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## China Soft Power Technology Holdings Limited

中國軟實力科技集團有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 139)**

### ANNUAL RESULTS ANNOUNCEMENT FOR THE PERIOD FROM 1 APRIL 2017 TO 31 DECEMBER 2017

The Board of Directors (the “Board”) of China Soft Power Technology Holdings Limited (the “Company”) announces the annual results of the Company and its subsidiaries (the “Group”) for the period from 1 April 2017 to 31 December 2017 (the “Period”) together with comparative figures for the previous year as follows:

#### CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the period from 1 April 2017 to 31 December 2017*

	<i>Notes</i>	<b>For the period from 1 April 2017 to 31 December 2017 HK\$'000</b>	<b>For the year ended 31 March 2017 HK\$'000</b>
<b>Revenue</b>	2, 3		
Electronic and accessory products		–	2,525
Financial investments and services		<b>185,490</b>	(54,653)
Brokerage and commission income		<b>38,965</b>	–
Property investments		<b>3,600</b>	–
		<b>228,055</b>	(52,128)
Cost of electronic and accessory products sold		–	(2,496)
Brokerage and commission expenses		<b>(3,930)</b>	(761)
		<b>(3,930)</b>	(3,257)

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

*For the period from 1 April 2017 to 31 December 2017*

		For the period from 1 April 2017 to 31 December 2017 <i>HK\$'000</i>	For the year ended 31 March 2017 <i>HK\$'000</i>
Gross profit/(loss)		224,125	(55,385)
Other income and gains	3	601	4,312
Administrative expenses		(36,470)	(81,805)
Other operating expenses		(5,420)	(6,233)
Finance costs	4	(53,385)	(969)
Unrealised fair value gains on equity investments at fair value through profit or loss, net		121,623	20,250
Gain/(loss) on disposal of available-for-sale equity investments		20,620	(48,186)
Gain of revaluation of investment properties	9	91,033	–
Impairment loss of available-for-sale equity investments	10	(800)	(3,947)
Share of profit of associates		6,459	–
Gain on disposal of subsidiaries		–	15,566
Loss on step acquisition	19	(381)	–
Gain on bargain purchase	19	5,370	–
<b>PROFIT/(LOSS) BEFORE TAX</b>	5	<b>373,375</b>	<b>(156,397)</b>
Income tax expense	6	(4,520)	–
<b>PROFIT/(LOSS) FOR THE PERIOD/YEAR</b>		<b>368,855</b>	<b>(156,397)</b>
Attributable to:			
Owners of the parent		368,855	(156,397)
Non-controlling interests		–	–
		<b>368,855</b>	<b>(156,397)</b>
<b>DIVIDEND</b>	7	<b>–</b>	<b>–</b>
<b>PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	8		
Basic		<b>HK\$0.03</b>	<b>HK\$(0.02)</b>
Diluted		<b>HK\$0.03</b>	<b>HK\$(0.02)</b>

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 1 April 2017 to 31 December 2017

	For the period from 1 April 2017 to 31 December 2017 HK\$'000	For the year ended 31 March 2017 HK\$'000
<b>PROFIT/(LOSS) FOR THE PERIOD/YEAR</b>	<b>368,855</b>	<b>(156,397)</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Equity investments:		
Changes in fair value, net of tax	601,106	392,611
Reclassification adjustments for gains/(losses) included in the consolidated statement of profit and loss:		
— (Gain)/loss on disposal	(20,620)	48,186
— Impairment losses	800	3,947
	<b>581,286</b>	<b>444,744</b>
Exchange differences:		
Exchange differences on translation of foreign operations	—	(1,199)
Release of exchange fluctuation reserve upon disposal of subsidiaries	—	881
Release of exchange fluctuation reserve upon deregistration of a subsidiary	—	890
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD/YEAR, NET OF TAX</b>	<b>581,286</b>	<b>445,316</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR</b>	<b>950,141</b>	<b>288,919</b>
Attributable to:		
Owners of the parent	950,141	288,919
Non-controlling interests	—	—
	<b>950,141</b>	<b>288,919</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 December 2017*

