China Fortune Financial Group Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 290)

Website: http://www.290.com.hk

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

The board (the "**Board**") of directors (the "**Directors**") of China Fortune Financial Group Limited (the "**Company**") announces that the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2018 together with the comparative figures for the previous year are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2018

		2018	2017
	Notes	***HK$'000***	*HK$'000*
Revenue	*3*	**94,042**	49,880
Cost of brokerage and other services		**(15,948)**	(11,164)
Other income	*5*	**5,783**	78,565
Gain on derivative component of convertible bonds		**—**	31,564
Reversal/(impairment) of impairment loss on loan and trade receivables		**10,282**	(2,749)
Change in fair value of investments held for trading		**(8,038)**	6,454
Staff costs		**(60,148)**	(51,601)
Other operating expenses		**(53,813)**	(50,516)
Finance costs	*6*	**(42,126)**	(25,977)
Share of profit of associates		**7,768**	6,434
Share of (loss)/profit of joint ventures		**(26)**	17

	Notes	2018 HK$'000	2017 HK$'000
(Loss)/profit before tax	*7*	**(62,224)**	30,907
Income tax expense	*8*	**(3,226)**	—
(Loss)/profit for the year		**(65,450)**	30,907
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**2,683**	(454)
Share of other comprehensive income/(expense) of associates		**8,998**	(5,395)
Share of other comprehensive income/(expense) of joint ventures		**98**	(67)
Exchange differences reclassified to profit or loss upon disposal of a joint venture		**—**	(194)
		11,779	(6,110)
Total comprehensive (expense)/income for the year		**(53,671)**	24,797
		HK cents	*HK cents*
(Loss)/earnings per share for (loss)/profit attributable to equity holders of the Company			
Basic	*10*	**(0.95)**	0.85
Diluted	*10*	**(0.95)**	0.84

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property and equipment		**13,890**	3,669
Goodwill		**3,994**	3,994
Loan receivables	*11*	**5,206**	7,494
Other non-current assets		**8,350**	6,840
Interests in associates		**99,914**	83,148
Interests in joint ventures		**1,158**	1,086
		132,512	106,231
Current assets			
Investments held for trading		**112,856**	109,298
Held-to-maturity investment		**60,302**	—
Loan and trade receivables	*11*	**339,674**	171,839
Other receivables, deposits and prepayments		**17,410**	14,380
Bank balances and cash-trust		**210,353**	115,097
Bank balances and cash-general		**480,823**	471,990
		1,221,418	882,604
Current liabilities			
Trade payables, other payables and accruals	*12*	**227,894**	125,079
Loan payables		**359,295**	130,404
Corporate bonds		**10,184**	3,944
Tax payable		**2,933**	720
		600,306	260,147
Net current assets		**621,112**	622,457
Total assets less current liabilities		**753,624**	728,688

	Note	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Convertible bonds		**223,481**	290,696
Corporate bonds		**154,377**	160,326
		377,858	451,022
Net assets		**375,766**	277,666
Capital and reserves			
Share capital	*13*	**70,861**	40,367
Reserves		**304,905**	237,299
Total equity		**375,766**	277,666

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The addresses of the registered office and principal place of business of the Company are P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and Units 4301–8 & 13, 43rd Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong.

The Company is an investment holding and its subsidiaries are principally engaged in securities and proprietary trading and insurance brokerage, margin financing, provision of corporate finance services and money lending services.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is also the functional currency of the Company. Figures are rounded up to the nearest thousand unless otherwise specified.

These consolidated financial statements for the year ended 31 March 2018 were approved by the board of Directors on 29 June 2018.

2. ADOPTION OF NEW OR AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amended HKFRSs that are effective for annual periods beginning or after 1 April 2017

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2017.

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

Other than as noted below, the adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Amendments to HKAS 7 "Disclosure Initiative"

The amendments require an entity to provide disclosure 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. Consistent with the transitional provisions of the amendments, the Group has not disclosed comparative information for the prior years. Except for the disclosure, the application of these amendments has had no impact on the Group's consolidated financial statements.

Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, the following new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

- HKFRS 9 — Financial Instruments[1]
- HKFRS 15 — Revenue from Contracts with Customers and the related Amendments[1]
- HKFRS 16 — Leases[2]
- HKFRS 17 — Insurance Contracts[3]
- Amendments to HKFRS 2 — Classification and Measurement of Share-based Payment Transactions[1]
- Amendments to HKFRS 4 — Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract[1]
- Amendments to HKFRS 9 — Prepayment Features with Negative Compensation[2]
- Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
- Amendments to HKAS 40 — Transfers of Investment Property[1]
- Amendments to HKFRSs — Annual Improvements to HKFRSs 2014-2016 Cycle[1]
- Amendments to HKFRSs — Annual Improvements to HKFRSs 2015-2017 Cycle[2]
- Amendments to HKAS 28 — Long-term Interests in Associates and Joint Ventures[2]
- Amendments to HKAS 19 — Plan Amendment, Curtailment or Settlement[2]
- HK(IFRIC)-Int 22 — Foreign Currency Transactions and Advance Consideration[1]
- HK(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective date not yet determined

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

HKFRS 9 Financial instruments

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an "expected credit loss" model for the impairment of financial assets.

HKFRS 9 also contains new requirements on the application of hedge accounting. The new requirements look to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

The directors have identified the following areas that are expected to be most impacted by the application of HKFRS 9:

- the classification and measurement of the Group's financial assets. The Group holds most financial assets to hold and collect the associated cash flows and is currently assessing the underlying types of cash flows to classify financial assets correctly. The directors expect the held-to-maturity investments to continue to be accounted for at amortised cost. Debt instruments classified as held-to-maturity investment, loan and trade receivables to customers in margin financing, loan receivables and trade receivables, convertible bonds and corporate bonds are carried at amortised cost: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9. Listed equity securities classified as investment held for trading carried at fair value: these financial assets are held within a business model whose objective is achieved by selling the listed debt instruments in the open market. Accordingly, these listed debt instruments will continue to be measured at fair value through profit or loss. Unlisted equity securities classified under available-for-sale financial assets: these securities qualified for designation as measured at fair value through other comprehensive income ("**FVTOCI**") under HKFRS 9, however, the Group would not elect the option for designating these securities to be measured at FVTOCI and will measure these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of HKFRS 9, net fair value gains relating to these securities would be adjusted to retained profits as at 1 April 2018. All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39; and

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 March 2018, the application of HKFRS 9 in the future will not have a material impact on the classification and measurement of the Group's financial assets and liabilities.

