock Exchange and the announcement of the Company, the following companies or persons had an interest or short position in the Shares and the register of interests kept by the Company under section 336 of the SFO and as far as is known to the Directors, no person had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group or had any option in respect of such capital:

Name of Shareholder	Capacity/Nature of interest	Number of shares held	Approximate percentage of the issued share capital of the Company	Long position/ Short position
China Minsheng Banking Corp., Ltd	Interest of controlled corporation	27,568,649,093 (Note 1)	60.22%	Long position
CMBC International Holdings Limited	Interest of controlled corporation	27,568,649,093 (Note 1)	60.22%	Long position
CMBC International Investment (HK) Limited	Interest of controlled corporation	27,568,649,093 (Note 1)	60.22%	Long position
CMBC International Investment Limited	Beneficial Owner	27,568,649,093 (Note 1)	60.22%	Long position
China Soft Power Technology Holdings Limited	Interest of controlled corporation	3,662,125,829 (Note 2)	8.0%	Long position
China Soft Power Technology Holdings Limited	Interest of controlled corporation	1,800,000,000 (Note 3)	3.93%	Short position
China Huarong Asset Management Co., Ltd.	Interest of controlled corporation	1,950,000,000 (Note 4)	4.26%	Long position
	Person having a security interest in shares	1,800,000,000 (Note 4)	3.93%	Long Position
China Huarong Overseas Investment Holdings Co., Limited	Interest of controlled corporation	1,950,000,000 (Note 4)	4.26%	Long position
	Person having a security interest in shares	1,800,000,000 (Note 4)	3.93%	Long Position

Name of Shareholder	Capacity/Nature of interest	Number of shares held	Approximate percentage of the issued share capital of the Company	Long position/ Short position
Ministry of Finance of the People's Republic of China	Interest of controlled corporation	1,950,000,000 (Note 4)	4.26%	Long position
	Person having a security interest in shares	1,800,000,000 (Note 4)	3.93%	Long Position
Sun Siu Kit	Interest of controlled corporation	1,950,000,000 (Note 4)	4.26%	Long position
	Person having a security interest in shares	1,800,000,000 (Note 4)	3.93%	Long Position
華融致遠投資管理有限責任公司	Interest of controlled corporation	1,950,000,000 (Note 4)	4.26%	Long position
	Person having a security interest in shares	1,800,000,000 (Note 4)	3.93%	Long Position
華融華僑資產管理股份有限公司	Interest of controlled corporation	1,950,000,000 (Note 4)	4.26%	Long position
	Person having a security interest in shares	1,800,000,000 (Note 4)	3.93%	Long Position
廣東錦峰集團有限公司	Interest of controlled corporation	1,950,000,000 (Note 4)	4.26%	Long position
	Person having a security interest in shares	1,800,000,000 (Note 4)	3.93%	Long Position

Notes:

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

2. China Soft Power Technology Holdings Limited beneficially and wholly held the entire issued share capital of Hoshing Limited, which in turn beneficially and wholly held the entire issued share capital of Main Purpose Investments Limited and Desert Gold Limited. Main Purpose Investments Limited and Desert Gold Limited held 1,428,645,829 Shares and 2,233,480,000 Shares, respectively. As such, China Soft Power Technology Holdings Limited was deemed to be interested in the Shares held by Main Purpose Investments Limited and Desert Gold Limited.

3. China Soft Power Technology Holdings Limited beneficially and wholly held the entire issued share capital of Hoshing Limited, which in turn beneficially and wholly held the entire issued share capital of Main Purpose Investments Limited and Desert Gold Limited. Main Purpose Investments Limited and Desert Gold Limited had short position in 1,400,000,000 Shares and 400,000,000 Shares, respectively. As such, China Soft Power Technology Holdings Limited was deemed to have in short position in the Shares held by Main Purpose Investments Limited and Desert Gold Limited.

4. Simple Moment International Limited beneficially held 1,950,000,000 Shares and 1,800,000,000 Shares in the capacity of Interest of controlled corporation and person having a security interest in shares, respectively. Simple Moment International Limited was beneficially and wholly-owned by China Huarong Overseas Investment Holdings Co., Ltd, which was in turn beneficially and wholly-owned by 華融華僑資產管理股份有限公司. 華融華僑資產管理股份有限公司 was beneficially held as to 51% and 40% by 華融致遠投資管理有限責任公司 and Sun Siu Kit, respectively. 華融致遠投資管理有限責任公司 was beneficially and wholly-owned by China Huarong Asset Management Co., Limited, which was in turn beneficially held as to 67.75% by Ministry of Finance of the People's Republic of China. As such, each of China Huarong Overseas Investment Holdings Co., Ltd, 華融華僑資產管理股份有限公司, 華融致遠投資管理有限責任公司, Sun Siu Kit, China Huarong Asset Management Co., Limited and Ministry of Finance of the People's Republic of China was deemed to be interested in the Shares held by Simple Moment International Limited.

CONFIRMATION OF INDEPENDENCE

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the Reporting Period have been reviewed by the Audit Committee of the Company before they are duly approved by the Board under the recommendation of the Audit Committee.

INDEPENDENT AUDITOR

The financial statements for the Reporting Period have been audited by Messrs. KPMG, who were first appointed as auditors of the Company in 2017 upon the retirement of Messrs. Deloitte Touche Tohmatsu.

Messrs. KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Li Jinze
Chairman

Hong Kong, 29 March 2018

Corporate Governance Report

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

CORPORATE GOVERNANCE

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

INSURANCE COVER FOR DIRECTORS

Code Provision A.1.8

Code Provision A.1.8 of the CG Code provides that an issuer should arrange appropriate insurance cover in respect of legal action against its directors.

Deviation

In June 2017, the liability insurance for Directors expired due to the change of control of the Board, and the Company had not arranged for replacing insurance during the period between June and November 2017. The reason for such deviation is that the Company needs time to identify an appropriate insurer and insurance plan that are suitable for its current business operation. In November 2017, the Company took out liabilities insurance for the Directors with coverage in respect of legal action against the Directors. The Company will conduct annual review on the coverage in accordance with the Directors' risk exposure arising out of corporate activities.

MEETING WITHOUT EXECUTIVE DIRECTORS' PRESENCE

Code Provision A.2.7

Code Provision A.2.7 of the CG Code requires the chairman of the Board to hold meetings at least annually with the non-executive Directors (including independent non-executive Directors) without the executive Directors present.

Deviation

As Mr. Li Jinze, the chairman of the Board, is also an executive Director, the Company has deviated from this code provision as it is not applicable.

APPOINTMENT OF DIRECTORS

Code Provision A.4.1

Under Code Provision A.4.1 of the CG code, the non-executive directors should be appointed for a specific term and subject to re-election.

Deviation

All the non-executive Directors were not appointed for a specific term. Notwithstanding such deviation, all Directors are subject to the retirement by rotation according to the provisions of the Bye-laws. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

ATTENDANCE OF THE ANNUAL GENERAL MEETING

Code Provision E.1.2

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

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

Deviation

The chairmen and members of the nomination committee and the remuneration committee were unable to attend the annual general meeting of the Company held on 8 September 2017 (the "AGM") due to their other business engagement. However, the chairman of the Board had chaired the AGM and answered questions from the shareholders of the Company. The AGM has provided a channel for communication between the Board and the shareholders.

The chairman of the independent board committee did not attend the special general meeting of the Company held on 26 October 2017 due to other important business engagement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Corporate Governance Report

THE BOARD

The Board of Directors is currently composed of eight Directors, comprising three Executive Directors, two non-executive Directors and three independent non-executive Directors, whose names and offices are listed on page 3 of this annual report.

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

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

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

Functions of the Board and Delegation of Powers

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

THE BOARD (continued)

Board and General Meetings

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

Pursuant to the Code Provisions A.1.1, the Board should meet regularly and board meetings should be held at least four times a year. During the Reporting Period, the Board held 16 meetings. The attendance record of each Director at the Board meetings, the Audit Committee meetings, the Remuneration Committee meetings, and the Nomination Committee meetings, of the Company held during the Reporting Period is as follows. The figures in the denominators indicate the total number of meetings held in the period in which the individual was a Director.

Name of Directors	Board meeting	Audit Committee Meetings	Remuneration Committee meetings	Nomination Committee meetings
Executive Directors				
Mr. Li Jinze *(Chairman)* (appointed on 7 June 2017)	9/9	N/A	N/A	N/A
Mr. Ding Zhisuo *(General Manager)* (appointed on 26 October 2017)	3/4	N/A	N/A	N/A
Mr. Ng Hoi Kam (appointed on 26 October 2017)	3/4	N/A	N/A	N/A
Ms. Lin Yuehe (resigned on 28 June 2017)	7/7	N/A	N/A	N/A
Mr. Wang Haixiong (resigned on 28 June 2017)	7/7	N/A	N/A	N/A
Non-executive Directors				
Mr. Ren Hailong (appointed on 7 June 2017)	5/9	N/A	2/2	2/2
Mr. Liao Zhaohui (appointed on 7 June 2017)	5/9	N/A	N/A	N/A
Independent Non-executive Directors				
Mr. Lee, Cheuk Yin Dannis (appointed on 7 June 2017)	6/9	2/2	N/A	N/A
Mr. Wu Bin (appointed on 7 June 2017)	6/9	2/2	2/2	2/2
Mr. Wang Lihua (appointed on 7 June 2017)	5/9	2/2	2/2	2/2
Mr. Chan Kwan Pak (resigned on 28 June 2017)	4/7	1/1	0/1	1/1
Mr. Siu Gee Tai (resigned on 28 June 2017)	4/7	1/1	0/1	1/1
Mr. Siu Siu Ling, Robert (resigned on 28 June 2017)	4/7	1/1	1/1	1/1

THE BOARD (continued)

Independent Non-Executive Directors

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

Chairman and General Manager

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

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

Directors' and Officers' Liabilities

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

Continuing Professional Development

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

BOARD COMMITTEES

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

Audit Committee

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

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

The Audit Committee has reviewed, *inter alia*, the annual results of the Group for the Previous Year, the Reporting Period and the interim results of the Group for the six months ended 30 September 2017 during the Reporting Period and up to the date of this report.

BOARD COMMITTEES (continued)

Remuneration Committee

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

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

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

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

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

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

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

Remuneration Policy for Directors and Senior Management

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

BOARD COMMITTEES (continued)

Nomination Committee

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

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

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

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

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

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

BOARD COMMITTEES (continued)

Executive Committee

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

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

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

Risk Management and Internal Control Committee

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

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

During the Reporting Period and up to the date of this report, the Risk Management and Internal Control Committee had held one meeting with all members present.

BOARD COMMITTEES (continued)

Strategic Development Committee

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

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

During the Reporting Period, no meeting of the Strategic Development Committee had been held.

BOARD DIVERSITY POLICY

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

ACCOUNTABILITY AND AUDIT

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

All Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for the Reporting Period, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements on a going concern basis. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. A statement by auditor about their reporting responsibilities on the consolidated financial statements is set out in the independent auditor's report. The Directors continue to adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

External Auditors

The external auditors of the Company for the Reporting Period were KPMG, who were appointed at the annual general meeting of the Company held on 8 September 2017 in place of the retiring auditors, Deloitte Touche Tohmatsu.

The Audit Committee considers that the appointment of KPMG as the Company's auditor can align the audit work of the Group, CMBCI and China Minsheng thereby enhancing the efficiency of the audit services to be provided to the Group and its controlling shareholders.

For the Reporting Period, the total fee charged by KPMG for audit services was HK$2,200,000 and non-audit services was HK$910,000 for the review of the interim financial statements and other services.

ACCOUNTABILITY AND AUDIT (continued)

Corporate Governance Functions

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

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

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

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

The Group has a risk management procedure and an internal control system that are characteristics of a clear governance structure, policy procedure and reporting mechanism, to help the Group manage its risks in all business segments.

The Group has established an organisational structure for risk management, composed of the Board, the Risk Management and Internal Control Committee, the risk management team, and the business departments, management and staff of the Group. The Board designated the Risk Management and Internal Control Committee to assess and determine the nature and extent of risks that the Group is willing to accept in achieving its strategic objectives, and ensures that it establishes and maintains proper and effective risk management and develops a suitable corporate risk culture. The Board also monitors the coordination among the staff, corporate strategy, risk, internal control and compliance.

The Group has also developed and adopted a management system for corporate risks, which provides effective solutions to risk identification, assessment and handling.

RISK MANAGEMENT AND INTERNAL CONTROL (continued)

The Group has also developed and adopted a management system for corporate risks, which provides effective solutions to risk identification, assessment and handing. Although the Company did not have internal audit function, the Company has established internal review and risk management team to carry out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems for the Reporting Period and therefore no internal audit function has been established, the Board will review the need for an internal audit function on annual basis.

The Risk Management and Internal Control Committee and the Board had performed annual review on the effectiveness of the Group's risk management and internal control systems for the Reporting Period, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board considers the Group's risk management and internal control systems are effective and adequate.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

PROCEDURES AND INTERNAL CONTROLS FOR THE HANDLING AND DISSEMINATION OF INSIDE INFORMATION

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

COMMUNICATIONS WITH SHAREHOLDERS

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

(i) By mail to the Company's principal place of business at Units 6601A & 6607-8, Level 66, International Commerce Centre, 1 The Austin Road West, Kowloon, Hong Kong; or

(ii) By telephone number 3728 8000.

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

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

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

Corporate Governance Report

PROCEDURES FOR SHAREHOLDERS TO CONVENE A SPECIAL GENERAL MEETING

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

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT GENERAL MEETINGS

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

Corporate Governance Report

CONSTITUTIONAL DOCUMENTS

On 8 September 2017, the Company has amended its Bye-laws to reflect certain amendments to the Listing Rules and laws of Bermuda. The Bye-laws is available on the websites of the Stock Exchange and the Company.

COMPANY SECRETARY

Mr. Ng Kwok Leung resigned and Mr. Dong Qizhen was appointed as the Company Secretary on 7 June 2017.

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

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

Environmental, Social and Governance Report

ABOUT THIS REPORT

Basis of Preparation

This is the second Environmental, Social and Governance Report (the "ESG Report") for the Group, which aims to provide the stakeholders with an overview of the Group's efforts regarding the environmental, social and governance ("ESG") aspects to continuously reduce the impacts arising from its daily operations on the environment and society.

Scope of the Report

This report aims to provide a balanced description of the Group's policies and performance regarding the environmental and social aspects. Unless otherwise stated, the report covers the Reporting Period. For corporate governance, please refer to the section headed "Corporate Governance Report" on pages 28 to 43 of this annual report.

Reporting Guide

The Group has prepared this ESG Report in accordance with the Environmental, Social and Governance Reporting Guide under Appendix 27 of the Listing Rules.

Disclaimer of the ESG Report

This ESG Report focuses on process management and emphasizes on the importance, substantiality, balance, readability of the contents, and introducing the philosophy, actions and achievements of the annual performance. The Group is responsible for the reliability, truthfulness and objectivity of the information in this ESG Report.

Environmental, Social and Governance Report

OUR PRINCIPLE

Customer Satisfaction-oriented

Emphasis on Service Quality

As a comprehensive financial services provider, we understand customers are the fundamental driving forces for corporate development. We always strive for outstanding service quality and earn the trust of general customers through the provision of tailor-made customer services.

The Group comprises teams of professionals specialising in a wide array of services including brokerage, asset management and financing. As at 31 December 2017, approximately 38 employees of the Group were licensed with the SFC in various regulated activities: dealing in securities (Type 1), dealing in futures contracts (Type 2), advising on securities (Type 4), advising on corporate finance (Type 6) and asset management (Type 9).

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

Accessible Communication Channel

We recognise listening to the customers and improving our customer service mechanism can help promote the growth of the Company. To facilitate regular communication with customers and collection of customer feedback, the Group has stated clearly its internal procedures and staff responsibility so that the customers' response, opinion and recommendation with regard to our services will be handled in a timely manner, thereby constantly optimizing our service standard.