		31 December 2017	31 March 2017
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		5,006	3,631
Investment property	9	430,000	–
Intangible assets		500	–
Available-for-sale equity investments	10	1,710,695	1,121,372
Deposits		9,915	27,947
		2,156,116	1,152,950
<b>CURRENT ASSETS</b>			
Loan receivables	11	476,765	180,656
Trade receivables	12	391,219	–
Loans to directors		–	31,900
Prepayments, deposits and other receivables		30,060	5,400
Equity investments at fair value through profit or loss	13	560,368	49,500
Cash and bank balances		123,387	4,045
Bank balances held on behalf of clients		90,624	–
		1,672,423	271,501
Assets of a disposal group classified as held for sale	14	400,109	–
		2,072,532	271,501
<b>CURRENT LIABILITIES</b>			
Trade payables	15	208,078	502
Other payables and accruals	16	22,378	21,796
Shareholder loan		122,000	–
Other borrowings	17	525,930	–
Bank borrowings	17	167,763	–
Bank overdrafts	17	59,494	–
Tax payable		9,023	–
		1,114,666	22,298
Liabilities directly associated with the assets classified as held for sale	14	139,314	–
		1,253,980	22,298
<b>NET CURRENT ASSETS</b>		<b>818,552</b>	<b>249,203</b>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)***As at 31 December 2017*

		<b>31 December 2017</b>	31 March 2017
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b><u>2,974,668</u></b>	<u>1,402,153</u>
<b>NON-CURRENT LIABILITIES</b>			
Notes payable		<b>86,574</b>	86,574
Bank borrowings	<i>17</i>	<b>164,056</b>	–
Deferred tax liabilities		<b>134</b>	–
		<u>250,764</u>	<u>86,574</u>
Total non-current liabilities		<b>250,764</b>	86,574
<b>Net assets</b>		<b><u>2,723,904</u></b>	<u>1,315,579</u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital	<i>18</i>	<b>127,167</b>	89,651
Reserves		<b>2,596,737</b>	1,225,928
		<u>2,723,904</u>	<u>1,315,579</u>
Total equity		<b><u>2,723,904</u></b>	<u>1,315,579</u>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all 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 disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for listed equity investments and investment property which have been measured at fair value. The disposal group held for sale is stated at the lower of its carrying amount and fair value less cost to sell. These financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

### Change of financial year end date

During the period, the board of directors of the Company resolved to change the financial year end date of the Company from 31 March to 31 December effective from 31 December 2017 in order to align the financial year end date of the subsidiaries, Instant Achieve Limited (“IAL”) and its wholly owned subsidiaries, Central Wealth Securities Investment Limited (“CWSI”) and Central Wealth Futures Limited (“CWF”) (collectively referred to as the “Instant Achieve Group”). The consolidated financial statements presented for the current period therefore covered a nine-month period from 1 April 2017 to 31 December 2017. The corresponding comparative amounts presented for the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and related notes, which are prepared for the year from 1 April 2016 to 31 March 2017, may not be comparable with amounts shown for the current period.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the period from 1 April 2017 to 31 December 2017. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

### **Changes in accounting policies and disclosures**

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements to HKFRSs 2014–2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

The nature and the impact of the amendments are described below:

- Amendments to HKAS 7 require an entity 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.
- Amendments to HKAS 12 clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The amendments have had no significant impact on the financial position or performance of the Group as the Group has no deductible temporary differences or assets that are in the scope of the amendments.
- Amendments to HKFRS 12 clarify that the disclosure requirements in HKFRS 12, other than those disclosure requirements in paragraphs B10 to B16 of HKFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate, or a portion of its interest in a joint venture or an associate that is classified as held for sale or included in a disposal group classified as held for sale. The amendments have had no impact on the consolidated financial position or performance of the Group as the Group's subsidiary classified as disposal group held for sale as at 31 December 2017 is a wholly-owned subsidiary and so no additional information is required to be disclosed.

## Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i> <sup>1</sup>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i> <sup>1</sup>
HKFRS 9	<i>Financial Instruments</i> <sup>1</sup>
Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i> <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate Joint Venture</i> <sup>4</sup>
HKFRS 15	<i>Revenue from Contracts with Customers</i> <sup>1</sup>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i> <sup>1</sup>
HKFRS 16	<i>Leases</i> <sup>2</sup>
HKFRS 17	<i>Insurance Contracts</i> <sup>3</sup>
Amendments to HKAS 28	<i>Long-term Interest in Associates and Joint Ventures</i> <sup>2</sup>
Amendments to HKAS 40	<i>Transfer of Investment Property</i> <sup>1</sup>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i> <sup>1</sup>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i> <sup>2</sup>
<i>Annual Improvements 2014–2016 Cycle</i>	<i>Amendments to HKFRS 1 and HKAS 28</i> <sup>1</sup>
<i>Annual Improvements 2015–2017 Cycle</i>	<i>Amendments to HKFRS 3, HKFRS11, HKAS 12 and HKAS 23</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>4</sup> No mandatory effective date yet determined but is available for adoption.

## 2. OPERATING SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Summary of details of the operating segments are as follows:

- (a) the electronic and accessory products segment trades electronic and accessory products;
- (b) the financial investments and services segment comprises financial investments and trading, debt and equity investments and money lending business;
- (c) the brokerage and commission segment comprises provision of trading in securities and futures contracts services;
- (d) the property investments segment comprises leasing of investment properties; and
- (e) the corporate and others segment comprises corporate income and expense items.



Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is measured consistently with the Group's profit/loss before tax except that bank interest income, loss on step acquisition, finance costs and head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and bank balances and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude notes payable and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

**For the period from 1 April 2017 to 31 December 2017**

	Electronic and accessory products <i>HK\$'000</i>	Financial investments and services <i>HK\$'000</i>	Brokerage and commission <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Segment revenue:</b>						
External	-	185,490	38,965	3,600	-	228,055
Intersegment sales	-	-	804	-	-	804
	-	185,490	39,769	3,600	-	228,859
Elimination	-	-	(804)	-	-	(804)
<b>Total</b>	<b>-</b>	<b>185,490</b>	<b>38,965</b>	<b>3,600</b>	<b>-</b>	<b>228,055</b>
<b>Segment results</b>	<b>(16)</b>	<b>319,914</b>	<b>23,125</b>	<b>92,505</b>	<b>(7,638)</b>	<b>427,890</b>
<i>Reconciliation:</i>						
Bank interest income						1
Gain on disposal of subsidiaries						-
Unallocated expenses						(1,131)
Finance costs						(53,385)
Profit before tax						373,375
Income tax expense						(4,520)
Profit for the period						368,855
<b>Assets and liabilities</b>						
Segment assets	-	2,769,117	402,976	830,184	12,307	4,014,584
<i>Reconciliation:</i>						
Unallocated assets						214,064
Total assets						4,228,648
Segment liabilities	755	206,937	341,580	312,799	487,327	1,349,398
<i>Reconciliation:</i>						
Unallocated liabilities						155,346
Total liabilities						1,504,744

**For the year ended 31 March 2017**

	Electronic and accessory products <i>HK\$'000</i>	Financial investments and services <i>HK\$'000</i>	Brokerage and commission <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
<b>Segment revenue:</b>						
External	2,525	(54,653)	-	-	-	(52,128)
Intersegment sales	-	-	-	-	-	-
	2,525	(54,653)	-	-	-	(52,128)
Elimination	-	-	-	-	-	-
<b>Total</b>	<u>2,525</u>	<u>(54,653)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(52,128)</u>
<b>Segment results</b>	<u>3,011</u>	<u>(87,755)</u>	<u>-</u>	<u>-</u>	<u>(86,170)</u>	<u>(170,914)</u>
<i>Reconciliation:</i>						
Bank interest income						9
Gain on disposal of subsidiaries						15,566
Unallocated expenses						(89)
Finance costs						(969)
Loss before tax						(156,397)
Income tax expense						-
Loss for the year						<u>(156,397)</u>
<b>Assets and liabilities</b>						
Segment assets	-	1,387,002	-	-	32,553	1,419,555
<i>Reconciliation:</i>						
Unallocated assets						4,896
Total assets						<u>1,424,451</u>
Segment liabilities	756	2,478	-	-	18,085	21,319
<i>Reconciliation:</i>						
Unallocated liabilities						87,553
Total liabilities						<u>108,872</u>