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 presents new requirements for the recognition of revenue, replacing HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations. HKFRS 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue; at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

1. Identify the contract(s) with customer

2. Identify the performance obligations in the contract

3. Determine the transaction price

4. Allocate the transaction price to the performance obligations

5. Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. More prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

HKFRS 15 will be adopted in the Group's consolidated financial statements for the annual period beginning on 1 April 2018 and the application of HKFRS 15 may result in more disclosures, however, it is not expected to have significant impact on amounts reported in the consolidated financial statements based on the assessment on the existing contracts with customers after taking into account the above core principle.

HKFRS 16 "Leases"

HKFRS 16 "Leases" will replace HKAS 17 and three related Interpretations.

Currently the Group classifies leases into operating leases. The Group enters into leases as 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 a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would 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 of office premises 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. As at 31 March 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to HK$40,649,000 for office premises. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. 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.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The standard offers different transitional options and practical expedients, including the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. If this practical expedient is chosen, the Group will apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application. If the practical expedient is not chosen, the Group will need to reassess all of its decisions about which existing contracts are, or contain, leases, using the new definition. Depending on whether the Group elects to adopt HKFRS 16 retrospectively or follow a modified retrospective method of recognising a cumulative effect adjustment to the opening balance of equity at the date of initial application, the Group may or may not need to restate comparative information for any changes in accounting resulting from the reassessment.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of HK$40,649,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these lease unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosures as indicated above.

3. REVENUE

Revenue represents the net amounts received and receivable for services provided in the normal course of business. An analysis of the Group's revenue for the years ended 31 March 2018 and 2017 is as follows:

	2018	2017
	HK$'000	*HK$'000*
Dividend income	**1,223**	157
Bond interest income	**1,711**	—
Income from securities brokerage business	**33,085**	9,193
Income from factoring business	**—**	3
Interest income from money lending business	**9,368**	7,715
Income from insurance brokerage business	**1,621**	3,784
Margin interest income from securities brokerage business	**13,156**	13,371
Net gains on trading of listed securities	**—**	4,056
Service income from corporate finance	**33,829**	11,601
Others	**49**	—
	94,042	49,880

4. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purpose of resources allocation and assessment of segment performance is focus on the type of services provided. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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

1) The brokerage and margin financing segment engages in securities business and margin financing in Hong Kong;

2) The proprietary trading segment engages in proprietary trading of securities;

3) The corporate finance segment engages in the provision of corporate finance services in Hong Kong;

4) The money lending and factoring segment engages in the provision of money lending and factoring services in Hong Kong; and

5) The consultancy and insurance brokerage segment engages in the provision of consultancy service and insurance brokerage in Hong Kong.

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit/(loss) represents the profit/(loss) from each segment without allocation of central administration expenses, Directors' remunerations, and certain other operating income (interest income and gains on investments held for trading). This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment. Inter-segment sales are charged at prevailing market prices.

Information regarding the above segments is reported below.

Segment revenue and results

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

	Brokerage and margin financing		Proprietary trading		Corporate finance		Money lending and factoring		Consultancy and insurance brokerage		Inter-segment elimination		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	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*
Revenue														
External revenue	**47,952**	22,564	**1,223**	4,213	**33,829**	11,601	**9,368**	7,718	**1,670**	3,784	**—**	—	**94,042**	49,880
Inter-segment revenue	**—**	—	**—**	—	**250**	1,670	**—**	—	**300**	4,122	**(550)**	(5,792)	**—**	—
	47,952	22,564	**1,223**	4,213	**34,079**	13,271	**9,368**	7,718	**1,970**	7,906	**(550)**	(5,792)	**94,042**	49,880
Interest income	**41**	48	**1**	1	**—**	—	**—**	—	**7**	—	**—**	—	**49**	49
(Loss)/profit on investments held for trading	**—**	—	**(8,038)**	6,454	**—**	—	**—**	—	**—**	—	**—**	—	**(8,038)**	6,454
Finance costs	**(37)**	(48)	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**(37)**	(48)
Others	**(18,521)**	(12,749)	**(626)**	(373)	**(21,710)**	(24,324)	**6,965**	(10,650)	**(10,616)**	(9,695)	**—**	5,792	**(44,508)**	(51,999)
Segment profit/(loss)	**29,435**	9,815	**(7,440)**	10,295	**12,369**	(11,053)	**16,333**	(2,932)	**(8,639)**	(1,789)	**(550)**	—	**41,508**	4,336
Unallocated operating income													**1,391**	607
Unallocated operating expense													**(71,079)**	(59,642)
Unallocated other income, gains or losses													**303**	73,520
Gain on derivative component of convertible bonds													**—**	31,564
Share of profit of associates													**7,768**	6,434
Share of (loss)/profit of joint ventures													**(26)**	17
Finance costs													**(42,089)**	(25,929)
(Loss)/profit before tax													**(62,224)**	30,907

Segment assets and liabilities

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

	2018	2017
	HK$'000	*HK$'000*
Segment assets		
Brokerage and margin financing	**501,034**	419,457
Proprietary trading	**123,014**	26,489
Corporate finance	**21,350**	9,985
Money lending and factoring	**158,449**	35,699
Consultancy and insurance brokerage	**10,735**	1,715
Total segment assets	**814,582**	493,345
Unallocated	**539,348**	495,490
Consolidated assets	**1,353,930**	988,835
Segment liabilities		
Brokerage and margin financing	**217,477**	121,038
Proprietary trading	**146**	136
Corporate finance	**2,567**	1,575
Money lending and factoring	**373**	53
Consultancy and insurance brokerage	**3,266**	590
Total segment liabilities	**223,829**	123,392
Unallocated	**754,335**	587,777
Consolidated liabilities	**978,164**	711,169

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than certain property and equipment for general operations, other non-current assets, interests in associates and joint ventures, certain other receivables, deposits and prepayments and certain bank balances and cash-general; and

- all liabilities are allocated to operating segments other than certain other payables and accruals, liability component of convertible bonds, corporate bonds, loan and tax payable.