The Group has set up designated channels – including hotline, facsimile and email – for clients to lodge complaints. All complaints received through these channels are diverted to and handled by the monitoring officer. Upon receipt of a complaint, the monitoring officer will promptly carry out investigations and report the findings to the senior management. The senior management will then review the complaint and eventually determine whether internal controls and procedures need to be enhanced or other appropriate action is required.

OUR PRINCIPLE (continued)

Customer Satisfaction-oriented (continued)

Protection of Customer Privacy

The Group places the utmost importance on protecting the privacy of its customers, partners and staff in the collection, processing and use of their personal data. The Group follows strictly the applicable data protection regulations and ensures that appropriate technical measures are put in place to protect the personal data against any unauthorised use or access. The Group also ensures that customers' personal data is stored properly and will only be processed for the specified purposes.

In order to further strengthen the awareness and capability of the relevant employees with respect to confidentiality, the Group provides the relevant staff with adequate training in accordance with the Personal Data (Privacy) Ordinance, to strengthen their knowledge regarding safeguarding of personal data.

Compliant operation-based

Strict Compliance with Laws and Regulations

The Group strictly complies with the laws and regulations in places where it has its operation and the requirements of the regulatory authorities by requiring the company secretary delegated by the Board to carefully review and monitor the compliance of policies and practices that have a significant impact on the Group. The compliance department of the Group provides effective support to various operation units in their duties and day-to-day operation to comply with all applicable laws, rules and regulations (such as Securities and Futures Ordinance and its subsidiary legislations, Prevention of Bribery Ordinance and Codes and Guidelines issued by the Securities and Futures Commission).

The Group holds relevant required licenses for provision of services according to the laws, such as: dealing in securities and futures contracts; advising on securities; and advising on corporate finance and asset management, etc. The Group requires the management to ensure that the business is conducted in accordance with the applicable laws and regulations. Updates on the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

Besides, the Group values the protection of intellectual property by requiring that domain names are constantly monitored and renewed upon their expiration in a timely manner. The Group builds up and protects its intellectual property rights by prolonged use and registration of domain names.

OUR PRINCIPLE (continued)

Compliant operation-based (continued)

Anti-corruption/Anti-money Laundering

The Group attaches great importance to anti-money laundering and financial crime. In order to build up an ethical corporate culture and practices, the Group has established policies and procedures for anti-corruption and anti-money laundering. This policy sets forth customer screening and monitoring requirements, "know your customer" policies, record keeping requirements, and procedures for reporting suspicious circumstances in accordance with the relevant laws, codes and guidelines issued by the regulatory authorities.

It is our policy that for each of the new customers, at the time of account opening, the Group has to perform a name search in an anti-money laundering database system provided by a third party vendor, in order to identify if the customer is involved in the current terrorist or sanction list, and check whether the client is a Politically Exposed Person (PEP). New account applications lodged by terrorists or sanctioned entities would be rejected. The Group conducts regular reviews on the transactions carried out by high-risk clients to identify suspicious transactions. In the event any suspicious transactions are noted, we will report them to Joint Financial Intelligence Unit in due course.

In order to enable our staff from all levels and operations to report, in confidence, about any improper matter that are related to the Group such as misconduct and malpractice, the Group has implemented a whistleblowing policy and procedures. Such policy and procedures can be found in the employee's handbook and the Group's intranet. During the Reporting Period, there was not any prosecution that is related to corruption made against the Group or its employees, nor any report concerning any criminal offence or misconduct.

OUR PRINCIPLE (continued)

Win-win-oriented Development

The Group attaches great importance to the establishment of a mutually beneficial and longstanding cooperative relationships with its suppliers and has been actively establishing strategic cooperation platforms. Currently, the Group has worked closely with a number of suppliers who provide financial information solutions. By capitalizing on the advantages of each other's professionalism with extended cooperation area and enhanced efforts, the Group can achieve mutual and sustainable development.

In selection of suppliers, the Group will evaluate a supplier based on criteria such as price, stability of the trading platform, customer service team responsiveness, track record and experience. Potential suppliers that are committed to environmental protection are preferred.

With respect to the management of bulk procurement, for any expense that is over HK$50,000, the Group requires the business department to submit to the legal department the legal terms of procurement for prior approval. Upon approval, the project particulars and quotation sheet will be submitted to the finance department. After receipt of the signed confirmation from its director, the finance department will hold a meeting of the procurement assessment committee. In general, the finance department shall hold an on-site meeting of the procurement assessment committee for any expense over HK$100,000 so as to understand the reasonableness of the price and service more accurately.

OUR WORKFORCE

Protection of Employees' Benefits

The Group strictly abides by the relevant laws and regulations with regard to employment, in particular, matters such as recruitment, dismissal, remuneration, promotion, working hour, leave, equal opportunity, diversity, anti-discrimination, etc. The Group also respects human rights and prohibits the use of child labour and forced labour. The Group opposes to all forms of discrimination. Employees who violate the laws and regulations will be subject to disciplinary actions in accordance with the relevant internal guidelines and where the circumstances are serious, will be dismissed.

OUR WORKFORCE (continued)

Protection of Employees' Benefits (continued)

The Group firmly believes that employees are important assets. The Group actively expands recruitment channels and endeavours to attract and retain talents from different background in order to achieve sustainable growth. To further standardize the recruitment activity, the Group has developed a standard procedure and requires all personnel involved in the recruitment process to follow it. Candidates may confirm the current recruitment procedure with the human resource department before the recruitment procedure begins. The Group has a diverse workforce in terms of gender and age, providing a variety of ideas and levels of skills that contribute to the Group's success. The Group is firmly committed to gender equality, and encourages female participation in the Board, and at managerial and operational levels.

The Group always maintains a harmonious relationship with its employees and aims to develop a competitive remuneration scheme. Basic remuneration of employees includes salary, bonuses and subsidies (for example overtime and meal allowance). Other benefits include medical and life insurance, provident funds and other competitive fringe benefits. On top of that, employees may receive other incentive pay on a discretionary basis, which is determined with reference to their department, position, personal and department performance and other relevant factors.

The employees are entitled to all public holiday announced by the Government of the Hong Kong Special Administrative Region in the Gazette. In addition, the employees are entitled to paid annual leave, sick leave, maternity leave, etc. The Group adopts a five-day working week policy and the working hours may vary depending on the roles.

OUR WORKFORCE (continued)

Leading Employees to Colourful Life

The Group values the health and well-being of the employees and is committed to provide the employees with a safe, efficient and harmonious working environment. To this end, the Group has formulated policies in respect of staff working environment and protection. Any work-related injury is required to be reported to the Group and be individually assessed under the internal guideline procedures. During the Reporting Period, the Group is pleased to report that there was no work-related casualty or loss of working day arising therefrom.

The Group has provided a series of activities and initiatives to enhance the staff's self-protection awareness and ability. We arrange for the staff to learn related safety knowledge and emergency measures which can help increase their alertness and self-protection ability for effective prevention against possible accidents, creating a healthy and safe working environment.

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

OUR WORKFORCE (continued)

Facilitating Employee Development

The Group recognizes the importance of skilled and professionally trained employees to its business growth and future success. The provision of specific training and clear career development planning for employees enable them to release their full potential and achieve co-development with the Group. For this purpose, the Group actively develops an ideal career development platform to increase opportunities of exchange and learning for employees to expedite employee development.

As the Group operates in the frontline of a vibrant market, the staff have to actively pursue professional trainings to enhance their technical knowledge and keep abreast of the latest developments. As an aid for employees in self-growth and professional development, the Group organised a series of seminars and training programmes during the year, focusing on introduction of terms of high-yield bond, account opening process and sales precaution, overseas listing of Chinese enterprise, with a view to enhancing employees' professional knowledge.

In addition to the enhancement of employees' professional knowledge, the Group also provides compulsory compliance course for every employee, covering anti-laundering, updates on laws, codes, rules and regulations, and other topics such as licenced regulated activities, thereby maintaining the professional conduct and ethical standard of employees at the highest level.

Environmental, Social and Governance Report

OUR RESPONSIBILITY

Devotion to Blue Sky and Turquoise Water

In order to protect air quality and reduce greenhouse gas emission, the Group strictly complies with the laws and requirements in relation to the environment. The Group has made continuous efforts on leading its staff and the general public to the practice of low-carbon lifestyle by actively responding to the call for environmental protection, and promoting the idea of low-carbon environment and green conservation, with a view to jointly advancing the development of green public welfare.

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

Vehicle emissions (area 1)	approx. 8.46 metric tonne
Electricity consumption emissions (area 2)	approx. 55.38 metric tonne
Total volume of greenhouse gas emissions	approx. 63.84 metric tonne
Total intensity of greenhouse gas emissions	approx. 0.006 metric tonne/ sq.ft. office area

Air pollutants from vehicle emissions

CO emissions	approx. 9.11 kg
NO_X emissions	approx. 1.01 kg
SO_X emissions	approx. 0.05 kg
$PM_{2.5}$ emissions	approx. 0.03 kg

OUR RESPONSIBILITY (continued)

Devotion to Blue Sky and Turquoise Water (continued)

The Group continues to upgrade its equipments such as lighting and air-conditioning system in order to increase overall operating efficiency. In the head office, the air-conditioning systems are equipped with smart sensors to automatically adjust temperature and cooling speed, resulting in a comfortable working environment while saving energy. In both head office and branches, we have replaced fluorescent tubes with energy-efficient LED light and devised an ongoing renovation plan.

The Group attaches great importance to water preservation and endeavours to promote and enhance water resource management efforts. We post "water preservation" reminders in points of water use, such as pantry, so that our staff cultivate the habit of saving water. In 2017, the Group primarily sourced water from the municipal water plant and has encountered no difficulty in water sourcing. There was no individual water meter due to its minimal water consumption. Thus, data of water consumption for the year is not available and statistics of such data will be collected in the coming year.

Amount of resource consumption in the head office in Hong Kong in 2017:

Office electricity consumption	approx. 108,000 Kwh
Office electricity consumption intensity	approx. 10.8 Kwh/ft^2

Due to the nature of its business, the primary harmless waste produced in the course of operation of the Group is paper. We recognise that creating a paperless working environment not only reduces environmental damage but also fits commercial goals, as it can save physical space, facilitate information sharing via online networks, and reduce complicated documentation procedures. In recent years, duplex printing and copying has become the norm within the Group and we have implemented paperless processing in internal communications, including payrolls and memorandum, greatly reducing paper consumption and saving costs. In addition, usage data of office printing machines is regularly collected and assessed, to monitor the efficiency of a paperless environment.

OUR RESPONSIBILITY (continued)

Devotion to Blue Sky and Turquoise Water (continued)

The Group is keen on environmental awareness promotion not only within the organisation, but also through customers engagement, encouraging a co-operative approach to minimise its environmental impact. Given that the formalities for opening a securities account involve a considerable amount of paperwork, we have improved the account opening form to minimise paper usage. To further encourage the migration of customers' account statements from a print format to electronic version, a surcharge is applied if clients opt to receive paper statements.

Volume of resources recycled in the head office in Hong Kong in 2017:

Paper consumption (kg)	approx. 3,300 kg
Paper consumption intensity (kg/ft^2)	approx. 0.33 kg/ft^2
Paper recycled (kg)	approx. 600 kg

Social Welfare Enthusiast

Social harmony and stability are the key assurance for healthy and sustained corporate development. The Group places great importance on community investment and is committed to the mission of "From the Community, To the Community", with a view to sharing the fruit of corporate development with the society and contributing to social harmony.

The Group's management team plays an important role in mobilising staff to join all these activities, which are held in tandem with its commitment to sustainable development. We always believe that by encouraging staff to participate in a wide range of charitable events, their concern for the community will be raised, inspiring more people to take part in serving the community.

We are keen on the public education of financial knowledge to raise the risk awareness and capability of self-protection of financial service consumers, thereby creating a decent social environment

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

APPENDIX: INDEX OF THE "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE"

Aspect	Indicator	Particulars of Indicator	Disclosure	Place of Reporting/ Remark
Environmental				
A1: Emissions	General Disclosures	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	✓	Pg. 52-54
	A1.1	The types of emissions and respective emissions data	✓	Pg. 52-54
	A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	✓	Pg. 52
	A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Not applicable to principal business	
	A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	✓	Pg. 54
	A1.5	Description of measures to mitigate emissions and results achieved	✓	Pg. 52-54
	A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	✓	Pg. 52-54

APPENDIX: INDEX OF THE "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" (continued)

Aspect	Indicator	Particulars of Indicator	Disclosure	Place of Reporting/ Remark
A2: Use of Resources	General Disclosures	Policies on the efficient use of resources, including energy, water and other raw materials	✓	Pg. 52-54
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility)	✓	Pg. 52-53
	A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility)	✓	Pg. 53
	A2.3	Description of energy use efficiency initiatives and results achieved	✓	Pg. 52-53
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	✓	Pg. 53
	A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, per unit produced	Not applicable to principal business	
A3: The Environment and Natural Resources	General Disclosures	Policies on minimising the issuer's significant impact on the environment and natural resources	✓	Pg. 52-54
	A3.1	Description of the significant impacts of business activities on the environment and natural resources and the actions taken to manage them	✓	Pg. 52-54

APPENDIX: INDEX OF THE "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" (continued)

Aspect	Indicator	Particulars of Indicator	Disclosure	Place of Reporting/ Remark
Social				
B1: Employment	General Disclosures	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	✓	Pg. 48-51
B2: Health and Safety	General Disclosures	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	✓	Pg. 50
B3: Development and Training	General Disclosures	Policies on improving employees' knowledge and skills for discharging duties at work.	✓	Pg. 51

APPENDIX: INDEX OF THE "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE" (continued)

Aspect	Indicator	Particulars of Indicator	Disclosure	Place of Reporting/ Remark
B4: Labour Standards	General Disclosures	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	✓	Pg. 48-49
B5: Supply Chain Management	General Disclosures	Policies on managing environmental and social risks of the supply chain	✓	Pg. 48
B6: Product Responsibility	General Disclosures	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	✓	Pg. 45
B7: Anti-corruption	General Disclosures	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	✓	Pg. 47
B8: Community Investment	General Disclosures	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	✓	Pg. 54

Independent Auditor's Report

TO THE SHAREHOLDERS OF CMBC CAPITAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of CMBC Capital Holdings Limited ("the Company") and its subsidiaries ("the Group") set out on pages 68 to 179, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months from 1 April 2017 to 31 December 2017 and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the nine months from 1 April 2017 to 31 December 2017 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in Bermuda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Revenue recognition – fee income

Refer to note 4 to the consolidated financial statements and the accounting policies on page 84.

The Key Audit Matter	How the matter was addressed in our audit
Fee income represented over 35% of the total revenue of the Group for the nine months ended 31 December 2017. Fee income mainly comprises arrangement fee, handling fee and financial advisory fees arising from its financial advisory and financial arrangement services. Arrangement fee, handling fee and financial advisory fees are recognised when the corresponding service is provided and when the Group is entitled to receive the fees in accordance with the terms of the related client service agreement. The determination of the timing of recognition of arrangement fee, handling fee and financial advisory fees can involve significant management judgement in determining the extent of services already provided by the Group.	Our audit procedures to assess the recognition of fee income included the following: • assessing the design, implementation and operating effectiveness of key internal controls which govern revenue recognition; • performing the following procedures to assess the recognition of revenue for a sample of specific revenue transactions recorded during the current period: – inspecting the client service agreements and evaluating whether revenue was recognised in accordance with the terms of the agreements and the Group's revenue recognition policies with reference to the requirements of the prevailing accounting standards;

KEY AUDIT MATTERS (continued)

Revenue recognition – fee income (continued)

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

KEY AUDIT MATTERS (continued)

Recoverability of loans and advances

Refer to note 19 to the consolidated financial statements and the accounting policies on pages 91 to 96.