## Other segment information

For the period from 1 April 2017 to 31 December 2017

	Electronic and accessory products <i>HK\$'000</i>	Financial investments and services <i>HK\$'000</i>	Brokerage and commission <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Depreciation	-	-	154	233	1,118	1,505
Impairment losses recognised in the statement of profit or loss	-	800	-	-	-	800
Write off of deposits and other receivables	-	319	-	-	-	319
Share of profit of associates	-	-	-	-	(6,459)	(6,459)
Loss on step acquisition	-	-	-	-	381	381
Gain on bargain purchase	-	-	-	-	(5,370)	(5,370)
Gain on revaluation of investment properties	-	-	-	(91,033)	-	(91,033)
Fair value gains on equity investments at fair value through profit or loss, net	-	(121,623)	-	-	-	(121,623)
Gain on disposal of available-for- sale equity investments	-	(20,620)	-	-	-	(20,620)
Capital expenditure*	-	-	110	-	880	990

\* Capital expenditure consists of additions to property, plant and equipment.

For the year ended 31 March 2017

	Electronic and accessory products <i>HK\$'000</i>	Financial investments and services <i>HK\$'000</i>	Brokerage and commission <i>HK\$'000</i>	Property investments <i>HK\$'000</i>	Corporate and others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Depreciation	–	–	–	–	50	50
Impairment losses recognised in the statement of profit or loss	1,175	3,947	–	–	–	5,122
Write off of items of property, plant and equipment	–	–	–	–	3,015	3,015
Write off of deposits and other receivables	–	–	–	–	436	436
Gain on disposal of items of property, plant and equipment	–	–	–	–	(95)	(95)
Fair value gains on equity investments fair value through profit or loss, net	–	(20,250)	–	–	–	(20,250)
Loss on disposal of available-for sale equity investments	–	48,186	–	–	–	48,186
Equity-settled share option arrangements, net	–	–	–	–	60,600	60,600
Capital expenditure*	–	–	–	–	3,480	3,480

\* Capital expenditure consists of additions to property, plant and equipment.

### Geographical information

The Group's revenue and non-current assets are predominantly attributable to a single geographical region, Hong Kong, which is the Group's principal place of business and operations. Therefore, no analysis by geographical region is presented.

### Information about a major customer

During the period from 1 April 2017 to 31 December 2017, operating income or revenue from transactions with each external customer amounts to less than 10% of the Group's total operating income or revenue. For the year ended 31 March 2017, revenue of approximately HK\$2,525,000 was derived from sales by the electronic and accessory products segment to a single customer.

### 3 REVENUE, OTHER INCOME AND GAINS

Revenue represents the aggregate of the net invoiced value of goods sold, after allowances for returns and trade discounts, losses on disposal of equity investments at fair value through profit or loss, dividend income from investment in listed equity securities, interest income from money lending business, interest income from securities margin, commission income from securities and futures dealing, commission from placing and property rental income during the period from 1 April 2017 to 31 December 2017 and year ended 31 March 2017.

An analysis of revenue and other income and gains is as follows:

	<b>For the period from 1 April 2017 to 31 December 2017 HK\$'000</b>	For the year ended 31 March 2017 HK\$'000
<u>Revenue</u>		
Sale of goods	–	2,525
Losses on disposal of equity investments at fair value through profit or loss	<b>(5,181)</b>	(59,378)
Dividend income from investment in listed equity securities	<b>157,687</b>	–
Interest income from money lending business	<b>32,984</b>	4,725
Interest income from securities margin	<b>7,576</b>	–
Commission income from securities and futures dealing	<b>12,641</b>	–
Commission from placing	<b>18,748</b>	–
Property rental income	<b>3,600</b>	–
	<b>228,055</b>	(52,128)
<u>Other income and gains</u>		
Gain on disposal of items of property, plant and equipment	–	95
Gain on deregistration of a subsidiary	–	4,208
Bank interest income	<b>1</b>	9
Others	<b>600</b>	–
	<b>601</b>	4,312