Other segment information

	Brokerage and margin financing		Proprietary trading		Corporate finance		Money lending and factoring		Consultancy and insurance brokerage		Unallocated		Consolidated	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
	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*
Amounts included in the measure of segment results or segment assets:														
Additions to non-current assets (exclude financial instruments)	**—**	18	**—**	—	**36**	—	**—**	—	**—**	—	**13,134**	2,447	**13,170**	2,465
Bad debt written off	**—**	5,371	**—**	—	**—**	—	**—**	—	**116**	—	**55**	221	**171**	5,592
Depreciation	**187**	190	**795**	—	**5**	—	**—**	—	**2**	—	**34**	1,243	**1,023**	1,433
Reversal of impairment loss recognised in respect of trade receivables	**(1,920)**	(7,417)	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**(1,920)**	(7,417)
Reversal of impairment loss recognised in respect of loan receivable	**—**	—	**—**	—	**—**	—	**(8,362)**	—	**—**	—	**—**	—	**(8,362)**	—
Impairment loss recognised in respect of trade receivables	**—**	1,565	**—**	—	**—**	—	**—**	—	**—**	—	**—**	—	**—**	1,565
Impairment loss recognised in respect of loan receivables	**—**	—	**—**	—	**—**	—	**—**	8,601	**—**	—	**—**	—	**—**	8,601
Gain on disposal of property and equipment	**—**	(125)	**—**	—	**—**	—	**—**	—	**—**	—	**(123)**	—	**(123)**	(125)

The amounts regularly provided to the chief operating decision maker but not included in the measure of segment results or segment assets are not material for both years ended 31 March 2018 and 2017.

Information about major customers

Revenue of approximately HK$9,946,000 was derived from a customer that contributed approximately 10.58% to the Group's aggregate revenue for the year ended 31 March 2018 (No customer individually contributed over 10% of the Group's aggregate revenue for the year ended 31 March 2017).

Geographical information

The Group's operations are mainly located and carried out in Hong Kong. Accordingly, no geographical information related to revenue has been presented. The following table sets out information about the Group's property and equipment, other non-current assets, goodwill, interests in associates and joint ventures ("**specified non-current assets**"). The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property and equipment, the location of the operation to which they are allocated, in the case of goodwill, and the location of operations, in the case of interests in associates and joint ventures.

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**93,723**	78,108
The People's Republic of China ("**PRC**")	**33,583**	20,629
	127,306	98,737

5. OTHER INCOME

	Note	2018 *HK$'000*	2017 *HK$'000*
Handling fee income		**2,362**	3,357
Interest income from financial institutions		**1,192**	51
Gain on disposal of subsidiaries	*14*	**180**	395
Management fee income		**—**	190
Gain on disposal of property and equipment		**123**	125
Exchange gain, net		**—**	109
Sundry income		**1,926**	1,144
Gain on disposal of a joint venture	*14*	**—**	73,000
Translation reserve reclassified to profit or loss upon disposal of a joint venture		**—**	194
		5,783	78,565

6. FINANCE COSTS

	2018 *HK$'000*	2017 *HK$'000*
Interests on loan payables	**1,690**	4,891
Interests on corporate bonds	**15,880**	15,882
Interests on convertible bonds	**24,556**	5,204
	42,126	25,977

7. (LOSS)/PROFIT BEFORE TAX

(Loss)/profit before tax after charging:

	Note	2018 HK$'000	2017 HK$'000
Auditor's remuneration		**832**	960
Bad debt written off on trade and other receivables		**171**	5,592
Depreciation		**1,023**	1,433
Exchange losses, net		**1,277**	—
Operating lease payments		**19,185**	13,179
Loss on disposal of an associate	*14(b)*	**—**	1,361
Staff costs:			
— Directors' remunerations		**14,240**	8,363
— salaries and allowance		**44,628**	42,236
— retirement benefit scheme contributions (excluding Directors)		**1,280**	1,002
		60,148	51,601

8. INCOME TAX EXPENSE

	2018 HK$'000	2017 HK$'000
Current tax		
— Hong Kong		
Current year	**2,189**	—
Under provision in respect of prior years	**1,030**	—
	3,219	—
— PRC		
Current tax	**7**	—
Total income tax expense	**3,226**	—

Hong Kong Profits Tax has been provided at the rate of 16.5% in the estimated assessable profit for the year ended 31 March 2018.

No Hong Kong Profits Tax has been provided as the Group's assessable profit for the year ended 31 March 2017 has been fully absorbed by the tax losses brought forward from prior years.

The tax charge for the years can be reconciled to the (loss)/profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2018	2017
	HK$'000	*HK$'000*
(Loss)/profit before tax	**(62,224)**	30,907
Tax at domestic income tax rate of 16.5% (2017: 16.5%)	**(10,266)**	5,100
Tax effect of expenses not deductible for tax purpose	**2,504**	15,467
Tax effect of incomes not taxable for tax purpose	**(888)**	(31,357)
Tax effect of share of profit of associates	**(1,282)**	(1,062)
Tax effect of share of loss/(profit) of joint ventures	**4**	(3)
Under provision in respect of final tax assessment	**2,520**	—
Under provision in respect of prior years	**1,030**	—
Effect of different tax rates of PRC branches	**7**	—
Utilisation of tax losses not recognised in previous years	**(8,911)**	(2,928)
Tax effect of tax losses not recognised	**18,508**	14,783
Tax for the year	**3,226**	—

At 31 March 2018, the Group had estimated unused tax losses of approximately HK$400,510,000 (2017: HK$342,670,000) available for offset against future profits, the tax losses are subject to the agreement by the Hong Kong Inland Revenue Department (the "**IRD**"). No deferred tax asset recognised for the years ended 31 March 2018 and 2017.

During the year 31 March 2017, arose from tax losses of approximately HK$12 million which amount is estimated by the Group on the same basis in the objection lodged to the IRD. The objection was in response to IRD's re-assessments raised against the Group's year of assessment prior to 31 March 2016. The Group had purchased tax reserve certificates with an aggregate amount of approximately HK$7,883,000 in August 2016 as directed by the Commissioner of the IRD. During the year 31 March 2018, the final tax assessment was issued by IRD. The related tax losses carried forward are utilised and the remaining tax reserve certificates were refunded after offset the tax payment of the disputation.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards. No provision for the PRC EIT has been made for subsidiaries established in the PRC as these subsidiaries did not have any assessable profits subject to PRC EIT Law during both years.