The Key Audit Matter	How the matter was addressed in our audit
The Group's loans and advances represented 31% of its total assets as at 31 December 2017. Loans and advances are measured at amortised cost, less any impairment. Impairment allowances are estimated by management once objective evidence of possible impairment becomes apparent. Management exercises judgement in determining the quantum of loss based on a range of factors, including available remedies for recovery, the financial situation of the borrower and collateral valuation. We identified recoverability of loans and advances as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results of the Group.	Our audit procedures to assess recoverability of loans and advances included the following: • assessing the design, implementation and operating effectiveness of key internal controls over the approval, recording and monitoring of loans and advances to customers, and the measurement of impairment allowances for individually assessed loans and advances, if any; • inspecting cash received by the Group for the repayment of principal and interest by the borrowers; and • evaluating management assessment of the recoverability of the loans and advances recognised at the end of the reporting period by obtaining information subsequent to the reporting date regarding the borrowers and assessing if the updated information indicated that the loans and advances were impaired as at the reporting date.

KEY AUDIT MATTERS (continued)

Impairment of accounts receivable from margin clients

Refer to note 22 to the consolidated financial statements and the accounting policies on pages 91 to 96.

The Key Audit Matter	How the matter was addressed in our audit
At 31 December 2017 accounts receivable from margin clients totalled HK$814 million, representing 15% of the Group's total assets. Margin clients are required to pledge securities as collateral in order to obtain credit facilities for securities trading. The amount of credit facilities granted to margin clients is determined based on the discounted value of securities accepted by the Group as collateral. From the Group's perspective, the accounts receivable from margin clients which gave rise to the greatest uncertainty in determining impairment allowances were those where the receivables were subject to potential collateral shortfalls. Impairment allowances are estimated by management once objective evidence of impairment of accounts receivable that were individually significant at each reporting date becomes apparent. Management exercises judgement in determining the quantum of loss based on the range of factors, including available remedies for recovery, the financial situation of the borrower and collateral valuation. Management assessed the value of collateral held at the reporting date, which principally comprised listed securities, with reference to quoted prices.	Our audit procedures to assess impairment of accounts receivable from margin clients included the following: • obtaining an understanding of and assessing the design, implementation and operating effectiveness of the key internal controls over the approval, recording and monitoring of account receivable from margin clients; • evaluating management's assessment of impairment allowances by inspecting the margin shortfall report and overdue report; • inspecting, on a sample basis, whether the client agreements contain the right to dispose of the securities collateral for settlement of clients' obligations;

KEY AUDIT MATTERS (continued)

Impairment of accounts receivable from margin clients (continued)

Refer to note 22 to the consolidated financial statements and the accounting policies on pages 91 to 96.

The Key Audit Matter	How the matter was addressed in our audit
We identified impairment of accounts receivable from margin clients as a key audit matter because the assessment of the appropriate level of impairment requires the application of significant management judgement.	• comparing the valuation of collateral held for the account receivable balances as recorded in margin shortfall report with publicly available market information; • assessing the existence of collateral by comparing securities held as collateral with third party statements from brokers or clearing houses; and • assessing the sufficiency of the allowance for individual impairment losses recognised with respect to any shortfall of account receivable from clients after deduction of the recoverable amount of the securities collaterals.

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

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

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

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

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Charter Road
Central, Hong Kong
29 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the nine months ended 31 December 2017

	Notes	9 months from 1 April 2017 to 31 December 2017 HK$'000	Year from 1 April 2016 to 31 March 2017 HK$'000 (Restated)
Continuing operations			
Revenue	4	**165,180**	83,705
Net gains/(losses) on investments at fair value through profit or loss		**68,610**	(67,852)
Other income	6	**3,810**	17,650
Other gains and losses	7	**(1,951)**	(318,731)
Administrative expenses		**(76,702)**	(96,922)
Finance costs	8	**(29,044)**	(20,895)
Impairment loss in respect of goodwill	18	**–**	(535,054)
Impairment loss in respect of intangible assets	20	**–**	(104,596)
Profit/(loss) before taxation from continuing operations	9	**129,903**	(1,042,695)
Taxation	12	**(11,540)**	(5,342)
Profit/(loss) for the period/year from continuing operations		**118,363**	(1,048,037)
Discontinued operations			
(Loss)/profit for the period/year from discontinued operations	13	**(95)**	5,939
Profit/(loss) for the period/year		**118,268**	(1,042,098)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the nine months ended 31 December 2017

	Notes	9 months from 1 April 2017 to 31 December 2017 HK$'000	Year from 1 April 2016 to 31 March 2017 HK$'000 (Restated)
Profit/(loss) for the period/year attributable to owners of the Company		**118,268**	(1,042,098)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Unrealised loss on available-for-sale investments		**(60)**	–
Total comprehensive income for the period/year attributable to owners of the Company		**118,208**	(1,042,098)
Earnings/(loss) per share (HK cents per share)	15		
From continuing and discontinued operations			
– Basic		**0.30**	(6.73)
– Diluted		**0.30**	(6.73)
From continuing operations			
– Basic		**0.30**	(6.77)
– Diluted		**0.30**	(6.77)

The notes on pages 76 to 179 form part of these financial statements. Details of dividends paid to equity shareholders of the Company are set out in note 14.

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	As at 31 December 2017 HK$'000	As at 31 March 2017 HK$'000
Non-current assets			
Property, plant and equipment	16	4,596	4,210
Investment property	17	–	410,000
Goodwill	18	16,391	16,391
Intangible assets	20	6,216	7,244
Available-for-sale investments	21	829,965	–
Loans and advances	19	449,450	–
Other assets		9,230	10,046
		1,315,848	447,891
Current assets			
Accounts receivable	22	827,121	698,057
Prepayments, deposits and other receivables	23	1,546	2,242
Interest receivables		10,525	–
Loans and advances	19	1,212,426	–
Investments at fair value through profit or loss	24	1,330,479	379,107
Cash and cash equivalents			
– Segregated accounts	25(a)	490,141	75,655
– House accounts	25(a)	126,761	132,324
		3,998,999	1,287,385
Current liabilities			
Accounts payable	26	319,176	106,103
Other payables and accruals	27	191,197	47,884
Amount due to an intermediate holding company	28	7,197	–
Bank and other borrowings	29	3,351,038	8,455
Bank overdrafts		–	44,908
Tax payable		9,423	34,042
Financial assets sold under repurchase agreements	33	7,966	–
		3,885,997	241,392
Net current assets		113,002	1,045,993
Total assets less current liabilities		1,428,850	1,493,884

Consolidated Statement of Financial Position

At 31 December 2017

	Notes	As at 31 December 2017 HK$'000	As at 31 March 2017 HK$'000
Non-current liabilities			
Bank and other borrowings	29	–	169,807
Notes payable	30	148,400	147,811
Promissory notes	31	–	27,056
Deferred tax liabilities	32	264	361
		148,664	345,035
NET ASSETS		1,280,186	1,148,849
CAPITAL AND RESERVES			
Share capital	34	457,787	180,198
Reserves		822,399	968,651
TOTAL EQUITY		1,280,186	1,148,849

Approved and authorised for issue by the board of directors on 29 March 2018.

Li Jinze
DIRECTOR

Ding Zhisuo
DIRECTOR

The notes on pages 76 to 179 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2017

		Attributable to owners of the Company							
	Notes	Share capital HK$'000	Share premium HK$'000 (Note a)	Contributed surplus HK$'000 (Note b)	Available-for-sale investments revaluation reserve HK$'000	Other reserve HK$'000 (Note c)	Share option reserve HK$'000	Accumulated profit (losses) HK$'000	Total HK$'000
Balance at 1 April 2017		180,198	3,220,060	388,137	–	761	64,425	(2,704,732)	1,148,849
Total comprehensive income for the period		–	–	–	(60)	–	–	118,268	118,208
Share premium cancellation		–	(2,967,709)	2,967,709	–	–	–	–	–
Issue of shares	34(ii)	269,500	592,900	–	–	–	–	–	862,400
Exercise of share options	34(iv)	8,089	244,153	–	–	–	(64,425)	–	187,817
Dividends paid	14	–	–	(1,037,088)	–	–	–	–	(1,037,088)
Balance at 31 December 2017		457,787	1,089,404	2,318,758	(60)	761	–	(2,586,464)	1,280,186

Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2017

		Attributable to owners of the Company								
	Notes	Share capital HK$'000	Share premium HK$'000 (Note a)	Contributed surplus HK$'000 (Note b)	Other reserve HK$'000 (Note c)	Share option reserve HK$'000	Accumulated profit (losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 April 2016		126,641	2,480,559	388,137	–	82,222	(1,662,634)	1,414,925	2,261	1,417,186
Loss and total comprehensive expense for the year		–	–	–	–	–	(1,042,098)	(1,042,098)	–	(1,042,098)
Placing of shares	34(iii)	14,500	287,100	–	–	–	–	301,600	–	301,600
Issue of shares	34(ii)	13,000	173,789	–	–	–	–	186,789	–	186,789
Exercise of share options	34(iv)	1,967	61,848	–	–	(17,797)	–	46,018	–	46,018
Transaction cost directly attributable to issue of shares		–	(43)	–	–	–	–	(43)	–	(43)
Exercise of warrants	34(i)	24,090	216,807	–	–	–	–	240,897	–	240,897
Acquisition of additional interest in a subsidiary		–	–	–	761	–	–	761	(2,261)	(1,500)
Balance at 31 March 2017 and 1 April 2017		180,198	3,220,060	388,137	761	64,425	(2,704,732)	1,148,849	–	1,148,849

Notes:

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

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

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

The notes on pages 76 to 179 form part of these financial statements.

Consolidated Statement of Cash Flows

For the nine months ended 31 December 2017

	Notes	9 months from 1 April 2017 to 31 December 2017 HK$'000	Year from 1 April 2016 to 31 March 2017 HK$'000
Operating activities			
Cash used in operations	25(b)	**(1,796,213)**	(270,456)
Hong Kong Profits Tax (paid) refunded		**(36,375)**	1,722
Interest received		**51,156**	56,864
Dividend received on investment funds		**10,366**	–
Dividend received on investments in listed equity securities		**58**	–
Net cash used in operating activities		**(1,771,008)**	(211,870)
Investing activities			
Purchases of financial assets at fair value through profit or loss ("FVTPL")		**(1,398,620)**	–
Purchases of available-for-sale ("AFS") investments		**(829,583)**	–
Purchases of property, plant and equipment		**(1,571)**	(4,107)
Net cash inflow arising from disposal of subsidiaries	35(b)	**205,199**	–
Proceeds from disposals of financial assets at FVTPL		**92,691**	–
Net cash inflow arising from acquisition of subsidiaries	35(a)	**8,407**	277
Proceeds from disposals of AFS investments		**–**	110,000
Net cash (used in)/generated from investing activities		**(1,923,477)**	106,170
Financing activities			
New bank and other borrowings raised		**3,787,192**	50,000
Proceeds from issue of new shares in share placing		**862,400**	–
Proceeds from exercise of share options		**187,817**	46,018
Increase in financial assets sold under repurchase agreements		**7,960**	–
Dividend paid		**(612,876)**	–
Repayment of bank borrowings		**(458,095)**	(85,122)
Repayment of promissory notes		**(29,000)**	–
Interest paid		**(9,704)**	(21,976)
Acquisition of additional interest in a subsidiary		**–**	(1,500)
Proceeds from exercise of warrants		**–**	240,897
Repayment of other borrowings		**–**	(50,000)
Transaction costs attributable to issue of shares		**–**	(43)
Net cash generated from financing activities		**3,735,694**	178,274

Consolidated Statement of Cash Flows

For the nine months ended 31 December 2017

	Notes	9 months from 1 April 2017 to 31 December 2017 HK$'000	Year from 1 April 2016 to 31 March 2017 HK$'000
Net increase in cash and cash equivalents		**41,209**	72,574
Cash and cash equivalents at beginning of period/year		**87,416**	14,842
Effect of foreign exchange rate changes, net		**(1,864)**	–
Cash and cash equivalents at end of period/year		**126,761**	87,416
Analyses of cash and cash equivalents at end of period/year:			
Bank balances – house accounts		**126,761**	132,324
Bank overdrafts		**–**	(44,908)
		126,761	87,416

The notes on pages 76 to 179 form part of these financial statements.

1. GENERAL INFORMATION

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

At 31 December 2017, the directors consider the immediate parent and ultimate controlling party to be CMBC International Investment Limited, which is incorporated in British Virgin Islands and China Minsheng Bank Corp., Ltd, which is incorporated in People's Republic of China, respectively. This entity produces financial statements available for public use and can be obtained at the website of the Stock Exchange.

The principal activities of the Company are investment holding and provision of loan financing services. The activities of its principal subsidiaries are set out in note 45 to the consolidated financial statements.

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

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Statement of compliance (continued)

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

(b) Basis of preparation of the financial statements

The consolidated financial statements for the nine months ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group").

To align with the Company's indirect controlling shareholders, namely, CMBCI and China Minsheng and to better facilitate the preparation of the consolidated financial statements of the Group, the Company determined to change its financial period end date from 31 March to 31 December commencing from the financial period ended 31 December 2017.

Due to the change of the end of financial period, this set of consolidated financial statements is prepared for a period of nine months from 1 April 2017 to 31 December 2017. The comparative figures, however, are presented for twelve months from 1 April 2016 to 31 March 2017, and hence are not comparable.

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

– investment properties (see note 2(o));

– financial instruments classified as available-for-sale investments (see note 2(r)); and

– financial instruments classified as investments at fair value through profit or loss (see note 2(r)).

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

Operations of the real estate segment were discontinued during the period and the operations of the supply and procurement segment were discontinued during the last financial period, details of which are disclosed in note 13. Accordingly, the consolidated statement of profit or loss for the year ended 31 March 2017 has been restated to conform with current period presentation.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Changes in accounting policies

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group. However, additional disclosure has been included in note 25(c) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, Statement of cash flows: Disclosure initiative, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

(d) Basis of consolidation

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Basis of consolidation (continued)

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs).

(e) Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income taxes" and HKAS 19 "Employee benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Business combinations (continued)

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Acquisition of a subsidiary not constituting a business

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

(g) Goodwill

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

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

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

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

- Financial advisory, arrangement fee and other service fee are recognised as income when the obligation under the underlying agreement has been fulfilled.

(ii) Interest income from a financial asset is recognised when it is probable that economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Foreign currencies

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

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

(j) Leasing

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

(i) The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

(ii) The Group as lessee

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

(k) Employee benefits

(i) Retirement benefit costs

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Employee benefits (continued)

(ii) Share-term employee benefits

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

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

(l) Borrowings costs

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

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

(m) Taxation

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Taxation (continued)

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Taxation (continued)

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

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

(n) Property, plant and equipment

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

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

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

(o) Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Investment properties (continued)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(p) Intangible assets

Intangible assets acquired in a business combination

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

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

(q) Impairment of tangible and intangible assets other than goodwill

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Financial instruments

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

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

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

Financial assets

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

Effective interest method

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Financial instruments (continued)

Financial assets (continued)

AFS financial assets

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

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

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment of financial assets below).

Loans and receivables

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Financial instruments (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected. Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation;
- significant changes in the technology, market, economic or legal environment that have an adverse effect to the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Financial instruments (continued)

Impairment of financial assets (continued)

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

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

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

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

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

Financial liabilities and equity instruments

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities (including accounts payable, other payables, bank and other borrowings, bank overdrafts, notes payable and promissory notes) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

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

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Share-based payment transactions

(i) Share options granted to employees

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 38 to the Group's consolidation financial statements.

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Cash and cash equivalents

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

Segregated accounts maintained by the Group to hold clients' monies are recognised as an asset in financial statements and are disclosed in note 25 to the consolidated financial statements.

(u) Discontinued operations

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Discontinued operations (continued)

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

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

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

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

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Related parties (continued)

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

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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

(w) Segment reporting

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Financial assets sold under repurchase agreements

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

3. ACCOUNTING JUDGEMENT AND ESTIMATES

Sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3. ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

Sources of estimation uncertainty (continued)

(i) Estimated impairment of goodwill and intangible assets

Determining whether goodwill and intangible assets are impaired requires an estimation of the recoverable amounts of the cash generating units to which goodwill has been allocated and the individual assets using the income approach. The income approach requires the Group to estimate the future cash flows expected to arise from the cash generating unit and the individual assets and a suitable discount rate in order to calculate the present values. Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2017, the carrying amounts of the goodwill and intangible assets are HK$16,391,000 (31 March 2017: HK$16,391,000) and HK$6,216,000 (31 March 2017: HK$7,244,000) respectively. Details of the recoverable amounts calculation are disclosed in notes 18 and 20.