#### 4 FINANCE COSTS

An analysis of finance costs is as follows:

	<b>For the period from 1 April 2017 to 31 December 2017 HK\$'000</b>	For the year ended 31 March 2017 HK\$'000
Interest on bank borrowings	4,736	–
Interest on other borrowings	45,001	–
Interest on bank overdrafts	338	31
Interest on notes payable	3,302	938
Others	8	–
	<u>53,385</u>	<u>969</u>

#### 5 PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	<b>For the period from 1 April 2017 to 31 December 2017 HK\$'000</b>	For the year ended 31 March 2017 HK\$'000
Cost of inventories sold	–	2,496
Depreciation	1,505	50
Impairment of trade receivables	–	1,175
Write off of items of property, plant and equipment	–	3,015
Write off of deposits and other receivables	319	436
Gain on disposal of items of property, plant and equipment	–	(95)
Gain on deregistration of a subsidiary	–	(4,208)
Gain on revaluation of investment properties	(91,033)	–
Gain on bargain purchase	(5,370)	–
Foreign exchange differences, net	116	–
	<u>116</u>	<u>–</u>

## 6 INCOME TAX EXPENSE

	<b>For the period from 1 April 2017 to 31 December 2017 HK\$'000</b>	For the year ended 31 March 2017 HK\$'000
Current — Hong Kong		
Charge for the period/year	4,533	—
Deferred	(13)	—
	<hr/>	<hr/>
Total tax charge for the period/year	<u>4,520</u>	<u>—</u>

Hong Kong profits tax has been provided at the rate of 16.5% (Year ended 31 March 2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable in Mainland China in the prior year had been calculated at the rates of tax prevailing in Mainland China in which the Group operated, based on existing legislation, interpretations and practices in respect thereof.

## 7 DIVIDEND

The Board does not recommend the payment of any dividend for the period ended 31 December 2017 (Year ended 31 March 2017: Nil).

## 8 EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share (Year ended 31 March 2017: loss per share) amount is based on the profit for the period (Year ended 31 March 2017: loss for the year) attributable to owners of the parent of HK\$368,855,000 (Year ended 31 March 2017: HK\$156,397,000), and the weighted average number of ordinary shares in issue of 11,143,413,958 (Year ended 31 March 2017: 8,958,428,816). Adjustment for the bonus warrants issue during the year ended 31 March 2017 was made to the calculation of weighted average numbers of ordinary shares in issue for year ended 31 March 2017. There are no bonus warrants issued during the period ended 31 December 2017.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the period ended 31 December 2017 and year ended 31 March 2017 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

The calculation of the basic and diluted earnings/(loss) per share are based on:

	<b>For the period from 1 April 2017 to 31 December 2017 HK\$'000</b>	For the year ended 31 March 2017 HK\$'000
<b>Earnings/(loss)</b>		
Profit for the period/(loss) for the year attributable to owners of the parent, used in the basic and diluted earnings/(loss) per share calculations	<u><b>368,855</b></u>	<u>(156,397)</u>
	<b>Number of shares 2017 '000</b>	2016 '000
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period/year used in the basic and diluted earnings/(loss) per share calculation	<u><b>11,143,414</b></u>	<u>8,958,429</u>

## 9 INVESTMENT PROPERTY

	<i>HK\$'000</i>
Carrying amount at 1 April 2017	–
Additions (from acquisition)	738,967
Net gain from a fair value adjustment	91,033
Transfer to disposal group held for sales	<u>(400,000)</u>
Carrying amount at 31 December 2017	<u>430,000</u>

The Group held two investment properties as at 31 December 2017 which are located at No. 1 Lincoln Road and No. 2 Lincoln Road in Kowloon respectively. Property located at No. 1 Lincoln Road was held by Goodview Assets Limited which was classified as disposal group held for sale on 29 December 2017.

The Group's investment properties, including the Property located at No. 1 Lincoln Road as part of the disposal group held for sale as at 31 December 2017, were revalued on 31 December 2017 based on valuation performed by Royal Assets Appraisal Limited and Ascent Partners Valuation Service Limited, independent professionally qualified valuers. Each year, the Group's management and the chief financial officer decide, after approval from the audit committee, to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's financial controller have discussions with the valuer on the valuation assumptions and valuation results twice a year when the valuation is performed for interim and annual financial reporting.