Tax losses of approximately HK$6,761,000 (2017: HK$6,125,000) attributable to certain subsidiaries in the PRC had an expiry period of five years. During the year, tax loss approximately, HK$324,000 have been expired. The remaining tax losses of approximately HK$393,749,000 (2017: HK$336,545,000) do not expire under current tax legislation.

Under the New EIT Law, withholding tax is imposed on dividends in respect of profits earned by the PRC subsidiaries, associates and joint ventures from 1 January 2008 onwards (the "**Post-2008 Earnings**"). As at 31 March 2018 and 2017, deferred taxation has not been provided for in the consolidated financial statements in respect of temporary difference attributable to the Post-2008 Earnings. The Group did not have any material Post-2008 earnings as at 31 March 2018 and 2017.

9. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2018, nor has any dividend been proposed since the end of the reporting year (2017: nil).

10. (LOSS)/EARNINGS PER SHARE

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

	2018	2017
	HK$'000	*HK$'000*
(Loss)/profit		
(Loss)/profit for the purpose of basic (loss)/earnings per share	**(65,450)**	30,907
Adjustment for the profit and loss effect of convertible bonds	**—**	199
(Loss)/profit for the purpose of diluted (loss)/earnings per share	**(65,450)**	31,106

	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	**6,860,511**	3,641,933
Effect of dilutive potential ordinary shares:		
Convertible bonds	**—**	35,616
	6,860,511	3,677,549

The calculation of diluted loss per share for the year ended 31 March 2018 does not assume the exercise of the Company's outstanding conversion of outstanding convertible bonds which had anti-dilutive effect and would result in a reduction in loss per share. Therefore, the diluted loss per share is the same as the basic loss per share for the year.

11. LOAN AND TRADE RECEIVABLES

Loan and trade receivables comprise i) trade receivables arising from security brokerage business and other businesses and ii) loan receivables arising from money lending business.

	Notes	2018 HK$'000	2017 HK$'000
Trade receivables	*a)*	**190,603**	144,907
Loan receivables — current	*b)*	**149,071**	26,932
		339,674	171,839
Loan receivables — non current	*b)*	**5,206**	7,494
		344,880	179,333

(a) Trade receivables

The followings are the balances of trade receivables, net of impairment losses:

	2018 HK$'000	2017 HK$'000
Trade receivables from security brokerage business		
— Cash clients	**333**	705
— Hong Kong Securities Clearing Company Limited ("**HKSCC**")	**2,860**	—
— Margin clients	**172,943**	144,983
Trade receivables from other businesses	**14,701**	2,761
	190,837	148,449
Less: Impairment loss	**(234)**	(3,542)
	190,603	144,907

The settlement terms of trade receivables, except for secured margin clients, arising from the business of dealing in securities are two days after trade date. The Group allows an average credit period of 30 days to its trade customers of other business. Also the settlement terms of HKSCC is 2 trading days after the transaction dates.

No aging analysis is disclosed for the Group's margin clients as these margin clients were carried on an open account basis, and only fall due on conditions or on demand by the Group. The Directors of the Company consider that an aging analysis does not give additional value in the view of the value of business of margin financing.

The following is an aging analysis of trade receivables (excluding margin clients), net of impairment losses, as at 31 March 2018 and 2017 based on the invoice date which approximated the respective revenue recognition dates was as follows:

	2018	2017
	HK$'000	*HK$'000*
Less than 30 days	**17,722**	1,413
31 to 60 days	**100**	49
61 to 90 days	**10**	31
Over 90 days	**62**	584
	17,894	2,077

Trade receivables from cash and margin clients are secured by the clients' pledged securities at quoted market value of approximately HK$1,416,859,000 (2017: HK$1,228,702,000) which could be realised at the Group's discretion to settle any margin call requirements imposed by their respective securities transactions. The trade receivables from cash and margin clients are repayable on demand and bear interest at commercial rates. As at 31 March 2018, included in the total trade receivables, approximately HK$164,941,000 (2017: HK$136,922,000) were interest bearing whereas approximately HK$25,662,000 (2017: HK$7,985,000) were non-interest bearing. There is no re-pledge of the collateral from margin clients in both years.

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date.

Included in trade receivables are debtors with aggregate carrying amount of approximately HK$355,000 (2017: HK$837,000) which were past due as at 31 March 2018 for which the Group has not provided for impairment loss.

In respect of trade receivables (excluded margin clients) which are past due but not impaired as at 31 March 2018 and 2017, the aging analysis (subsequent to the settlement date) are as follows:

	2018	2017
	HK$'000	*HK$'000*
Less than 30 days	**185**	214
31 to 60 days	**107**	31
61 to 90 days	**1**	11
Over 90 days	**62**	581
	355	837

Trade receivables from cash clients that were past due but not impaired relate to a number of independent customers that either have a good track record for repayment with the Group or fully settled the outstanding balances subsequently. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group holds the pledged securities at quoted market value of approximately HK$61,447,000 over these balances (2017: HK$10,069,000).

Movements in the impairment loss of trade receivables in aggregate during the years ended 31 March 2018 and 2017 are as follows:

	2018	2017
	HK$'000	*HK$'000*
Balance at the beginning of the year	**3,542**	73,205
Disposal of trade receivables	**—**	(63,811)
Amounts written off as uncollectible	**(1,388)**	—
Reversal of impairment loss	**(1,920)**	(7,417)
Impairment loss recognised	**—**	1,565
Balance at the end of the year	**234**	3,542

Included in the impairment losses of trade receivables with an aggregated balance of approximately HK$234,000 (2017: HK$3,542,000) were individually impaired trade receivables who were in financial difficulties. Impairment loss of trade receivables of HK$1,920,000 (2017: HK$7,417,000) reversed during the year ended 31 March 2018 is based on the increased market value of pledged securities. During the year ended 31 March 2017, trade receivables of approximately HK$63,811,000 were sold with subsidiary at consideration of HK$2,000,000. Details please refer to note 14(a).

(b) Loan receivables

	2018	2017
	HK$'000	*HK$'000*
Non-current portion		
Secured loan receivables	**2,386**	7,494
Unsecured loan receivables	**2,820**	5,216
	5,206	12,710
Less: Impairment loss	**—**	(5,216)
	5,206	7,494
Current portion		
Secured loan receivables	**146,099**	9,690
Unsecured loan receivables	**2,972**	20,627
	149,071	30,317
Less: Impairment loss	**—**	(3,385)
	149,071	26,932
	154,277	34,426

The secured loan receivables are secured by equity shares of listed companies with fair value of approximately HK$372,280,000 and second mortgage over certain property units (2017: equity shares of listed companies with fair value of approximately HK$1,866,000 and second mortgage over certain property units) and bear interest at a fixed interest rate at 9% to 22.5% (2017: 14% to 22.5%) per annum.