(ii) Impairment of loans and advances and accounts receivable

When there is objective evidence of impairment loss, the Group takes into consideration the estimation of future cash flows. The amount of the impairment 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 been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

As at 31 December 2017, impairment allowances of HK$300,000 was recognised for accounts receivable (31 March 2017: Nil). No impairment allowances (31 March 2017: Nil) have been recognised for loans and advances.

4. REVENUE

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

	9 months from 1 April 2017 to 31 December 2017 HK$'000	Year from 1 April 2016 to 31 March 2017 HK$'000 (Restated)
Commission income from brokerage and related services	**5,036**	20,106
Commission income from underwriting, sub-underwriting, placing and sub-placing	**26,035**	6,737
Interest income from AFS investments	**17,295**	–
Interest income from provision of finance and securities margin financing	**47,391**	56,862
Dividend income from investments at fair value through profit or loss	**10,424**	–
Financial advisory, arrangement fee and other service income	**58,999**	–
	165,180	83,705

5. SEGMENT INFORMATION

In a manner consistent with the way in which information is reported internally to the chief operating decision makers for the purpose of resources allocation and performance assessment, the Group is currently organised into the following operating segments:

- the securities segment representing the business line of provision of brokerage services, securities margin financing services, futures and options contracts dealing services and securities underwriting services to clients;

- the investment and financing segment representing investment and trading activities in equity securities, futures, bonds, funds and provision of loan financing services; and

- the asset management and advisory segment representing the provision of asset management services, financial advisory and financial arrangement services to clients.

5. SEGMENT INFORMATION (continued)

The real estate segment was discontinued in the current period. The segment information reported does not include any amounts for the discontinued operations, which are described in more details in note 13. Accordingly, the segment information for the year ended 31 March 2017 has been restated.

(i) Segment revenue and results

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

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

5. SEGMENT INFORMATION (continued)

(i) Segment revenue and results (continued)

	For the year ended 31 March 2017 (Restated)		
	Securities HK$'000	Investment and financing HK$'000	Total HK$'000
Continuing operations			
Segment revenue			
– Revenue from external customers	83,705	–	83,705
– Net gains/(losses) on investments at fair value through profit or loss	103,917	(159,301)	(55,384)
	187,622	(159,301)	28,321
Segment results	(460,403)	(160,612)	(621,015)
Unallocated other income			12,584
Unallocated other gains and losses			(370,263)
Unallocated expenses			(43,106)
Unallocated finance costs			(20,895)
Loss before taxation			(1,042,695)

5. SEGMENT INFORMATION (continued)

(ii) Segment assets and liabilities

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

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

5. SEGMENT INFORMATION (continued)

(ii) Segment assets and liabilities (continued)

	As at 31 March 2017 (Restated)		
	Securities HK$'000	Investment and financing HK$'000	Total HK$'000
Assets			
Segment assets	843,921	379,107	1,223,028
Unallocated assets:			
– Property, plant and equipment			3,405
– Prepayments, deposits and other receivables			8,650
– Cash and cash equivalents			89,222
			101,277
Assets relating to discontinued operations			410,971
Total			1,735,276
Liabilities			
Segment liabilities	164,264	–	164,264
Unallocated liabilities:			
– Other payables and accruals			35,269
– Notes payable			147,811
– Promissory notes			27,056
– Deferred tax liabilities			361
– Tax payable			34,042
			244,539
Liabilities relating to discontinued operations			177,624
Total			586,427

5. SEGMENT INFORMATION (continued)

(ii) Segment assets and liabilities (continued)

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

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

(iii) Other segment information

	For the nine months ended 31 December 2017				
	Securities HK$'000	Investment and financing HK$'000	Asset management and advisory HK$'000	Unallocated HK$'000	Total HK$'000
Continuing operations					
Depreciation of property, plant and equipment	139	–	–	728	867
Addition of property, plant and equipment	51	–	–	1,519	1,570
Amortisation of intangible asset	1,028	–	–	–	1,028
Impairment loss in respect of accounts receivable	300	–	–	–	300
Loss on disposal of property, plant and equipment	–	–	–	7	7
Net gains on investments at FVTPL	–	(68,610)	–	–	(68,610)

5. SEGMENT INFORMATION (continued)

(iii) Other segment information (continued)

	For the year ended 31 March 2017 (Restated)			
	Securities HK$'000	Investment and financing HK$'000	Unallocated HK$'000	Total HK$'000
Continuing operations				
Depreciation of property, plant and equipment	242	–	535	777
Addition of property, plant and equipment	174	–	3,933	4,107
Amortisation of intangible asset	24,133	–	–	24,133
Impairment loss reversed in respect of accounts receivable and gain on recovery of bad debts	39,072	–	–	39,072
Impairment loss recognised in respect of goodwill	535,054	–	–	535,054
Impairment loss recognised in respect of intangible assets	104,596	–	–	104,596
Loss on disposal of property, plant and equipment	–	–	25	25
Net (gains)/losses on investments at FVTPL	(103,917)	159,301	12,468	67,852

(iv) Geographical information

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

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

(v) Information about major customers

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

No customer contributed over 10% of the total revenue of the Group during the year ended 31 March 2017.

6. OTHER INCOME

	9 months from 1 April 2017 to 31 December 2017 HK$'000	Year from 1 April 2016 to 31 March 2017 HK$'000
Continuing operations		
Bank interest income	**5**	2
Dividend income from AFS investments	**–**	12,468
Other income	**3,805**	5,180
	3,810	17,650

7. OTHER GAINS AND LOSSES

	9 months from 1 April 2017 to 31 December 2017 HK$'000	Year from 1 April 2016 to 31 March 2017 HK$'000 (Restated)
Continuing operations		
Impairment loss (recognised)/reversed in respect of accounts receivable and gain on recovery of bad debts	**(300)**	39,072
Impairment loss recognised in respect of AFS investments	**–**	(12,468)
Change in fair value of contingent consideration	**–**	(67,934)
Loss on early settlement of promissory notes (note 31)	**(2,852)**	(41,428)
Loss on disposal of subsidiaries (note 35(b))	**(789)**	–
Loss on disposal of property, plant and equipment	**(7)**	(25)
Loss on disposal of AFS investments	**–**	(235,750)
Other gains on purchase of group companies (note 35(a))	**1,477**	–
Net exchange gain/(loss)	**520**	(198)
	(1,951)	(318,731)

8. FINANCE COSTS

	9 months from 1 April 2017 to 31 December 2017 HK$'000	Year from 1 April 2016 to 31 March 2017 HK$'000 (Restated)
Continuing operations		
Interest expense on:		
Notes payable (note 30)	**6,239**	8,238
Promissory notes (note 31)	**348**	4,067
Borrowings and bank overdrafts	**2,439**	8,590
Financial assets sold under repurchase agreements	**8**	–
Loans from an intermediate holding company	**20,010**	–
	29,044	20,895

9. PROFIT/(LOSS) BEFORE TAXATION FROM CONTINUING OPERATIONS

	9 months from 1 April 2017 to 31 December 2017 HK$'000	Year from 1 April 2016 to 31 March 2017 HK$'000 (Restated)
Profit/(loss) before taxation from continuing operations is arrived at after charging:		
Staff costs (including directors' remuneration):		
Wages and salaries	**34,239**	18,798
Retirement benefits contributions	**616**	678
Total staff costs	**34,855**	19,476
Auditor's remuneration	**2,749**	2,813
Depreciation of property, plant and equipment	**867**	777
Amortisation of intangible assets	**1,028**	24,133
Minimum lease payments in respect of land and buildings	**9,366**	12,051

10. DIRECTORS' REMUNERATION

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

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

	For the year ended 31 March 2017							
	Executive directors				Independent non-executive directors			
	Ms. Lin Yuehe	Mr. Ng Kwok Leung	Mr. Wang Haixiong	Mr. Tam Tak Wah	Mr. Siu Siu Ling Robert	Mr. Chan Kwan Pak	Mr. Siu Gee Tai	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
	Note (i)	Note (ii)	Note (iii)	Note (iv)	Note (v)	Note (vi)	Note (vi)	
Fees	–	–	–	–	240	240	240	720
Other emoluments:								
Salaries and other allowances	390	634	1,128	980	–	–	–	3,132
Discretionary bonuses	–	–	–	–	–	–	–	–
Retirement benefits contribution	21	31	–	49	–	–	–	101
	411	665	1,128	1,029	240	240	240	3,953

10. DIRECTORS' REMUNERATION (continued)

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

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

Notes:

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

(ii) Mr. Ng Kwok Leung was appointed as director and chief executive officer on 20 July 2015 and 29 February 2016, respectively and resigned as chief executive officer and director on 22 July 2016 and 22 November 2016, respectively.

(iii) Mr. Wang Haixiong is the director and chief executive officer of the Company. Mr. Wang was appointed as director and chief executive officer on 22 July 2016 and resigned as director and chief executive officer on 28 June 2017.

(iv) Mr. Tam Tak Wah was appointed as director on 20 July 2015 and resigned as director on 22 November 2016.

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

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

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

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

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

For directors appointed and resigned during the period/year, their remuneration is calculated on pro-rata basis.

11. INDIVIDUALS WITH HIGHEST EMOLUMENTS

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

	9 months from 1 April 2017 to 31 December 2017 HK$'000	Year from 1 April 2016 to 31 March 2017 HK$'000
Salaries and other allowances	**2,440**	3,861
Discretionary bonuses	**315**	–
Retirement benefits contributions	**21**	45
	2,776	3,906

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

	Number of individuals	
	9 months from 1 April 2017 to 31 December 2017	Year from 1 April 2016 to 31 March 2017
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$1,500,000	**3**	3
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**–**	–
HK$2,500,001 to HK$3,000,000	**–**	–
HK$3,000,001 to HK$3,500,000	**–**	–
HK$3,500,001 to HK$4,000,000	**–**	–
HK$4,000,001 to HK$4,500,000	**–**	–
HK$4,500,001 to HK$5,000,000	**1**	–
	5	5

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

12. TAXATION

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

	9 months from 1 April 2017 to 31 December 2017 HK$'000	Year from 1 April 2016 to 31 March 2017 HK$'000
Continuing operations		
Current tax:		
Hong Kong Profits Tax	11,651	34,564
(Over)/under provision in prior years	(14)	443
	11,637	35,007
Deferred tax (note 32):		
Origination and reversal of temporary differences	(97)	(29,665)
	11,540	5,342

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

12. TAXATION (continued)

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

	9 months from 1 April 2017 to 31 December 2017 HK$'000	Year from 1 April 2016 to 31 March 2017 HK$'000 (Restated)
Profit/(loss) before taxation from continuing operations	**129,903**	(1,042,695)
Notional tax at the profit tax rate of Hong Kong of 16.5% (year ended 31 March 2017: 16.5%)	**21,434**	(172,045)
Tax effect of income not taxable for tax purpose	**(591,074)**	(1,315)
Tax effect of expenses not deductible for tax purpose	**583,553**	149,670
Tax effect of tax losses not recognised	**167**	27,747
Tax losses utilised from previous periods	**(2,676)**	–
(Over)/under provision in prior years	**(14)**	443
Others	**150**	842
Actual tax expense	**11,540**	5,342

13. DISCONTINUED OPERATIONS

On 9 May 2017, the Group completed the disposal of 100% equity interest in Sky Eagle Global Limited ("Sky Eagle") and a mortgage loan amounting to approximately HK$177,000,000 for cash consideration of HK$227,000,000. The only significant asset of Sky Eagle and its subsidiary, Metro Victor Limited ("Metro Victor"), is the investment property disclosed in note 17. Sky Eagle and Metro Victor carried out all of the Group's real estate operation.

During the year ended 31 March 2017, the Group entered into sale agreements to dispose of its 100% equity interest in Poly Resources (Asia) Limited and Poly Forestry International Limited (collectively the "Disposing Subsidiaries") that carried out all of the Group's supply and procurement operations at a consideration of HK$863,000. The disposal was completed on 29 September 2016, on which date the Group lost control of the Disposing Subsidiaries.

The profit or loss for the period/year from the discontinued operations is set out below. The comparative figures in the consolidated statement of profit or loss and other comprehensive income have been restated to re-present the real estate, supply and procurement operations as discontinued operations.

	9 months from 1 April 2017 to 31 December 2017 HK$'000	Year from 1 April 2016 to 31 March 2017 HK$'000 (Restated)
(Loss)/profit for the period/year	**(95)**	5,939

13. DISCONTINUED OPERATIONS (continued)

The results of the discontinued operations for the current period and preceding year were as follows:

	9 months from 1 April 2017 to 31 December 2017 HK$'000	Year from 1 April 2016 to 31 March 2017 HK$'000 (Restated)
Revenue	**450**	3,832
Other gains and losses	**–**	7,000
Administrative expenses	**(128)**	(1,451)
Finance costs	**(417)**	(3,442)
(Loss)/profit before taxation	**(95)**	5,939
Taxation	**–**	–
(Loss)/profit for the period/year	**(95)**	5,939

During the current period and preceding year, the net operating cash flows contributed by real estate and supply and procurement operations to the Group are insignificant.

14. DIVIDENDS

	9 months from 1 April 2017 to 31 December 2017 HK$'000	Year from 1 April 2016 to 31 March 2017 HK$'000
Special cash dividend	**612,876**	–
Distribution in specie	**424,212**	–
	1,037,088	–

14. DIVIDENDS (continued)

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

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

15. EARNINGS/(LOSS) PER SHARE

From continuing and discontinued operations

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

	9 months from 1 April 2017 to 31 December 2017 HK$'000	Year from 1 April 2016 to 31 March 2017 HK$'000
Profit/(loss) attributable to owners of the Company for the purpose of basic and diluted earnings/(loss) per share	**118,268**	(1,042,098)

15. EARNINGS/(LOSS) PER SHARE (continued)

From continuing and discontinued operations (continued)

	9 months from 1 April 2017 to 31 December 2017 HK$'000	Year from 1 April 2016 to 31 March 2017 HK$'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**39,750,068**	15,476,230
Effect of dilutive potential ordinary shares:		
Warrants	**–**	889,828
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**39,750,068**	16,366,058

From continuing operations

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

	9 months from 1 April 2017 to 31 December 2017 HK$'000	Year from 1 April 2016 to 31 March 2017 HK$'000 (Restated)
Profit/(loss) figures are calculated as follow:		
Profit/(loss) for the period/year attributable to the owners of the Company	**118,268**	(1,042,098)
Add: Loss/(profit) for the period/year from discontinued operations	**95**	(5,939)
Profit/(loss) for the purpose of basic and diluted earnings/(loss) per share from continuing operations	**118,363**	(1,048,037)

15. EARNINGS/(LOSS) PER SHARE (continued)

From continuing operations (continued)

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

There was no dilutive items during the period ended 31 December 2017. The computation of diluted loss per share for the year ended 31 March 2017 does not assume the exercise of the Company's outstanding share options and warrants since their exercise would result in a decrease in loss per share.

From discontinued operations

Basic and diluted loss per share from the discontinued operations is HK0.0002 cents per share (for the year ended 31 March 2017: Basic and diluted earnings are HK0.0384 cents and HK0.0363 cents per share), based on the loss for the period from discontinued operations of HK$95,000 (for the year ended 31 March 2017: profit of HK$5,939,000) and the denominators detailed above for the basic and diluted earnings or loss per share.