At 31 December 2017, the Group's investment properties, including the property classified as asset held for sale at 31 December 2017, were pledged to secure general banking facilities granted to the Group.



## 10 AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	<b>As at 31 December 2017 HK\$'000</b>	<b>As at 31 March 2017 HK\$'000</b>
Listed equity investments, at fair value	<u><b>1,710,695</b></u>	<u>1,121,372</u>

During the period ended 31 December 2017, there was a further decline in the market value of a listed equity. The directors consider that such a decline indicates that the listed equity investment is impaired and an impairment loss of HK\$800,000 (31 March 2017: HK\$3,947,000) has been recognised in the statement of profit or loss for the period.

## 11 LOAN RECEIVABLES

	<b>As at 31 December 2017 HK\$'000</b>	<b>As at 31 March 2017 HK\$'000</b>
Loan receivables	<u><b>476,765</b></u>	<u>180,656</u>

As at 31 December 2017, loan receivables represented loans of HK\$476,765,000 (31 March 2017: HK\$180,656,000) granted by the Group to a number of independent third parties. The loans bore interest at rates ranging from 5% to 12% per annum (31 March 2017: ranging from 5% to 10% per annum) and were repayable within one year. The grants of these loans were approved and monitored by the Group's management. The loan balances were neither past due nor impaired for which there was no recent history of default.

The Group does not hold any collateral or other credit enhancement over its loan receivables balance. The carrying amount of the loan receivables approximates their fair values.

## 12 TRADE RECEIVABLES

	<b>As at 31 December 2017 HK\$'000</b>	<b>As at 31 March 2017 HK\$'000</b>
Trade receivables arising from the business of trading and distribution of electronic and accessory products	<u><b>1,175</b></u>	<u>1,175</u>
Impairment	<u><b>(1,175)</b></u>	<u>(1,175)</u>
	<u>—</u>	<u>—</u>
Trade receivables arising from the securities and futures dealing business		
Clearing houses	<b>11,803</b>	—
Cash clients	<b>39,622</b>	—
Margin clients	<b>331,670</b>	—
Brokers	<u><b>8,124</b></u>	<u>—</u>
	<u><b>391,219</b></u>	<u>—</u>

Trade receivables from cash clients, clearing houses and brokers arising from the securities and futures dealing business are repayable on demand subsequent to the settlement date. The normal settlement terms of the said trade receivables are, in general, within 2 days after the trade date. The Group allows a credit period mutually agreed with the contracting parties for receivables from margin clients.

Except for receivables from margin clients, the Group does not hold any collateral or other credit enhancements over these balances. The Group is allowed to dispose of the securities or futures deposited by the customers with the Group to settle any overdue amount.

Included in the above provision for impairment of trade receivables is a provision of HK\$1,175,000 (31 March 2017: HK\$1,175,000) for individually impaired trade receivables, arising from the business of trading and distribution of electronic and accessory products, with a carrying amount before provision of HK\$1,175,000 (31 March 2017: HK\$1,175,000). The individually impaired trade receivables relate to customers that were in dispute or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

As at 31 December 2017, trade receivables that are neither individually nor collectively considered to be impaired are not past due. Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Trade receivables are unsecured, interest free and repayable on the settlement date of the relevant trades, except for the receivables from margin clients of HK\$331,670,000 (31 March 2017: Nil) which bears interest at a range of 9.25% to 12.25% per annum and are secured by investments held by margin clients of approximately HK\$2,782,100,000 (31 March 2017: Nil) as at 31 December 2017. The carrying amount of the trade receivables approximates their fair values.

### 13 EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>As at 31 December 2017 HK\$'000</b>	<b>As at 31 March 2017 HK\$'000</b>
Listed equity investments in Hong Kong, at fair value	<b><u>560,368</u></b>	<u>49,500</u>

The above equity investments at 31 December 2017 and 31 March 2017 were classified as held for trading. The fair values of listed equity investments are based on quoted market prices.