The unsecured loan receivables carry interest at fixed interest rate at 15% (2017: 15% to 22%) per annum. The unsecured loan receivables are guaranteed by an independent third party as at 31 March 2018 (2017: guaranteed by an independent third party).

The following table illustrated the aging analysis, net of impairment losses, based on the loan drawdown date, of the loan receivables outstanding at reporting date:

	2018	2017
	HK$'000	*HK$'000*
Less than 30 days	**2,666**	457
31 to 60 days	**35,000**	628
61 to 90 days	**—**	—
Over 90 days	**116,611**	33,341
	154,277	34,426

The loan receivables are due for settlement at the date specified in the respect loan agreements.

The aging analysis of loan receivables that are past due but not considered to be impaired based on the credit period of 30 days as at 31 March 2018 and 2017 is as follows:

	2018	2017
	HK$'000	*HK$'000*
Less than 30 days	**300**	45
31 to 60 days	**—**	—
61 to 90 days	**—**	—
Over 90 days	**—**	—
	300	45

Movements in the impairment loss recognised in respect of loan receivables in aggregate during the years are as follows:

	2018	2017
	HK$'000	*HK$'000*
Balance at the beginning of the year	**8,601**	—
Reversal of impairment loss	**(8,362)**	—
Written off as uncollectable	**(239)**	—
Impairment loss recognised	**—**	8,601
Balance at the end of the year	**—**	8,601

Impairment loss of loan receivables of approximately HK$8,362,000 reversed during the year ended 31 March 2018 is based on subsequent settlement received (2017: Impairment loss of approximately HK$8,601,000 has been impaired during the year ended 31 March 2017 by reference to the creditability of the customers past default experience and subsequent settlement).

12. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2018	2017
	HK$'000	*HK$'000*
Trade payables from the business of dealing in securities:		
— Margin and cash clients	**211,804**	114,037
— HKSCC	**—**	5,183
Property and equipment payables	**1,949**	—
Other payables and accruals	**14,141**	5,859
	227,894	125,079

For trade payables, no aging analysis is disclosed for the Group's margin and cash clients and HKSCC as these clients were carried on an open account basis, the aging analysis does not give additional value in the view of the nature of business of margin financing. Also, the settlement terms of HKSCC is two trading days after the transaction dates.

13. SHARE CAPITAL

	Number of shares	Amount
	'000	*HK$'000*
Authorised:		
At 1 April 2016, ordinary shares of HK$0.1 each	5,000,000	500,000
Capital reduction	—	(450,000)
Increase in authorised share capital	15,000,000	150,000
At 31 March 2017 and 31 March 2018, ordinary shares of HK$0.01 each	20,000,000	200,000
Issued and fully paid:		
At 1 April 2016, ordinary shares of HK$0.1 each	3,418,386	341,839
Issue of shares for convertible bonds exercised	618,343	61,834
Capital reduction	—	(363,306)
At 31 March 2017, ordinary shares of HK$0.01 each	4,036,729	40,367
Issue of shares for convertible bonds exercised	3,049,350	30,494
At 31 March 2018, ordinary shares of HK$0.01 each	7,086,079	70,861

14. DISPOSALS OF COMPONENTS OF THE GROUP

a) Disposal of subsidiaries

On 30 December 2016, the Group disposed its 100% equity interest in Main Dynasty International Limited, a subsidiary of the Company, together with 48% interest in Beijing Sapiential & Golden Resources Public Relations Consultant Co., Ltd. which held under the subsidiary (constituted an associate of the Company), at a consideration of approximately HK$2,852,000.

On 30 December 2016, the Group disposed its 100% equity interest in Legend Shores Limited, a subsidiary of the Company, at a consideration of HK$2,000,000.

The details of these disposals were summarised as below:

	2017
	HK$'000
Proceeds	4,852
Less: Net assets value	(4,457)
Gain on disposals	395

b) Disposal of an associate

On 29 June 2016, the Group disposed its 25% equity interest in Prior Capital Limited, an associate of the Company, together with a subsidiary of Prior Capital Limited, at a consideration of approximately HK$1,218,000.

The detail of the disposal was summarised as below:

	2017
	HK$'000
Proceeds	1,218
Less: Net assets value	(2,579)
Loss on disposal	(1,361)

c) Disposal of a joint venture

For the year ended 31 March 2016, the Group held a 35% equity interest in Measure Up International Limited and its subsidiaries ("**Measure Up Group**") and accounted for the investment as a joint venture.

The Group disposed 35% equity interest in Measure Up Group, a joint venture of the Company, together with the loan owed by Measure Up International Limited to the Group of HK$73,000,000 for a consideration of HK$73,000,000 on 30 June 2016.

The detail of the disposal was summarised as below:

	2017
	HK$'000
Proceeds	73,000
Less: Interest in a joint venture	—
Amount due from a joint venture	—
Gain on disposal	73,000

There was no other material disposal of components of the Group during the years ended 31 March 2018 and 2017.

15. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances. The Group's overall strategy remains unchanged from prior years.

The capital structure of the Group consists of convertible bonds, corporate bonds, loan payables, cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The Directors of the Company review the capital structure regularly. As part of this review, the Directors of the Company consider the cost of capital and the associated risks with each class of capital, and take appropriate actions to adjust the Group's capital structure.

For certain subsidiaries of the Group, they are regulated by Securities & Futures Commission ("**SFC**") and are required to comply with certain minimum capital requirements according to the rules of SFC. Management monitors, on a daily basis, the subsidiaries' liquid capital to ensure it meets the minimum liquid capital requirement in accordance with the Securities and Futures (Financial Resources) Rules, the range of liquid capital is from HK$100,000 to HK$3,000,000 or 5% of their total adjusted liabilities, whichever is higher.

Another subsidiary of the Group is a member of the Professional Insurance Brokers Association Limited and is required to maintain a minimum net asset value of HK$100,000 at all times.

There is no non-compliance of the capital requirements imposed by the respective regulators during both years.

16. COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments

The Group as lessee

The Group leases certain of its office premises under operating lease arrangements. Lease for properties are negotiated for a term ranging from one year to five years and rentals are fixed at the inception of lease. No provision for contingent rent and terms of renewal were established in the lease.

As at 31 March 2018 and 2017, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**16,780**	2,268
In the second to fifth year, inclusive	**23,869**	643
	40,649	2,911

(b) Capital commitment

The Group had the following capital commitment at reporting date:

	2018	2017
	HK$'000	*HK$'000*
Contracted but not provided for:		
Investment in a joint venture	**6,136**	5,428

17. EVENTS AFTER THE REPORTING DATE

(i) On 9 November 2017, the subscription agreement dated 23 January 2017 entered into by the Group in relation to the establishment of a joint venture was terminated due to a change in the shareholding structure of the joint venture company. On 9 November 2017, the Group therefore entered into a new subscription agreement with independent third parties in relation to the establishment of the joint venture at total investment amount of RMB1,000 million (equivalent to approximately HK$1,174 million) and the Group shall contribute an aggregate amount of RMB300 million (equivalent to approximately HK$352 million) and hold 30% shareholding in the joint venture. The establishment of the joint venture is subject to approval by the China Securities Regulatory Commission. As at the date of the announcement, the approvals had yet to be obtained in this regard.

(ii) On 27 March 2018, the Group entered into a facility letter with a bank, which granted a revolving loan and overdraft facility of up to HK$50 million, effective from 6 June 2018.

On 29 May 2018, the Group entered into a facility letter with a bank, which granted a revolving term loan facility of up to HK$50 million, effective from 12 June 2018.

These two loan facilities shall be subject to review by 31 March 2019 and secured by corporate guarantee issued by the Company and securities collateral pledged to the Group by margin clients. Specific written authorizations have been obtained by the Group from the margin clients for such use over the clients' securities. The loans have not been utilized at the end of reporting date nor up to the date of the announcement.

18. COMPARATIVE FIGURES

Certain comparative figures in these consolidated financial statements were reclassified to conform to the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

For the year ended 31 March 2018 (the "**Reporting Year**"), revenue of the Group amounted to approximately HK$94,042,000, representing an increase of approximately 88.54% from approximately HK$49,880,000 for the year ended 31 March 2017.

The Group recorded a loss of approximately HK$65,450,000 for the year ended 31 March 2018, as compared with the profit of approximately HK$30,907,000 for the corresponding period in 2017. Net loss attributable to owners of the Company amounted to approximately HK$65,450,000 for the Reporting Year, representing a reduction of approximately 311.76% comparing with the profit of approximately HK$30,907,000 for the corresponding period in 2017. The overall performance from net profit to net loss attributable to owners of the Company was mainly due to extraordinary income recorded in the year ended 31 March 2017 (1) the disposal of shares and benefits related to shareholders loan of Measure Up International Limited; and (2) realised gain in fair value of derivative component of convertible bonds.

The basic and diluted loss per share of the Company for the Reporting Year was approximately HK0.95 cents as compared with the basic and diluted profit per share of approximately HK0.85 cents and HK0.84 cents respectively for the corresponding period in 2017.

BUSINESS REVIEW

Brokerage and margin financing

The business of brokerage and margin financing is one of the main revenue streams of the Group. During the Reporting Year, the business of brokerage and margin financing recorded a revenue of approximately HK$47,952,000, representing an increase of approximately 112.52% as compared to the revenue of approximately HK$22,564,000 for the corresponding period in 2017.

The segment profit for the year ended 31 March 2018 amounted to approximately HK$29,435,000 (2017: approximately HK$9,815,000), representing a significant improvement in profit of approximately 199.90% as compared with the corresponding period in 2017.

The Group's strategy is to focus and strengthen existing securities operation and work in close collaboration with our corporate finance business as well as wealth management business, in order to provide a one-stop integrated financial services to better serve our institutional and high net worth individual clients.

Proprietary trading

During the Reporting Year, all securities traded were shares listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The proprietary trading segment recorded a revenue of approximately HK$1,223,000 (2017: approximately HK$4,213,000) and recorded a segment loss of approximately HK$7,440,000 (2017: gain of approximately HK$10,295,000). The respective segment loss was due to fair value change of the securities held for trading by the Group.

Corporate finance

The corporate finance market was under a keen competition during the Reporting Year. Segment revenue from corporate finance business significantly increased by approximately 156.79% from approximately HK$13,271,000 to approximately HK$34,079,000 while the segment profit for the year ended 31 March 2018 amounted to approximately HK$12,369,000 (2017: loss of approximately HK$11,053,000), representing a significant improvement in profit of approximately HK$23,422,000, turning company from loss making to profit generating position, as compared with the corresponding period in 2017.

Money lending and factoring

During the Reporting Year, the money lending market was under intensive competition locally. The Group recorded an interest income from money lending of approximately HK$9,368,000 (2017: interest income from money lending and factoring of approximately HK$7,718,000), representing an increase of approximately 21.38% as compared with the corresponding period in 2017.

Consultancy and insurance brokerage

During the Reporting Year, the Group recorded a segment revenue from other business operations in providing other consultancy services and insurance brokerage services of approximately HK$1,970,000 (2017: approximately HK$7,906,000), representing a decrease of approximately 75.08% as compared with the corresponding period in 2017.

ISSUE OF CONVERTIBLE BONDS

On 22 November 2016, the Company (as the issuer) entered into three convertible bonds subscription agreements (the "**Cinda Subscription Agreement**", "**PAL Supplemental Agreement**" and "**Riverhead Capital Subscription Agreement**") with three subscribers in an aggregate principal amount of HK$570,000,000.

(i) The Company entered into a Cinda Subscription Agreement with Mankind Investment Limited (the "**Mankind**"), pursuant to the Cinda Subscription Agreement, Mankind agreed to subscribe for the convertible bonds in the principal amount of HK$110,754,000 (the "**Convertible Bonds to Mankind**").

(ii) On 21 September 2016, the Company entered into a PAL subscription agreement with Pacific Alliance Limited (the "**PAL**"), and subsequently the Company entered into PAL Supplemental Agreement on 22 November 2016. Pursuant to the PAL Supplemental Agreement, PAL agreed to subscribe for the convertible bonds in the principal amount of HK$153,585,000 (the "**Convertible Bonds to PAL**"). On 8 January 2018, PAL sold the Convertible Bonds to Value Convergence Holdings Limited.