There was no dilutive items during the period ended 31 December 2017. The computation of diluted earnings per share for the year ended 31 March 2017 does not assume the exercise of the Company's outstanding share options as the exercise price of the share options was higher than the average market price for the year ended 31 March 2017.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture fixtures and equipment HK$'000	Total HK$'000
Cost			
At 1 April 2016	1,112	953	2,065
Acquired on acquisitions of subsidiaries (note 35(a))	531	114	645
Additions	3,008	1,099	4,107
Disposal	–	(35)	(35)
At 31 March 2017	4,651	2,131	6,782
Additions	1,147	424	1,571
Written-off during the period	(1,112)	(200)	(1,312)
Disposal	–	(8)	(8)
Disposal of subsidiaries (note 35(b))	(530)	(129)	(659)
At 31 December 2017	4,156	2,218	6,374
Accumulated depreciation and impairment			
At 1 April 2016	1,112	359	1,471
Provided for the year	697	414	1,111
Eliminated on disposal	–	(10)	(10)
At 31 March 2017	1,809	763	2,572
Provided for the period	599	306	905
Written-off during the period	(1,112)	(200)	(1,312)
Eliminated on disposal	–	(1)	(1)
Disposal of subsidiaries (note 35(b))	(329)	(57)	(386)
At 31 December 2017	**967**	**811**	**1,778**
Carrying values			
At 31 December 2017	**3,189**	**1,407**	**4,596**
At 31 March 2017	2,842	1,368	4,210

16. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

17. INVESTMENT PROPERTY

	HK$'000
Fair value	
At 1 April 2016	–
Acquired on acquisition of subsidiaries (note 35(a))	403,000
Increase in fair value	7,000
At 31 March 2017	410,000
Disposal of a subsidiary (note 35(b))	(410,000)
At 31 December 2017	–

At 31 March 2017, the Group's property interests held under operating leases to earn rentals or for capital appreciation purpose are measured using the fair value model and are classified and accounted for as investment property. The Group's investment property is situated in Hong Kong and had been pledged to secure banking facilities granted to the Group.

The fair value of the Group's investment property at 31 March 2017 had been arrived at on the basis of valuation carried out by Ascent Partners Valuation Service Limited, an independent qualified professional valuer not connected to the Group. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

17. INVESTMENT PROPERTY (continued)

The Group disposed the investment property on 9 May 2017 as part of the disposal of Sky Eagle as disclosed in note 13.

The following table gives information about how the fair value of the investment property is determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Investment property held by the Group	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
At 31 March 2017				
Residential property	Level 3	Direct comparison method based on market observable transactions of comparable location and adjust to reflect the specific features of this property The key inputs are: (1) Location adjustment (2) Size adjustment (3) Building age adjustment (4) Facility adjustment	Location adjustment on the district of the property located ranged from -20% to 0%	The better location, the higher the fair value
			Size adjustment on the saleable area of the property located ranged from 0% to 5%	The larger size, the higher the fair value
			Building age adjustment on the year of completion of the property ranged from -5% to 10%	The lower building age, the higher the fair value
			Facility adjustment on the garden and swimming pool built in of the property ranged from -10% to 10%	The more facilities built in, the higher the fair value

18. GOODWILL

	HK$'000
Cost	
At 1 April 2016, 31 March 2017 and 31 December 2017	551,445
Impairment	
At 1 April 2016	–
Impairment loss recognised in the year ended 31 March 2017	535,054
At 31 March 2017 and 31 December 2017	535,054
Carrying values	
At 31 March 2017 and 31 December 2017	16,391

For the purposes of impairment testing at 31 March 2017, goodwill has been allocated to a group of cash generating units ("CGU"), comprising CMBC Securities Company Limited (formerly known as "Skyway Securities Investment Limited" ("Skyway Securities")) and its subsidiary, CMBC Asset Management Company Limited (formerly known as "Skyway Asset Management Limited") and CMBC International Futures Company Limited (formerly known as "Skyway Futures Limited" ("Skyway Futures")), representing "Securities segment", which is the lowest level within the Group at which the goodwill is monitored for internal management purposes.

During the period ended 31 December 2017, the current management of the Group introduced the asset management and advisory business and resulted in a change in component of CGU. Management considers at 31 December 2017, there are two CGUs in relation to goodwill allocation, including the first CGU from "Securities segment" and the second CGU from "Asset management and advisory segment". After considering the scale of operation of these CGUs, all goodwill is allocated to the first CGU.

18. GOODWILL (continued)

The aggregate carrying amount of the CGU comprise goodwill of approximately HK$16,391,000 (31 March 2017: HK$16,391,000), trading rights of HK$960,000 (31 March 2017: HK$960,000) and customers' relationship of HK$5,256,000 (31 March 2017: HK$6,284,000) of which the impairment for the customers' relationship has been assessed individually as set out in note 20. The basis of the recoverable amount of the CGU and its major underlying assumptions are summarised below.

The recoverable amount of the CGU has been determined by the fair value less cost of disposal in respect of the above entities comprising the CGU. The fair value less cost of disposal was assessed by the management based on a business valuation performed by an independent professional qualified valuer using the income approach which uses cash flow projections covering a 5-year period and discount rate of 10.65% (year ended 31 March 2017: 13.6%), which is within level 3 fair value hierarchy.

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

The cash flow projections at 31 March 2017 had taken into account the deteriorating financial performance of the brokerage and other related activities due to the unfavourable changes during that time and the actual net cash flows generating thereon worse than those estimated in the previous impairment assessment. Accordingly, the cash flow projections had been revised downwards.

18. GOODWILL (continued)

For the purpose of impairment assessment, the fair value less cost of disposal of the CGU amounted to approximately HK$1,249,674,000 (year ended 31 March 2017: HK$526,988,000). By comparing the aforesaid aggregate carrying amount of the CGU with the fair value less cost of disposal of the CGU, the management determined that the recoverable amount of the CGU is estimated to be more than the aggregate carrying amounts of goodwill, trading rights and customers' relationship and no impairment losses in respect of goodwill (year ended 31 March 2017: HK$535,054,000) is recognised in profit or loss during the period ended 31 December 2017.

19. LOANS AND ADVANCES

	As at 31 December 2017 HK$'000	As at 31 March 2017 HK$'000
Loans and advances	**1,661,876**	–
Less: Amount due within one year presented under current assets	**(1,212,426)**	–
Amount presented under non-current assets	**449,450**	–

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

Management of the Group believes that the amount is considered recoverable given the collateral is sufficient to cover the entire balance for the secured loans and advances and no recent history of default of borrowers was noted. The management believes that no impairment provision for loans and advances is necessary.

20. INTANGIBLE ASSETS

	Trading rights HK$'000	Customers' relationship HK$'000	Total HK$'000
Cost			
At 1 April 2016, 31 March 2017 and 31 December 2017	960	144,799	145,759
Amortisation and impairment			
At 1 April 2016	–	9,786	9,786
Charge for the year	–	24,133	24,133
Impairment loss recognised in the year	–	104,596	104,596
At 31 March 2017	–	138,515	138,515
Charge for the period	–	1,028	1,028
At 31 December 2017	–	139,543	139,543
Carrying values			
At 31 December 2017	960	5,256	6,216
At 31 March 2017	960	6,284	7,244

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

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

20. INTANGIBLE ASSETS (continued)

At 31 March 2017, in view that the cash flows generated from brokerage and other related activities were less than expected, the directors of the Company had carried out an impairment assessments of the customers' relationship. The recoverable amount of the customers' relationship was determined based on the fair value less cost of disposal. The fair value less cost of disposal was assessed by the management with reference to the valuation of the customers' relationship performed by an independent professional qualified valuer using the income approach which was based on the cash flows generated by the customers' relationship at a discount rate of 13.6%. The fair value measurement is classified as Level 3. As the carrying amount of customers' relationship exceeded its recoverable amount, the Group had recognised an impairment of HK$104,596,000 in profit or loss for the year ended 31 March 2017.

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

The trading rights and customers' relationship also formed part of the assets included in the CGU for which goodwill impairment is assessed and details are set out in note 18.

21. AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 December 2017 HK$'000	As at 31 March 2017 HK$'000
Listed debt instruments, at fair value	**829,965**	–

During the period, the loss in respect of changes in fair value of the Group's available-for-sale investments recognised in other comprehensive income amounted to approximately HK$60,000 (31 March 2017: Nil).

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

22. ACCOUNTS RECEIVABLE

	As at 31 December 2017 HK$'000	As at 31 March 2017 HK$'000
Accounts receivable arising from the ordinary course of business of securities brokerage, futures and options dealing services:		
– Clearing houses	**203**	18,778
– Cash clients	**311**	23,313
– Margin clients	**814,313**	647,879
– Brokers	**5**	8,087
	814,832	698,057
Accounts receivable arising from the ordinary course of business of securities underwriting	**9,776**	–
Accounts receivable arising from the ordinary course of business of advisory services	**2,813**	–
Provision for impairment on accounts receivable from cash clients	**(300)**	–
	827,121	698,057

Accounts receivable arising from the business of dealing in securities

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

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

22. ACCOUNTS RECEIVABLE (continued)

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

Accounts receivable due from cash clients

Accounts receivable due from cash clients are secured by clients' securities, which are publicly traded equity securities listed in Hong Kong. The fair values of the securities as at 31 December 2017 approximate HK$81,997,000 (31 March 2017: HK$812,078,000).

As at 31 December 2017, the directors of the Company consider the balance due from cash clients is insignificant. As at 31 March 2017, 88% of the balance were secured by sufficient collateral on an individual basis. Included in the accounts receivable from cash clients are debtors with a carrying amount of approximately HK$311,000 (31 March 2017: HK$16,587,000) as at 31 December 2017, which was past due at the end of reporting period and a provision for impairment of HK$300,000 was made against the debtors (31 March 2017: Nil).

As at 31 March 2017, the directors of the Company considered the balance past due not to be impaired as there had not been a significant change in credit quality and a substantial portion of the carrying amount was subsequently settled. HK$6,726,000 of the accounts receivable from cash clients were neither past due nor impaired and the directors of the Company were of the opinion that the amount were recoverable.

Cash client receivables which were past due but not impaired bore interest at interest rates by reference to Hong Kong Prime Rate plus certain basis points based on management's discretion.

Accounts receivable due from margin clients

Accounts receivable due from margin clients are repayable on demand and carry interest at Hong Kong Prime Rate minus 0.35% to Hong Kong Prime Rate plus 9.15% per annum during the nine months ended 31 December 2017 (31 March 2017: Hong Kong Prime Rate plus 4% to 8%). They are generally included in "Neither past due nor impaired" category. The fair values of the pledged securities as at 31 December 2017 approximate HK$4,455,263,000 (31 March 2017: HK$3,366,705,000). Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collateral are required if the amount of accounts receivable outstanding exceeds the eligible margin value of securities deposited.

22. ACCOUNTS RECEIVABLE (continued)

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

Accounts receivable due from margin clients (continued)

As at 31 December 2017, 100% (31 March 2017: 92%) of the balance were secured by sufficient collateral on an individual basis and management has considered that no impairment is necessary (31 March 2017: Nil). As at 31 March 2017, the collaterals held could be repledged by the Group up to 140% of the margin receivable amounts in the search of short-term financing, if necessary. The corresponding collaterals held could be sold at the Group's discretion to settle any outstanding amounts owed by the margin clients. The Group has not repledged collaterals held for financing as at 31 December 2017.

In addition, the Group has a policy for determining the allowance for impairment of accounts receivable without sufficient collateral based on the evaluation of collectability and aging analysis of accounts receivable and on management's judgement including the creditworthiness, collateral and the past collection history of each client.

In determining the recoverability of the accounts receivable, the Group considers any change in the credit quality of the accounts receivable from the date the credit was initially granted up to the reporting date and the fair values of the collateral held.

Movement in the allowances for impairment loss on accounts receivable are as follows:

	Cash clients HK$'000	Margin clients HK$'000	Total HK$'000
Balance at 1 April 2016	119	22,523	22,642
Impairment loss reversed during the year	(119)	(22,523)	(22,642)
Balance at 31 March 2017	–	–	–
Impairment loss during the period	300	–	300
Balance at 31 December 2017	300	–	300

22. ACCOUNTS RECEIVABLE (continued)

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

Accounts receivable due from margin clients (continued)

Subsequent to the year ended 31 March 2017, the Group received settlements of all previously impaired account receivables of HK$39,072,000, of which HK$16,430,000 were impaired before the acquisition of Skyway Securities and Skyway Futures. Accordingly, a reversal of allowance for impairment loss on account receivables amounting to HK$22,642,000 was recognised in the profit or loss while a gain on recovery of bad debts amounting to HK$16,430,000 was recognised in profit or loss.

In respect of accounts receivable from cash clients which are past due but not impaired at the end of reporting period, the aging analysis is summarised as follows:

	As at 31 December 2017 HK$'000	As at 31 March 2017 HK$'000
Less than one month	–	1,763
More than one month and within three months	–	1,619
More than three months	11	13,205
Total	11	16,587

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

The Group offset certain accounts receivable and accounts payable when the Group currently has a legally enforceable right to set off the balances, and intends to settles on a net basis or to realise the balances simultaneously. Details are set out in note 42.

22. ACCOUNTS RECEIVABLE (continued)

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

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

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

The accounts receivable are neither past due nor impaired.

Accounts receivable from clearing house and brokers represent transactions arising from the business of dealing.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December 2017 HK$'000	As at 31 March 2017 HK$'000
Prepayments and deposits	**1,515**	2,228
Other receivables	**31**	14
	1,546	2,242

Movement of impairment loss recognised:

	As at 31 December 2017 HK$'000	As at 31 March 2017 HK$'000
Balance at the beginning of the period/year	**–**	2,367
Amount written off as uncollectible	**–**	(2,367)
Balance at the end of the period/year	**–**	–

24. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2017 HK$'000	As at 31 March 2017 HK$'000
Held for trading:		
Equity securities listed in Hong Kong	**2,597**	379,107
Investment funds	**1,327,882**	–
	1,330,479	379,107

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

25. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

Segregated accounts

From the Group's ordinary business in provision of brokerage and related services, the Group receives and holds money deposited by clients in the course of the conduct of the regulated activities. These clients' monies are maintained in segregated bank accounts at market interest rates. The Group has recognised the corresponding accounts payable to respective clients. As at 31 December 2017, the segregated accounts with authorised institutions in relation to its brokerage business totalled HK$490,141,000 (31 March 2017: HK$75,655,000).

House accounts

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

25. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

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

	9 months from 1 April 2017 to 31 December 2017 HK$'000	Year from 1 April 2016 to 31 March 2017 HK$'000
Operating activities		
Profit/(loss) for the period/year	118,268	(1,042,098)
Adjustments for:		
Income tax expense recognised in profit or loss	11,540	5,342
Finance costs	29,461	24,337
Bank interest income	(5)	(2)
Interest income from provision of finance and securities margin financing	(47,391)	(56,862)
Dividend income on investment funds	(10,366)	–
Dividend income on investment in listed equity securities	(58)	(12,468)
Interest income from AFS investments	(17,295)	–
Impairment loss recognised/(reversed) in respect of accounts receivable and recovery of bad debts	300	(39,072)
Impairment loss recognised in respect of AFS investments	–	12,468
Unrealised (gain)/loss on investments at fair value through profit or loss	(18,065)	59,644
Gain on disposal of investments at fair value through profit or loss	(50,545)	–
Depreciation of property, plant and equipment	905	1,111
Loss on disposal of property, plant and equipment	7	25
Amortisation of intangible assets	1,028	24,133
Loss on disposals of AFS investments	–	235,750
Loss on early settlement of promissory notes	2,852	41,428
Loss on disposals of subsidiaries	789	–
Other gains on purchase of group companies	(1,477)	–
Change in fair value of contingent consideration	–	67,934
Change in fair value of investment property	–	(7,000)
Impairment loss recognised in respect of goodwill	–	535,054
Impairment loss recognised in respect of intangible assets	–	104,596
Operating cash flows before movements in working capital	19,948	(45,680)

25. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

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

	9 months from 1 April 2017 to 31 December 2017 HK$'000	Year from 1 April 2016 to 31 March 2017 HK$'000
Operating activities (continued)		
Increase in accounts receivable	**(103,323)**	(233,301)
Decrease/(increase) in prepayments, deposits and other receivables	**594**	(4,219)
(Increase)/decrease in loans and advances	**(1,683,322)**	7,000
Increase in interest receivables	**(544)**	–
Decrease/(increase) in other assets	**816**	(1,146)
Increase in investments at fair value through profit or loss	**–**	(19,928)
(Increase)/decrease in bank balances – segregated accounts	**(414,486)**	83,074
Increase/(decrease) in accounts payable	**213,073**	(86,199)
Increase in other payables and accruals	**170,764**	29,943
Increase in amount due to an intermediate holding company	**267**	–
Cash used in operations	**(1,796,213)**	(270,456)

25. CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (continued)

(c) Reconciliation of liabilities arising from financing activities

	Bank and other borrowings HK$'000 (Note 29)	Promissory notes HK$'000 (Note 31)	Financial assets sold under repurchase agreements HK$'000 (Note 33)	Notes payable HK$'000 (Note 30)	Total HK$'000
At 1 April 2017	178,262	27,056	–	147,811	353,129
Changes from financing cash flows:					
Proceeds from new bank loans	754,665	–	–	–	754,665
Proceeds from loans from an intermediate holding company	3,032,527	–	–	–	3,032,527
Repayment of bank loans	(458,095)	–	–	–	(458,095)
Repayment of promissory notes	–	(29,000)	–	–	(29,000)
Increase in financial assets sold under repurchase agreements	–	–	7,960	–	7,960
Interest paid	(1,991)	(213)	–	(7,500)	(9,704)
Total changes from financing cash flows	3,327,106	(29,213)	7,960	(7,500)	3,298,353
Exchange adjustments	(208)	–	(2)	–	(210)
Other changes:					
Interest expenses	22,866	348	8	6,239	29,461
Loss on early disposal of promissory note (note 7)	–	2,852	–	–	2,852
Disposal of subsidiaries	(176,988)	–	–	–	(176,988)
Others	–	(1,043)	–	1,850	807
Total other changes	(154,122)	2,157	8	8,089	(143,868)
At 31 December 2017	3,351,038	–	7,966	148,400	3,507,404

Note: Bank and other borrowings consist of bank loans, loans from an intermediate holding company as disclosed in note 29.

26. ACCOUNTS PAYABLE

	As at 31 December 2017 HK$'000	As at 31 March 2017 HK$'000
Accounts payable arising from the ordinary course of business of securities brokerage, futures and options dealing services:		
– Cash clients	**307,470**	65,045
– Margin clients	**7,253**	41,058
– Clearing house	**4,453**	–
	319,176	106,103

Accounts payable arising from the business of dealing in securities

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

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

Settlement arrangements with clients follow the same settlement mechanism with clearing house or brokers as disclosed in note 22 and profits or losses arising from mark-to-market settlement arrangement were included in accounts payable with clients.

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

27. OTHER PAYABLES AND ACCRUALS

	As at 31 December 2017 HK$'000	As at 31 March 2017 HK$'000
Other payables	**176,103**	13,314
Interest payables	**973**	1,616
Accruals	**14,121**	10,954
Deposits received (Note)	**–**	22,000
	191,197	47,884

Note: The Group received a deposit of HK$22,000,000 related to the disposal of Sky Eagle and Metro Victor Limited ("Metro Victor") as disclosed in note 35(b).

28. AMOUNT DUE TO AN INTERMEDIATE HOLDING COMPANY

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

29. BANK AND OTHER BORROWINGS

	As at 31 December 2017 HK$'000	As at 31 March 2017 HK$'000
Secured bank loans	–	638
Unsecured bank loans	298,495	–
Mortgaged bank loans	–	177,624
Loan from an intermediate holding company	3,052,543	–
	3,351,038	178,262
The carrying amounts of the above borrowings are repayable:		
Within one year	3,351,038	8,455
Within a period of more than one year but not exceeding two years	–	8,143
Within a period of more than two years but not exceeding five years	–	25,800
With a period of more than five years	–	135,864
	3,351,038	178,262
Less: Amount due within one year presented under current liabilities	(3,351,038)	(8,455)
Amount presented under non-current liabilities	–	169,807

29. BANK AND OTHER BORROWINGS (continued)

As at 31 December 2017, the Group had loans amounting to approximately HK$3,032,527,000 from CMBCI, an intermediate holding company and interest payable amounting to approximately HK$20,016,000. The loans bear interest at a fixed rate of 4% per annum and are repayable within one year.

As at 31 December 2017, bank borrowings carried variable interest rates ranging from 3.6%-4.4% per annum.

As at 31 March 2017, bank borrowings and overdrafts were secured by marketable securities and investment property. The mortgaged bank loans were also guaranteed by a former substantial shareholder. Bank borrowings carried variable interest rates ranging from 2.3% to 5% per annum. Assets pledged to secure the borrowings are disclosed in note 40.

30. NOTES PAYABLE

On 8 November 2012, the Company entered into a placing agreement with a placing agent (the "Placing Agent"), pursuant to which the Company agreed to place, through the Placing Agent, on a best effort basis, the notes up to an aggregate principal amount of HK$100,000,000 to be issued by the Company in the denomination of HK$10,000,000 each to independent third parties (the "Placing"). Details of the Placing were set out in the Company's announcement dated 8 November 2012. The Company had issued placing notes in the aggregate principal amount of HK$100,000,000. The placing notes carry interest at 5% per annum and are to be redeemed on the seventh anniversary from the respective issue dates of the placing notes.

In 2013, the Company further issued notes in the aggregate principal amount of HK$50,000,000 to independent third parties. The notes carry interest at 5% per annum and are to be redeemed on the seventh anniversary from the respective issue dates of the notes.

As at 31 December 2017, the aggregate principal amount of the notes payable was HK$150,000,000 (31 March 2017: HK$150,000,000).

30. NOTES PAYABLE (continued)

The movement of the notes payable for the nine months ended 31 December 2017 and year ended 31 March 2017 are set out below:

	As at 31 December 2017 HK$'000	As at 31 March 2017 HK$'000
At the beginning of the period/year	**147,811**	147,073
Interest charged at effective interest rate from 5% to 5.91% (31 March 2017: 5% to 5.91%) per annum (note 8)	**6,239**	8,238
Interest payable	**(5,650)**	(7,500)
At the end of the period/year	**148,400**	147,811

31. PROMISSORY NOTES

On 3 May 2016, the Company entered into the subscription agreement with Capital Union Inc., a holder of promissory notes, pursuant to which Capital Union Inc. has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue 1,450,000,000 new shares at the subscription price of HK$0.18 per subscription share. There was no net proceeds from the subscription as the subscription was settled by way of set off against the outstanding promissory notes. The transaction was completed on 13 May 2016. The early settlement of the promissory notes resulted in a loss of HK$41,428,000, being the difference between the carrying amount of the promissory notes amounting to HK$260,172,000 and the fair value of the shares amounting to HK$301,600,000 based on the market price of the Company's share on 13 May 2016, recognised in the profit or loss for the year ended 31 March 2017.

31. PROMISSORY NOTES (continued)

In addition, upon the acquisition of subsidiaries as disclosed in note 35(a), the Company issued promissory notes in the principal amount of HK$29,000,000 as a part of the consideration during the year ended 31 March 2017. The promissory notes bear interest rate of 2% per annum and will be redeemed on the second anniversary from the issue date. The Company may at its option early repay the promissory notes with outstanding interest accrued thereon in whole or in part in integral multiples of principal amount of HK$1 million by giving a ten business day's written notice to the bondholder. The early repayment option is not closely related to the host contract and the fair value is determined as negligible by an independent professional valuer. The fair value of promissory notes was HK$25,885,000 at 15 July 2016 and the effective interest rate ranges from 7.84% to 8.08% per annum based on the valuation carried out by an independent professional valuer.

During the period ended 31 December 2017, the promissory notes were early settled resulting in a loss of HK$2,852,000.

The movement of the promissory notes are set out below:

	HK$'000
At 31 March 2016	260,010
Early settlement of promissory notes	(260,172)
Issue of promissory note	25,885
Interest charged at effective interest rates (note 8)	4,067
Interest paid	(2,734)
At 31 March 2017	27,056
Early settlement of promissory notes	(27,191)
Interest charged at effective interest rates (note 8)	348
Interest paid	(213)
At 31 December 2017	–

32. DEFERRED TAX LIABILITIES

The followings are the major deferred tax (asset)/liabilities recognised and movements thereon during the current period and prior year:

	Deferred tax asset	Deferred tax liabilities			
	Tax loss	Unrealised gain on investment at FVTPL	Notes payable	Customers relationship	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2016	(390)	7,656	483	22,277	30,026
Debited/(credited) to profit or loss (note 12)	390	(7,656)	(122)	(22,277)	(29,665)
At 31 March 2017	–	–	361	–	361
Debited/(credited) to profit or loss (note 12)	–	–	(97)	–	(97)
At 31 December 2017	–	–	264	–	264

At the end of the reporting period, the Group has unused tax losses of HK$66 million (31 March 2017: HK$1,408 million) available for offset against future profits. No deferred tax asset has been recognised in respect of the HK$66 million (31 March 2017: HK$1,408 million) due to the unpredictability of future profit streams. Tax losses of HK$1,326 million had been disposed with the disposal of subsidiaries during the period. Tax losses may be carried forward indefinitely.

33. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 31 December 2017 HK$'000	As at 31 March 2017 HK$'000
Bonds	**7,966**	–

As at 31 December 2017, the Group entered into repurchase agreements with a financial institution to sell a bond recognised as available-for-sale investment with carrying amount of approximately HK$15,560,000, which is subject to the simultaneous agreements to repurchase these investments at the agreed date and price.

Sales and repurchase agreements are transactions in which the Group sells bonds and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those bonds sold. The bond is not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of the bonds.

34. SHARE CAPITAL

		Number of shares		Amount	
	Notes	As at 31 December 2017 '000	As at 31 March 2017 '000	As at 31 December 2017 HK$'000	As at 31 March 2017 HK$'000
Authorised:					
Ordinary shares at HK$0.01 each		**100,000,000**	100,000,000	**1,000,000**	1,000,000
Issued and fully paid:					
At the beginning of the period/year		**18,019,813**	12,664,197	**180,198**	126,641
Exercise of warrants	(i)	**–**	2,408,961	**–**	24,090
Issue of shares	(ii)	**26,950,000**	1,300,000	**269,500**	13,000
Placing of shares	(iii)	**–**	1,450,000	**–**	14,500
Exercise of share options	(iv)	**808,943**	196,655	**8,089**	1,967
At the end of the period/year		**45,778,756**	18,019,813	**457,787**	180,198

34. SHARE CAPITAL (continued)

Notes:

(i) As disclosed in the announcement of the Company dated 7 December 2015, 22 January 2016, 12 February 2016 and 17 February 2016 and the circular of the Company dated on 23 December 2015, the Company proposed the bonus warrant issue on the basis of one bonus warrant for every five existing shares held on 12 February 2016, a total of 2,523,640,250 warrants were issued accordingly ("2017 Warrants"). Each bonus warrant will entitle the holder thereof to subscribe in cash for one new share to be issued by the Company at an initial subscription price of HK$0.1 per new share, subject to adjustments, at any time during the period on or after 12 February 2016 but no later than 13 February 2017. During the year ended 31 March 2017, 2,408,961,281 new shares were issued as a result of exercise of warrants. The net proceeds from the exercise of warrants was approximately HK$240,897,000. As at 31 December 2017, the Company had no 2017 Warrants outstanding as the remaining warrants were lapsed on 13 February 2017.

(ii) On 4 March 2016, Gold Mission Limited, an indirect wholly owned subsidiary of the Company, entered the sale and purchase agreement with Future World Financial Holdings Limited (formerly known as Central Wealth Financial Group Limited ("Central Wealth")) in relation to acquisition of Sky Eagle, as set out in note 35(a), pursuant to which the Company agreed to allot and issue a total of 1,300,000,000 consideration shares as the part of consideration of the acquisition. Details of the consideration shares are set out in the Company's announcement dated on 4 March 2016. The acquisition was completed on 15 July 2016.

Pursuant to the subscription agreement entered on 7 March 2017, 25,000,000,000 and 1,950,000,000 new subscription shares have been duly allotted and issued to CMBC International Investment Limited and Brilliant Decent Limited, respectively. The subscription was completed on 31 May 2017.

(iii) On 3 May 2016, the Company entered into the subscription agreement with Capital Union Inc., as set out in note 31, pursuant to which Capital Union Inc. subscribed for and the Company allotted and issued 1,450,000,000 new shares with an aggregate fair value of HK$301,600,000. Details are set out in the Company's announcement dated 3 May 2016.

(iv) The Company granted 1,005,598,000 share options to subscribe for ordinary shares of HK$0.01 each in the share capital of the Company under the Share Option Scheme on 18 September 2015 and 12 October 2015 to eligible participants. The share options granted on 18 September 2015 and 12 October 2015 can be exercised at any time during the period on or after the grant dates but not later than 17 September 2018 and 11 October 2018, respectively.

During the period ended 31 December 2017, 808,943,000 (year ended 31 March 2017: 196,655,000) new shares were issued as a result of exercise of share options. Details are disclosed in note 38.

35. ACQUISITION AND DISPOSAL OF SUBSIDIARIES

(a) Acquisition of subsidiaries

(i) Acquisition of CMBC International Capital Limited ("CMBCIC") and CMBC Capital Finance Limited ("CMBCCF")

As disclosed in the Company's announcement dated 27 July 2017, the Company entered into an acquisition agreement with CMBCI, an intermediate holding company of the Company, pursuant to which the Company agreed to acquire the entire issued share capital of CMBCIC and CMBCCF for a consideration of HK$19,931,674 and HK$1, respectively.

CMBCIC held SFC license to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since March 2017. CMBCIC is principally engaged in the provision of corporate finance services. CMBCCF has obtained a money lender license in Hong Kong since July 2017. CMBCCF is principally engaged in the provision of loan financing business. The directors of the Company are of the view that the acquisitions will further broaden the Group's client bases, procure new sources of revenue for the Group and create synergy effect of the Group's principal businesses.

During the period ended 31 December 2017, the Group completed the acquisition of CMBCIC and CMBCCF.

35. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (continued)

(a) Acquisition of subsidiaries (continued)

(i) Acquisition of CMBC International Capital Limited ("CMBCIC") and CMBC Capital Finance Limited ("CMBCCF") (continued)

The net assets acquired in the transaction are as follows:

	HK$'000
Net assets acquired:	
Bank and cash balances	21,502
Amount due to an intermediate holding company	(93)
	21,409
Cash paid	13,095
Payable	6,837
Total consideration	19,932
Net asset acquired	21,409
Other gains on purchase of group companies (note 7)	(1,477)
Net cash inflow arising from acquisition:	
Bank balance and cash acquired	8,407

(ii) Acquisition of Sky Eagle

On 15 July 2016, the Group acquired 100% of the entire issued share capital of Sky Eagle at a consideration of HK$219,674,000 of which HK$7,000,000 was satisfied in cash as deposit and as to the remaining balance of HK$212,674,000 was satisfied by the allotment and issue of the 1,300,000,000 consideration shares by the Company to Central Wealth and by issue of the promissory notes in the principal amount of HK$29,000,000. Sky Eagle was principally engaged in investment holding and owned 100% of a Hong Kong subsidiary, Metro Victor which in turn held a property. The acquisition was accounted for as acquisition of assets and liabilities and consideration shares issued were accounted for as a share-based payment transaction.

35. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (continued)

(a) Acquisition of subsidiaries (continued)

(ii) Acquisition of Sky Eagle (continued)

The net assets acquired in the transaction are as follows:

	HK$'000
Net assets acquired:	
Plant and equipment (note 16)	645
Investment property (note 17)	403,000
Prepayments, deposits and other receivables	313
Bank and cash balances	277
Other payables and accruals	(1,177)
Bank borrowings	(183,384)
	219,674
Total consideration satisfied by:	
Cash deposit paid and included in other assets as at 31 March 2016	7,000
Issue of promissory notes (Note i)	25,885
Issue of new ordinary shares of the Company (Note ii)	186,789
	219,674
Net cash inflow arising from acquisition:	
Bank balance and cash acquired	277

Notes:

(i) The fair values of the promissory notes in aggregate of HK$25,885,000 at the date of completion of acquisitions are based on the valuation carried out by Peak Vision Appraisals Limited, an independent professional valuer not connected with the Group. The fair values of the liability component of the promissory notes is determined by discounting the estimated contractual cash flows over the remaining contractual terms of the promissory notes at the discount rates that appropriately reflect the riskiness of the promissory notes. The fair value of early repayment option of the Company is determined with reference to similar derivative. The fair value of the early repayment option is negligible at 15 July 2016 and 31 March 2017.