(iii) The Company entered into a Riverhead Capital Subscription Agreement with Riverhead Capital, pursuant to the Riverhead Capital Subscription Agreement, Riverhead Capital agreed to subscribe for the convertible bonds for the aggregate principal amount of HK$305,661,000 (the "**Convertible Bonds to Riverhead Capital**") in 4 tranches.

Completion of subscriptions (i), (ii) and Tranche 1 of Subscription (iii) took place on 30 March 2017. The convertible bonds to Mankind, PAL and Riverhead Capital are all bear an interest rate of 2% and mature on the third (3rd) anniversary of the date of issue of the convertible bonds with both dates inclusive at the conversion price of HK$0.06 per conversion share. Upon full conversion of the convertible bonds to all subscribers at the conversion price of HK$0.06, a total number of 6,500,000,000 conversion shares will be issued, subject to adjustments to the conversion price of HK$0.06.

The net proceeds raised through the issue of the three convertible bonds are approximately HK$385,000,000, in which i) approximately HK$180,000,000 would be used for the injection of capital to a wholly-owned subsidiary of the Company and expanding its margin financing and underwriting business; ii) approximately HK$150,000,000 for expanding its money lending business; iii) approximately HK$12,000,000 for engaging in private equity investments; iv) approximately HK$9,000,000 for strengthening the capital base of its subsidiaries and v) the remaining balance of approximately HK$34,000,000 for the general working capital of the Group.

The Convertible Bonds to Mankind was exercised in approximately 51.74% of original principal amount, which was equivalent to the amount of HK$57,300,000 at the conversion price of HK$0.06 on 27 April 2017. After completion of conversion, the number of 955,000,000 shares was being issued on 28 April 2017. Furthermore, the Tranche 1 of the Convertible Bonds to Riverhead Capital was also exercised in full in the principal amount of HK$125,661,000 at the conversion price of HK$0.06 on 27 April 2017. After the completion of conversion, the number of 2,094,350,000 shares was being issued on 28 April 2017.

Following the exercise of Tranche 1 of the Convertible Bonds by Riverhead Capital, completion of subscription of Tranche 2 took place on 28 June 2017. The net proceeds raised through the issue of Tranche 2 of the Convertible Bonds to Riverhead Capital are HK$60,000,000, in which approximately HK$50,000,000 would be used for further expanding its margin financing business and approximately HK$10,000,000 for its underwriting business.

For details of the Cinda Subscription Agreement, PAL subscription/Supplemental Agreement and Riverhead Capital Subscription Agreement and the relevant transactions, please refer to the announcements of the Company dated 21 September 2016, 22 November 2016, 30 March 2017 and 28 April 2017.

OUTLOOK

The year 2018 is the first year after the 19th CPC National Congress. With the conclusion of the annual CPC and CPPCC sessions, adjustments to government leadership line-ups and functions have gradually settled down, and the expectations of various policy initiatives have become more anchored as well. In spite of inevitable throes from overcapacity slashing and de-leveraging, we believe that the fundamentals of the Chinese market will continue to improve, and the Hong Kong market, in particular, will benefit from a series of favourable factors including the increasing demand from mainland enterprises and residents for overseas asset allocation, accelerated development of the Guangdong-Hong Kong-Macao Bay Area, and the implementation of relevant "Belt and Road" projects.

China Fortune, in its ongoing transformation, will continue to leverage its financial business licenses and strictly implement its strict and effective risk control system to provide customers with long-term, high-quality "one-stop" services and create more value for shareholders and investors and a better future for the entire staff!

CAPITAL STRUCTURE

As at 31 March 2018, the nominal value of the total issued share capital of the Company was approximately HK$70,861,000 comprising 7,086,078,859 shares of the Company of HK$0.01 each (the "**Shares**").

The Group actively and regularly reviews and manages its capital structure and makes adjustments to the capital structure in light of changes in economic conditions. For the licensed subsidiaries of the Group, the Group ensures each of them maintains a liquid capital level that is adequate to support the level of activities with a sufficient buffer to accommodate increases in liquidity requirements arising from potential increases in the level of business activities. During the Period, all the licensed subsidiaries of the Group complied with the liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules.

CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to Shareholders through the optimisation of the debt and equity balances.

The capital structure of the Group consists of debt, which includes convertible bonds, corporate bonds, loan, cash and cash equivalents and equity attributable to owners of the Company, which comprises issued share capital and reserves.

The Directors review the capital structure regularly. As part of the review, the Directors consider the cost of capital and the risks associated with each class of capital, and take appropriate actions to adjust the Group's capital structure. The overall strategy of the Group remains unchanged during the years ended 31 March 2018 and 2017.

For certain subsidiaries of the Group, they are regulated by the Securities and Futures Commission (the "**SFC**") of Hong Kong and are required to comply with certain minimum capital requirements according to the rules of SFC. Our management monitors, on a daily basis, the subsidiaries' liquid capital level to ensure they meet with the minimum liquid capital requirement in accordance with the Hong Kong Securities and Futures (Financial Resources) Rules. The range of liquid capital is from HK$100,000 to HK$3,000,000 or 5% of their total adjusted liabilities, whichever is higher.

One of the subsidiaries of the Group is a member of the Professional Insurance Brokers Association Limited and is required to maintain a minimum net asset value of HK$100,000 at all times.

There is no non-compliance of the capital requirements of the Group members imposed by the respective regulators during the years ended 31 March 2018 and 2017.

LIQUIDITY AND FINANCIAL RESOURCES AND GEARING RATIO

During the Reporting Year, the Group mainly financed its operations by cash generated from operating activities and loan, and issuance of the corporate bonds.

As at 31 March 2018, the Group's current assets and current liabilities were approximately HK$1,221,418,000 (2017: approximately HK$882,604,000) and approximately HK$600,306,000 (2017: approximately HK$260,147,000) respectively, while the current ratio was about 2.03 times (2017: 3.39 times).

As at 31 March 2018, the Group's aggregate cash and cash equivalents amounted to approximately HK$480,823,000 (2017: approximately HK$471,990,000), of which approximately 95.57% was denominated in HK$ (2017: approximately 98.09%), approximately 1.80% was denominated in United States dollars ("**USD**") (2017: approximately 1.47%), and approximately 2.63% was denominated in Renminbi ("**RMB**") (2017: approximately 0.44%), representing approximately 39.37% (2017: approximately 53.48%) of total current assets. As at 31 March 2018, the Group had bank loans with accrued interest in approximately HK$359,295,000 (2017: other loan of approximately HK$130,404,000).

During the Reporting Year, no financial instruments were used for hedging purposes. As at 31 March 2018, the gearing ratio, measured on the basis of total borrowings as a percentage of equity attributable to owners of the Company, was approximately 198.88% (2017: approximately 210.82%). The debt ratio, defined as total debts over total assets, was approximately 72.25% (2017: approximately 71.92%).

During the year ended 31 March 2018, no additional corporate bond was issued. During the year ended 31 March 2017, the Group has issued 2 years to 7.5 years corporate bonds with aggregate face value of HK$47,000,000 to 16 independent third parties, net of direct expenses of approximately HK$6,769,000, their maturity dates are from May 2018 to April 2024 and carry interest at fixed rate of 6% to 6.5% per annum with interest payable on the date falling on each anniversary of the issue date and maturity date of the corporate bonds (both dates exclusive). The corporate bonds are unsecured.

SIGNIFICANT INVESTMENT

As at 31 March 2018, the Group held financial assets at fair value through profit or loss of approximately HK$112,856,000 (2017: approximately HK$109,298,000), with unrealised loss at approximately HK$9,789,000 (2017: unrealised gain at approximately HK$5,562,000). The financial assets were traded by the Group and realised a net gain of approximately HK$1,751,000 (2017: approximately HK$4,912,000) during the year ended 31 March 2018.

CONTINGENT LIABILITIES

As at 31 March 2018, the Group has no material contingent liabilities (2017: nil).

CHARGE ON THE GROUP'S ASSETS

No asset of the Group was subject to any charge as at 31 March 2018 (2017: nil).

RISK MANAGEMENT

The Group has properly put in place credit management policies which cover the examination of the approval of client's trading and credit limits, regular review of facilities granted, monitoring of credit exposures and the follow up of credit risks associated with overdue debts. The policies are reviewed and updated regularly.

FOREIGN CURRENCY FLUCTUATION

During the Reporting Year, the Group mainly used Hong Kong dollars to carry out its business transactions. The Board considers that the Group's foreign currency exposure is insignificant.

HUMAN RESOURCES

As at 31 March 2018, the Group had 86 employees in total (2017: 72 employees). The related employees' costs for the Reporting Year (excluding Directors' remunerations) amounted to approximately HK$45,908,000 (2017: approximately HK$43,238,000). The Group remunerated employees based on the industry practice and individual's performance. Staff benefits include contributions to retirement benefit scheme, medical allowance and other fringe benefits. In addition, the Group maintains the share option scheme for the purpose of providing incentives and rewards to eligible participants based on their contributions.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2018.

EVENTS AFTER THE REPORTING DATE

Details of the events after the reporting date are set out in note 17 to this results announcement.

CORPORATE GOVERNANCE

The Company's commitment to the highest standards of corporate governance is driven by the Board which, led by the chairman of the Company, assume overall responsibility for the governance of the Company, taking into account the interests of the shareholders of the Company (the "**Shareholders**"), the development of its business and the changing external environment.

The Company believes that good corporate governance is fundamental in ensuring that the Company is well managed in the interests of all of its Shareholders.

The Company has adopted the code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

CORPORATE GOVERNANCE CODE COMPLIANCE

Throughout the year ended 31 March 2018, the Company has complied with all code provisions and, where appropriate, met the recommended best practices of the CG Code, except for the following deviation:

Code Provision A.2.1 of the CG Code states that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

In the past, the duties of the chief executive were assumed by the managing director of the Company (the "**Managing Director**"). Subsequent to the resignation of the Managing Director on 8 July 2016, such duties have been taken up by the Chairman of the Board, Mr. XIE Zhichun. With the appointment of Mr. HUA Yang as the Chief Executive Officer of the Company on 5 March 2018, the roles of chairman and the chief executive are performed by two individuals.

The Chairman is responsible for taking the lead in formulating the overall strategies and policies of the Group. He ensures that the Board functions effectively and all material issues of the Company are discussed in a timely manner. The Chairman also leads the Board to establish good corporate governance policies and procedures for the Group as a whole.

The Chief Executive Officer, supported by the other executive Directors and the senior management of the Company, is responsible for the daily business operations and management of the Group. He monitors the implementation of the Group's strategy with respect to the achievement of its business objectives.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the model code for securities transactions by directors of listed issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transaction. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standards set out in the Model Code throughout the reporting year.

RECORD DATE FOR ANNUAL GENERAL MEETING

In order to determine the eligibility of the Shareholders to attend and vote at the annual general meeting (the "**AGM**") of the Company which is scheduled to be held on 30 August 2018, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration by no later than 4:00 p.m. on 24 August 2018. Shareholders whose names are recorded in the register of members of the Company on 24 August 2018 are entitled to attend and vote at the AGM.

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Company (the "**Audit Committee**") comprises four independent non-executive Directors, namely Mr. NG Kay Kwok (chairman of the Audit Committee), Mr. CHAN Kin Sang, Mr. CHIU Kung Chik and Mr. LI Gaofeng. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the internal controls and financial reporting matters including the review of the audited consolidated financial statements and annual results of the Company for the year ended 31 March 2018.

SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2018 as set out in the preliminary announcement have been agreed by the Group's auditors, Grant Thornton Hong Kong Limited ("**Grant Thornton**"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 March 2018. The work performed by Grant Thornton in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton on the preliminary announcement.

PUBLICATION OF THE ANNUAL REPORT

The 2018 annual report of the Company will be dispatched to the Shareholders and published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.290.com.hk in late July 2018.

By order of the Board of
China Fortune Financial Group Limited
XIE Zhichun
Chairman and Executive Director

Hong Kong, 29 June 2018

As at the date of this announcement, the Board consists of four executive Directors, namely Mr. XIE Zhichun (Chairman), Mr. HUA Yang, Mr. HAN Hanting and Mr. LIU Yinan; two non-executive Directors, namely Mr. CHEN Zhiwei and Mr. WU Ling; and four independent non-executive Directors, namely Mr. CHAN Kin Sang, Mr. NG Kay Kwok, Mr. CHIU Kung Chik and Mr. LI Gaofeng.