(ii) The consideration shares issued were accounted for as a share-based payment transaction and the fair value is determined by reference to the aggregate of fair values of assets and liabilities acquired

35. ACQUISITION AND DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal of subsidiaries

During the period ended 31 December 2017, the Group completed the disposal of group companies other than the three licensed corporations as a result of the group reorganisation and completed the disposal of Sky Eagle and Metro Victor. The transactions resulted in a loss of approximately HK$789,000.

Analysis of assets and liabilities of the subsidiaries upon disposal was as follows:

	HK$'000
Assets	
Plant and equipment	273
Investment property (note 17)	410,000
Prepayments, deposits and other receivables	221
Bank and cash balances	1
	410,495
Liabilities	
Other payables and accruals	5,518
Bank borrowings	176,988
	182,506
Net assets	227,989
Loss on disposal of subsidiaries (note 7)	(789)
Cash consideration	227,200
Net cash inflow arising from disposal	
Cash consideration	227,200
Less: Cash deposit received	(22,000)
Less: Cash and cash equivalents disposed of	(1)
	205,199

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the returns to shareholders through the optimisation of debt and equity balance.

The capital structure of the Group consists of debts, which include notes payable, promissory notes, bank borrowings and overdrafts and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on an annual basis. As part of this review, the directors of the Company consider the cost of capital and other sources of funds other than issuance of shares, including bank borrowings and overdrafts and issue of notes. Based on the recommendation of the directors of the Company, the Group will balance its overall capital structure through raising or repayment of borrowings.

CMBC Securities Company Limited, CMBC International Futures Company Limited ("CMBCIF"), CMBC Asset Management Company Limited and CMBCIC are registered by the Hong Kong Securities and Futures Commission (the "SFC") and are subject to the liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R") adopted by the SFC. For the licensed subsidiaries, the Group ensures each of them maintains a liquid capital level adequate to support the level of activities with sufficient buffer to accommodate for increases in liquidity requirements arising from potential increase in the level of business activities. All the subsidiaries have complied with the SF(FR)R requirements during the current period. For the year ended 31 March 2017, except for a technical breach for CMBCIF from 12 May 2016 to 22 February 2017 due to misinterpretation of the SF(FR)R, all the subsidiaries have complied with the liquid capital requirements under the SF(FR)R.

36. CAPITAL RISK MANAGEMENT (continued)

The Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as total debt divided by capital and total debt. During the nine months ended 31 December 2017 and the year ended 31 March 2017, the Group's strategy was to maintain a reasonable gearing ratio. During the nine months ended 31 December 2017 and the year ended 31 March 2017, the Group's strategy was to maintain a balance between higher shareholder returns with higher levels of borrowings and solid capital position, and make adjustment to capital structure in light of changes in economic conditions. The gearing ratio at 31 December 2017 and 31 March 2017 were as follows:

	As at 31 December 2017 HK$'000	As at 31 March 2017 HK$'000
Notes payable	**148,400**	147,811
Promissory notes	**–**	27,056
Bank overdrafts	**–**	44,908
Bank borrowings	**298,495**	178,262
Loan from an intermediate holding company	**3,052,543**	–
Amount due to an intermediate holding company	**7,197**	–
Financial assets sold under repurchase agreements	**7,966**	–
Total debt	**3,514,601**	398,037
Equity attributable to owners of the Company	**1,280,186**	1,148,849
Capital and total debt	**4,794,787**	1,546,886
Gearing ratio	**0.73**	0.26

Gearing ratio of the Group increased from 0.26 as at 31 March 2017 to 0.73 as at 31 December 2017 as the Group has expanded the investment and financing business through borrowing from an intermediate holding company.

37. FINANCIAL INSTRUMENTS

Categories of financial instruments

	As at 31 December 2017 HK$'000	As at 31 March 2017 HK$'000
Financial assets		
Investments at FVTPL	**1,330,479**	379,107
Loans and receivables		
Loans and advances	**1,661,876**	–
Accounts receivable	**827,121**	698,057
Deposits and other receivables	**114**	438
Interest receivables	**10,525**	–
Cash and cash equivalents		
– Segregated accounts	**490,141**	75,655
– House accounts	**126,761**	132,324
	3,116,538	906,474
AFS investments	**829,965**	–
Financial liabilities		
At amortised cost	**4,010,853**	541,622

37. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies

The Group's major financial instruments include AFS investments, accounts receivable, deposits and other receivables, interest receivables, loans and advances, investments at FVTPL, bank balances, accounts payable, other payables, bank and other borrowings, bank overdrafts, financial assets sold under repurchase agreements, promissory notes and notes payable. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

The Group's credit risk is primarily attributable to accounts receivable, interest receivables, other receivables, investments at FVTPL, AFS investments, loans and advances and bank balances as at 31 December 2017 and 31 March 2017.

The Group's maximum exposure to credit risk in the event of counterparties' failure to perform their obligations as at 31 December 2017 and 31 March 2017 in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the consolidated statement of financial position.

In order to manage the credit risk in the accounts receivable due from clients arising from businesses of dealing in securities, individual credit evaluation are performed on all clients including cash and margin clients. Accounts receivable from cash clients generally settled in two days after trade date, credit risk arising from the accounts receivable due from cash clients is considered minimal. For margin clients, the Group normally obtains liquid securities as collateral based on the margin requirements. The Group has not granted any committed facility amount to each of the margin clients and the margin loan is granted by the Group depending on the assessment of the quality of the collateral and credit risk of the respective client. The margin requirement is closely monitored on a daily basis by the designated team. In addition, the Group reviews the recoverable amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

In this regard, the directors of the Company consider that the credit risk is significantly reduced. Market conditions and adequacy of securities collateral and margin deposits of each margin account are monitored by management on a daily basis. Margin calls and forced liquidation are made where necessary.

37. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(a) Credit risk (continued)

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties.

In respect of accounts receivable from clearing houses arising from businesses of dealing in securities and futures and options contracts, credit risks are considered low as the Group normally enters into transactions with clearing houses or agents which are registered with regulatory bodies. The Group's concentration of credit risk by geographical locations is mainly in Hong Kong. As at 31 December 2017, the Group has concentration risk on its accounts receivable as the balance with the largest client represent 22% (31 March 2017: 18%) of the total accounts receivable from cash and margin clients and the three largest clients represent 22%, 12% and 12% (31 March 2017: 8%, 6% and 5%) respectively, of the accounts receivable from cash and margin clients. The Group has no other significant concentration risk.

The Company manages credit risk of loans and advances by obtaining collaterals, guarantees or keepwell and liquidity deed from the borrowers. Regular reviews on these loans are conducted by the risk management department based on the latest status of these loans, and the latest available information about the borrowers and the underlying collaterals held.

For the other financial assets, the management has closely monitored their status and it believes that the Group's credit risk exposure on them is minimal.

(b) Liquidity risk

The Group manages liquidity risk by maintaining sufficient bank balances and cash and the availability of funding through an adequate amount of committed credit facilities. The Group also aims at maintaining flexibility in funding by arranging and keeping committed banking facilities and other external financing available.

The Group's primary cash requirements have been for operations, investments and repayment of related debts. The Group finances its working capital requirements through a combination of funds generated from operations and cash reserve.

37. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

The following tables detail the Group's liquidity analysis for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted contractual cash outflows on the financial liabilities. To the extent that interest flows are floating rate, the undiscounted amount is derived from the prevailing market rate at the end of the reporting period.

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1 - 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 December 2017							
Accounts payable	–	319,176	–	–	–	319,176	319,176
Other payables	–	173,932	–	2,171	–	176,103	176,103
Interest payables	–	874	–	99	–	973	973
Bank and other borrowings	3.6%-4.4%	298,763	–	3,124,466	–	3,423,229	3,351,038
Notes payable	5%-5.9%	–	–	7,500	160,000	167,500	148,400
Amounts due to the intermediate holding company	–	7,197	–	–	–	7,197	7,197
Financial assets sold under repurchase agreements	2.5%	7,966	–	–	–	7,966	7,966
		807,908	–	3,134,236	160,000	4,102,144	4,010,853

37. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(b) Liquidity risk (continued)

	Weighted average effective interest rate %	On demand or less than 1 month HK$'000	1 - 3 months HK$'000	3 months to 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
As at 31 March 2017							
Accounts payable	–	106,103	–	–	–	106,103	106,103
Other payables	–	37,482	–	–	–	37,482	37,482
Bank borrowings and overdrafts	2.3% - 5%	46,587	3,123	8,329	210,016	268,055	223,170
Notes payable	5% - 5.9%	–	–	7,500	167,500	175,000	147,811
Promissory notes	7.8% - 8.1%	–	–	580	29,290	29,870	27,056
		190,172	3,123	16,409	406,806	616,510	541,622

(c) Interest rate risk

The Group's interest rate risk arises primarily from variable rate financial assets and liabilities including accounts receivable from margin clients, loans and advances, bank and other borrowings and financial assets sold under repurchase agreements.

Cash flow interest rate risk

The Group's exposure to changes in interest rates primarily relates to its certain variable rate accounts receivable arising from the business dealing in securities, bank balances, bank borrowings and financial assets sold under repurchase agreements. The management monitors the interest rate exposure on a continuous basis and adjusts the portfolio of bank saving balances and bank deposits where necessary.

37. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(c) Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for certain variable rate accounts receivable arising from the business dealing in securities, bank balances, borrowings and financial assets sold under repurchase agreements at the end of the reporting period. The analysis is prepared assuming these balances outstanding at the end of the reporting period were held/outstanding for the whole period/year. A 50 basis points (31 March 2017: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (31 March 2017: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the nine months ended 31 December 2017 would increase by HK$2,442,000 or decrease by HK$2,330,000 (31 March 2017: loss for the year would decrease/increase by HK$1,466,000).

(d) Other price risk

The Group is exposed to other price risk through its investment in financial assets at fair value through profit or loss and available-for-sale investments (31 March 2017: financial assets at fair value through profit or loss). The management manages its exposure by maintaining a portfolio of investments with different risk profiles.

37. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(d) Other price risk (continued)

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to other price risk arising from investment in financial assets at fair value through profit or loss and available-for-sale investments at the end of the reporting period.

	As at 31 December 2017			
	Increase/ (decrease) in prices of underlying instrument	Carrying amount HK$'000	Increase/ (decrease) in profit after tax HK$'000	Increase/ (decrease) in other comprehensive income HK$'000
Financial assets at fair value through profit or loss:				
– Listed equity investments	5%/(5%)	2,597	108/(108)	–
– Investment funds	5%/(5%)	1,327,882	55,439/(55,439)	–
Available-for-sale investments	5%/(5%)	829,965	–	34,651/(34,651)

	As at 31 March 2017			
	Increase/ (decrease) in prices of underlying instrument	Carrying amount HK$'000	Decrease/ (increase) in loss after tax HK$'000	Increase/ (decrease) in other comprehensive income HK$'000
Financial assets at fair value through profit or loss:				
– Listed equity investments	5%/(5%)	379,107	15,828/(15,828)	–

In the opinion of directors of the Company, the sensitivity analysis is unrepresentative of the price risk as the exposure at the end of the reporting period does not reflect the exposure during the period.

37. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(e) Fair value measurement

Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

* Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

* Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

* Level 3 valuations: Fair value measured using significant unobservable inputs.

37. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(e) Fair value measurement (continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined.

Financial assets	Fair value		Fair value hierarchy	Valuation techniques
	As at 31 December 2017 HK$'000	As at 31 March 2017 HK$'000		
Financial assets at fair value through profit or loss:				
– investment funds	**1,327,882**	–	Level 1	Quoted market closing prices in an active market
– listed equity securities	**2,597**	379,107	Level 1	Quoted market closing prices in an active market
Available-for-sale investments:				
– listed debt investments	**829,965**	–	Level 2	Consensus price of the investment

During the nine months ended 31 December 2017 and year ended 31 March 2017, there were no transfers between Level 1 and Level 2.

The Group did not hold any financial instruments measured under Level 3 as at 31 December 2017 and 31 March 2017.

37. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

(e) Fair value measurement (continued)

Fair value of financial assets and liabilities that are not measured at fair value

The directors of the Company consider that the carrying amounts of other financial assets and financial liabilities recognised at amortised cost approximate their fair values, which were determined in accordance with generally accepted pricing models based on undiscounted cash flow analysis, as at 31 December 2017 and 31 March 2017.

38. SHARE OPTION SCHEME

The share option scheme of the Company (the "Share Option Scheme") was adopted by the Company at the annual general meeting of the Company held on 24 September 2012. Unless otherwise cancelled or amended, the Share Option Scheme will be valid and effective for a period of ten years commencing on the date of adoption. The purpose of the Share Option Scheme is to enable the Group to attract, retain and motivate talented participants to strive for future development and expansion of the Group. The Share Option Scheme shall provide incentive to encourage participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Company attained through their efforts and contributions. Eligible participants of the Share Option Scheme include any individual being an employee, officer, agent, consultant or representatives of any member of the Group (including any executive or non-executive director of any member of the Group) who, as the Board of Directors may determine in its absolute discretion, has made valuable contribution to the business of the Group based on his/her performance and/or years of service, or is regarded to be a valuable human resource of the Group based on his/her working experience, knowledge in the industry and other relevant factors. The offer of a grant of share options may be accepted within thirty days from the date of grant. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK$1.00.

38. SHARE OPTION SCHEME (continued)

The subscription price for the shares on the exercise of options under the Share Option Scheme shall be a price determined by the Board of Directors and notified to the relevant participant at the time of grant of the options (subject to any adjustments made pursuant to the Share Option Scheme and the relevant provisions of the Rules Governing the Listing of securities on the Stock Exchange) is made to (subject to acceptance by) the participant and shall be at least the highest of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which the option is granted, which date must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date on which the option is granted; and (iii) the nominal value of the share. The exercise period of the share options granted is determinable by the directors but in any event, not longer than ten years from the date of grant.

The total number of shares issued and to be issued upon exercise of the options granted to each participant, together with all options granted and to be granted to him/her under any other share option scheme(s) of the Company within the 12-month period immediately preceding the proposed date of grant (including exercised, cancelled and outstanding options) shall not exceed 1% of the total number of the shares in issue as at the proposed date of grant. Any further grant of options to a participant in excess of the 1% limit shall be subject to the shareholders' approval of the Company with such participant and his/her associates abstaining from voting.

The limit on the total number of the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company (excluding lapsed and cancelled options) must not exceed 30% of the total number of the shares in issue from time to time. In addition, the total number of the shares which may be issued upon exercise of all options to be granted under the Share Option Scheme, together with all options to be granted under any other share option scheme(s) of the Company (excluding lapsed options), must not represent more than 10% of the total number of the shares in issue as at the date of approval of the Share Option Scheme (the "Scheme Mandate Limit") or as at the date of approval of the refreshed Scheme Mandate Limit as the case maybe.

38. SHARE OPTION SCHEME (continued)

The following table discloses movements of the Company's share options:

Category of grantee	Date of grant	Exercisable period	Exercise price per share HK$	Number of share options: Outstanding as at 1 April 2016	Reallocated upon change of directorship	Exercised during the year	Outstanding as at 1 April 2017	Exercised during the period	Outstanding as at 31 December 2017
Directors									
Mr. Tam Tak Wah	18 September 2015	18 September 2015 to 17 September 2018	0.234	15,945,000	(15,945,000)	–	–	–	–
Mr. Ng Kwok Leung	18 September 2015	18 September 2015 to 17 September 2018	0.234	6,378,000	(6,378,000)	–	–	–	–
				22,323,000	(22,323,000)	–	–	–	–
Employee	18 September 2015	18 September 2015 to 17 September 2018	0.234	–	6,378,000	–	6,378,000	(6,378,000)	–
Agent/consultants	18 September 2015	18 September 2015 to 17 September 2018	0.234	491,637,500	15,945,000	(196,655,000)	310,927,500	(310,927,500)	–
	12 October 2015	12 October 2015 to 11 October 2018	0.231	491,637,500	–	–	491,637,500	(491,637,500)	–
				983,275,000	15,945,000	(196,655,000)	802,565,000	(802,565,000)	–
				1,005,598,000	–	(196,655,000)	808,943,000	(808,943,000)	–

38. SHARE OPTION SCHEME (continued)

Notes:

(a) The share options were vested upon granted.

(b) The exercise price of the share options was subject to adjustments in the case of capitalisation of profits or reserve, rights or bonus issues, consolidation, subdivision or reduction of the share capital or other changes in the capital structure of the Company.

(c) In respect of the share options exercised during the period/year, the weighted average share price at the dates of exercise is HK$0.232 (year ended 31 March 2017: HK$0.335).

(d) As disclosed in the announcement dated 28 January 2016, in respect of the share options granted on 18 September 2015, the numbers of outstanding share options and exercise price per share had been adjusted from 483,500,000 to 513,960,500 and from HK$0.249 to HK$0.234 respectively. In respect of the share options granted on 12 October 2015, the number of outstanding share options and exercise price per share had been adjusted from 462,500,000 to 491,637,500 and HK$0.246 to HK$0.231 respectively.

(e) During the nine months ended 31 December 2017, 808,943,000 (year ended 31 March 2017: 196,655,000) options were exercised with aggregate fair value of HK$64,425,000 (year ended 31 March 2017: 17,797,000) in share option reserve had been transferred to share premium.

The share options granted to individuals were on a discretionary basis for their past services rendered to the Group, who rendered management service for the Group and consultancy services in respect of securities trading, financing and potential corporate exercises for the Group.

39. RETIREMENT BENEFITS SCHEMES

The Group participates in a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Hong Kong Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group independently in administered funds under the control of the trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by the employee. The Group follows the minimum contribution requirement of 5% of eligible employees' relevant aggregated income with a cap of HK$1,500 per employee per month since 1 June 2014.

The contributions made by the Group to the MPF Scheme are charged to the consolidated statement of profit or loss and other comprehensive income when employees have rendered service to the Group.

40. PLEDGE OF ASSETS

As at 31 March 2017, investment property of approximately HK$410,000,000 and marketable securities portfolio of approximately HK$60,562,000 were pledged to banks to secure borrowings.

There were no assets pledged to banks to secure borrowings at 31 December 2017.

41. OPERATING LEASE ARRANGEMENTS

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases for office premises which fall due as follows:

	As at 31 December 2017 HK$'000	As at 31 March 2017 HK$'000
Within one year	**12,087**	13,229
In the second to fifth years, inclusive	**6,043**	16,930
	18,130	30,159

Leases are negotiated for a term of three years.

42. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments that are either:

- offset in the Group's statement of financial position; or
- not offset in the consolidated statement of financial position as the offsetting criteria are not met.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC"), the Group has a legally enforceable right to set off the money obligations receivable and payable with HKSCC on the same settlement date and are settled simultaneously. In addition, the Group has a legally enforceable right to set off all clients accounts receivable and payable at any time without prior notice to clients and the Group intends to settle these balances on a net basis.

Except for above, amounts due from/to HKSCC that are not to be settled on the same date, accounts receivable and payable from clients not intends to settle on a net basis, financial collateral including cash and securities received by the Group, deposit placed with HKSCC do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

42. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(a) Financial assets subject to offsetting, enforceable master netting arrangements or similar agreements

	At 31 December 2017					
				Related amounts not set off in the consolidated statement of financial positions		
Type of financial assets	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities offset in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Financial instrument HK$'000	Collateral received* HK$'000	Net amount HK$'000
Accounts receivable arising from the business of securities brokerage, futures and options dealing services	823,398	(8,866)	814,532	(208)	(814,324)	–

	At 31 March 2017					
				Related amounts not set off in the consolidated statement of financial positions		
Type of financial assets	Gross amounts of recognised financial assets HK$'000	Gross amounts of recognised financial liabilities offset in the consolidated statement of financial position HK$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK$'000	Financial instrument HK$'000	Collateral received* HK$'000	Net amount HK$'000
Accounts receivable arising from the business of securities brokerage, futures and options dealing services	2,059,599	(1,361,542)	698,057	(28,952)	(596,759)	72,346

* The item "collateral received" represents the securities pledged in the clients' account which are not recognised in the consolidated statements of financial position. The amounts are capped at the lower of the market value of securities and the net receivable amounts on a client by client basis.

42. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

(b) Financial liabilities subject to offsetting, enforceable master netting arrangements or similar agreements

	At 31 December 2017					
Type of financial liabilities	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets offset in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial positions: Financial instrument HK$'000	Related amounts not set off in the consolidated statement of financial positions: Collateral received HK$'000	Net amount HK$'000
Accounts payable arising from the business of securities brokerage, futures and options dealing services	328,042	(8,866)	319,176	(208)	–	318,968

	At 31 March 2017					
Type of financial liabilities	Gross amounts of recognised financial liabilities HK$'000	Gross amounts of recognised financial assets offset in the consolidated statement of financial position HK$'000	Net amounts of financial liabilities presented in the consolidated statement of financial position HK$'000	Related amounts not set off in the consolidated statement of financial positions: Financial instrument HK$'000	Related amounts not set off in the consolidated statement of financial positions: Collateral received HK$'000	Net amount HK$'000
Accounts payable arising from the business of securities brokerage, futures and options dealing services	1,467,645	(1,361,542)	106,103	(28,952)	–	77,151

43. RELATED PARTY TRANSACTIONS

Compensation to key management personnel of the Group which represents directors of the Company is set out in note 10.

Except for disclosed elsewhere in the financial statements, the Group entered into the following material transactions and balances with related parties:

(a) Transactions with related parties:

	9 months from 1 April 2017 to 31 December 2017 HK$'000	Year from 1 April 2016 to 31 March 2017 HK$'000
Interest expense to an intermediate holding company (Note (i))	**20,010**	–
Interest expense to a branch of the ultimate holding company	**2,099**	–
Referral fee income from an intermediate holding company (Note (ii))	**2,700**	–
Underwriting commission income from a branch of the ultimate holding company (Note (iii))	**7,816**	–
Underwriting commission expense to a branch of the ultimate holding company (Note (iv))	**2,172**	–

Notes:

(i) During the period, an intermediate holding company provided loans in aggregate amount of approximately HK$3,032,527,000 (31 March 2017: Nil) to the Group. The loans bear annual interest rate of 4.0% (31 March 2017: Nil) and repayable on the first anniversary from the drawdown date. Interest payables of approximately HK$20,016,000 (31 March 2017:Nil) are accrued from these loans during the period.

(ii) During the period, the Company received fee income from an intermediate holding company for the referral of a customer.

(iii) During the period, the Company earned commission income for the underwriting services provided to a branch of the ultimate holding company for its debt issuance.

(iv) During the period, the Company paid commission expense to a branch of the ultimate holding company for underwriting services received.

43. RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties:

	As at 31 December 2017 HK$'000	As at 31 March 2017 HK$'000
Amount due to an intermediate holding company	**7,197**	–
Loans from an intermediate holding company	**3,052,543**	–
Bank loan from a branch of the ultimate holding company	**298,495**	–
Interest payables to a branch of the ultimate holding company	**866**	–
Accounts receivable from a branch of the ultimate holding company	**7,814**	–
Accounts receivable from a former substantial shareholder arising from securities brokerage business	**39,042**	–
Accounts payable to the immediate holding company	**8,195**	–
Other payables and accruals to a branch of the ultimate holding company	**2,171**	–

(c) Service agreement with related party

On 3 October 2017, the Company entered into a service agreement (the "Service Agreement") with CMBCI, pursuant to which the Group agreed to provide asset management services or ancillary services to CMBCI. CMBCI and its subsidiaries (other than the members of the Group) agreed to introduce, refer and communicate underwriting opportunities offered by independent third parties to the Group. During the period ended 31 December 2017, there were no transactions relating to provision of asset management services and referral of underwriting opportunities.

44. NON-CASH TRANSACTION

During the year ended 31 March 2017, the dividend distributed from an investee were settled by convertible notes issued by Up Energy with a fair value of HK$12,468,000 on the distribution date.

Except for disclosed elsewhere in the financial statements, there is no other non-cash transaction during the period ended 31 December 2017.

45. DETAILS OF SUBSIDIARIES

Details of the Group's material subsidiaries at the end of the reporting period are set out below.

Name	Place of incorporation and operations	Paid up registered capital	Proportion of ownership interest held by the Company				Principal activities
			Direct		Indirect		
			As at 31 December 2017	As at 31 March 2017	As at 31 December 2017	As at 31 March 2017	
CMBC Securities Company Limited	Hong Kong	Ordinary HK$550,000,000	100%	100%	–	–	Provision of brokerage services and securities margin financing services
CMBC International Futures Company Limited	Hong Kong	Ordinary HK$10,000,000	100%	100%	–	–	Provision of futures and options dealing services
CMBC International Capital Limited	Hong Kong	Ordinary HK$20,000,000	100%	–	–	–	Advisory and corporate financing
CMBC Capital Finance Limited	Hong Kong	Ordinary HK$1	100%	–	–	–	Provision of loan financing services
CMBC Investment (HK) Limited	Hong Kong	Ordinary HK$1	100%	–	–	–	Investment holding

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

46. NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

As disclosed in the Company's announcement dated 15 March 2018, the Company entered into the subscription agreement with New China OCT Fund SPC ("Segregated Portfolio Company") on 15 March 2018, pursuant to which the Company has agreed to subscribe for 300,000 Class A shares in the Segregated Portfolio Company in relation to the New China OCT Fund 2 Segregated Portfolio of the Segregated Portfolio Company at a total consideration of HK$300,000,000.

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 December 2017 HK$'000	As at 31 March 2017 HK$'000
Non-current assets		
Property, plant and equipment	4,189	3,405
Investment in subsidiaries	675,566	461,342
Available-for-sale investments	666,090	–
Loans and advances	409,717	–
Rental deposit	6,943	6,943
	1,762,505	471,690
Current assets		
Prepayments, deposits and other receivables	1,448	1,707
Interest receivables	9,550	–
Loans and advances	437,176	–
Investments at fair value through profit or loss	896,424	379,107
Amounts due from subsidiaries	1,497,499	320,153
Cash and cash equivalents	62,064	89,222
	2,904,161	790,189
Current liabilities		
Other payables and accruals	10,796	33,039
Bank and other borrowings	3,351,038	–
Amount due to an intermediate holding company	7,197	–
Amounts due to subsidiaries	12,291	691,568
Tax payable	2,500	2,500
	3,383,822	727,107
Net current (liabilities)/assets	(479,661)	63,082
Total assets less current liabilities	1,282,844	534,772
Non-current liabilities		
Notes payable	148,400	147,811
Promissory notes	–	27,056
Deferred tax liabilities	264	361
	148,664	175,228
Net assets	1,134,180	359,544
Capital and reserves		
Share capital	457,787	180,198
Reserves	676,393	179,346
Total equity	1,134,180	359,544

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

	Share premium HK$'000	Contributed surplus HK$'000	Share option reserve HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2016	2,480,559	388,137	82,222	–	(2,057,548)	893,370
Loss for the year and total comprehensive expense for the year	–	–	–	–	(1,435,728)	(1,435,728)
Placing of shares	287,100	–	–	–	–	287,100
Issue of shares	173,789	–	–	–	–	173,789
Exercise of share options	61,848	–	(17,797)	–	–	44,051
Exercise of warrants	216,807	–	–	–	–	216,807
Transaction cost directly attributable to issue of shares	(43)	–	–	–	–	(43)
At 31 March 2017	3,220,060	388,137	64,425	–	(3,493,276)	179,346
Profit for the period and total comprehensive expense for the period	–	–	–	(1,111)	762,618	761,507
Share premium cancellation	(2,967,709)	2,967,709	–	–	–	–
Issue of shares	592,900	–	–	–	–	592,900
Exercise of share options	244,153	–	(64,425)	–	–	179,728
Dividends paid	–	(1,037,088)	–	–	–	(1,037,088)
At 31 December 2017	1,089,404	2,318,758	–	(1,111)	(2,730,658)	676,393

48. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 31 DECEMBER 2017

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the period ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9, *Financial instruments*	1 January 2018
HKFRS 15, *Revenue from contracts with customers*	1 January 2018
Amendments to HKFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
Amendments to HKAS 40, *Investment property: Transfers of investment property*	1 January 2018
HK(IFRIC) 22, *Foreign currency transactions and advance consideration*	1 January 2018
HKFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

48. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 31 DECEMBER 2017 (continued)

HKFRS 9, Financial instruments

HKFRS 9 will replace the current standard on accounting for financial instruments, HKAS 39, Financial instruments: Recognition and measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, HKFRS 9 incorporates without substantive changes the requirements of HKAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018.

Expected impacts of the new requirements on the Group's financial statements are as follows:

(a) Classification and measurement

HKFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI):

– The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

– For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortised cost and FVTPL will continue with their respective classification and measurements upon the adoption of HKFRS 9.

48. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 31 DECEMBER 2017 (continued)

HKFRS 9, Financial instruments (continued)

(a) Classification and measurement (continued)

The classification and measurement requirements for financial liabilities under HKFRS 9 are largely unchanged from HKAS 39, except that HKFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

(b) Impairment

The new impairment model in HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. Based on a preliminary assessment, if the Group were to adopt the new impairment requirements at the Group's total equity as at 1 January 2018 will be reduced by less than 3% of the total equity as at 31 December 2017.

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

The Group plans to elect to use the cumulative effect transition method for the adoption of HKFRS 15 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. As allowed by HKFRS 15, the Group plans to apply the new requirements only to contracts that are not completed before 1 January 2018.

Based on the assessment completed to date, the Group has assessed that the new revenue standard is not likely to have significant impact on how it recognises revenue from securities brokerage business, businesses of advisory services and securities underwriting.

48. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE PERIOD ENDED 31 DECEMBER 2017 (continued)

HKFRS 16, Leases

As disclosed in note 2(j), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of HKFRS 16 and the effects of discounting.

Financial Summary

	For the period from 1 April 2017 to 31 December 2017	For the year ended 31 March			
		2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULT					
Continuing operations					
Revenue	165,180	83,705	57,052	300,700	1,369,188
Profit/(loss) before taxation	129,903	(1,042,695)	(1,928,594)	551,402	417,153
Taxation	(11,540)	(5,342)	55,813	(64,345)	(70)
Profit/(loss) for the period/year from continuing operations	118,363	(1,048,037)	(1,872,781)	487,057	417,083
Discontinued operations					
(Loss)/profit for the period/year from discontinued operations	(95)	5,939	(2,243)	–	–
Profit/(loss) for the period/year	118,268	(1,042,098)	(1,875,024)	487,057	417,083
Attributable to:					
Owners of the Company	118,268	(1,042,098)	(1,874,835)	487,057	417,083
Non-controlling interests	–	–	(189)	–	–
	118,268	(1,042,098)	(1,875,024)	487,057	417,083

	As at 31 December 2017	As at 31 March			
		2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	5,314,847	1,735,276	2,211,857	2,719,745	1,885,139
Total liabilities	(4,034,661)	(586,427)	(794,671)	(391,010)	(291,714)
	1,280,186	1,148,849	1,417,186	2,328,735	1,593,425
Equity attributable to					
Owners of the Company	1,280,186	1,148,849	1,414,925	2,328,735	1,593,425
Non-controlling interest	–	–	2,261	–	–
	1,280,186	1,148,849	1,417,186	2,328,735	1,593,425