### 14 DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 29 December 2017, the Group entered into a sale and purchase agreement with Wise Victory Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Future World Financial Holdings Limited (“FWF”), pursuant to which the Group agreed to dispose of its entire equity interest in Goodview Assets Limited and a shareholder loan due by the Goodview Assets Limited to the Group of approximately HK\$43.7 million for a total consideration of HK\$260 million which shall be settled by the allotment and issue of 1,793,103,448 FWF shares, subject to the completion of certain conditions. Mr. Yu Qingrui and Mr. Chen Xiaodong are common directors of the Group and FWF. The principal activity of Goodview Assets Limited is property investment through owning a property located at No. 1 Lincoln Road, Kowloon, Hong Kong. The disposal of Goodview Assets Limited is expected to be completed within 12 months subsequent to the year end date. Details refer to the Group’s announcement and circular dated 29 December 2017 and 21 March 2018 respectively.

The major classes of assets and liabilities of Goodview Assets Limited classified as held for sale as at 31 December 2017 are as follows:

	<i>HK\$'000</i>
<u>Assets</u>	
Investment property*	400,000
Prepayments, deposits and other receivables	83
Cash and bank balances	<u>26</u>
Assets of a disposal group classified as held for sale	<u>400,109</u>
<u>Liabilities</u>	
Other payables and accruals	201
Bank borrowings-current	5,351
Bank borrowings-non-current	<u>133,762</u>
Liabilities directly associated with the assets classified as held for sale	<u>139,314</u>
Net assets directly associated with disposal group	<u><u>260,795</u></u>

\* Bank loans amounting to HK\$139,113,000 being part of the disposal group held for sales are not included in the above table. Such bank loans are secured by mortgages over the Group's investment property situated in Hong Kong, which had a carrying value at the end of reporting period of HK\$400,000,000, being classified as held for sale. The bank loans carry interest at lower of 1-month HIBOR plus 2% or HKD Prime Rate -2.5% and will be matured in 2037.

## 15 TRADE PAYABLES

	<b>As at 31 December 2017 <i>HK\$'000</i></b>	<b>As at 31 March 2017 <i>HK\$'000</i></b>
Trade payables arising from the business of trading and distribution of electronic and accessory products	<u>502</u>	<u>502</u>
Trade payables arising from securities and futures dealing business		
Clearing houses	–	–
Cash clients	55,235	–
Margin clients	<u>152,341</u>	–
	<u><u>208,078</u></u>	<u><u>502</u></u>

Trade payables arising from securities dealing business bear interest at 0.01% per annum and repayable on the settlement day of the relevant trades. The carrying amount of trade payables approximates their fair values.

Trade payables arising from futures dealing business are non-interest bearing and repayable on the settlement day of the relevant trades. The carrying amount of trade payables approximates their fair values.

## 16 OTHER PAYABLES AND ACCRUALS

The Group's payables and accruals are non-interest-bearing and are normally settled within three months. The carrying amount of financial liabilities included in other payables and accruals approximates their fair values.

## 17 INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2017			31 March 2017		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
<b>Current</b>						
Bank overdrafts — secured	5 to 5.3	on demand	<u>59,494</u>	—	—	<u>—</u>
Bank loans — secured	3.2 to 3.6	2018	160,000	—	—	—
Current portion of long term bank loans — secured	2.7 to 3.5	2018	<u>7,763</u>	—	—	<u>—</u>
			167,763			—
Other loans — unsecured	8.0	on demand	117,000	—	—	—
Other loans — secured	7.3 to 11.0	2018	<u>408,930</u>	—	—	<u>—</u>
			525,930	—	—	—
			<u>753,187</u>			<u>—</u>
<b>Non-current</b>						
Bank loans — secured	2.7 to 3.5	2018–2037	<u>164,056</u>	—	—	<u>—</u>
			<u>917,243</u>			<u>—</u>

### Notes:

- (a) The Group's overdraft facilities amounting to HK\$175,000,000 (31 March 2017: Nil), of which HK\$59,494,000 (31 March 2017: Nil) had been utilised as at the end of the reporting period.
- (b) The Group's bank overdraft and certain of the Group's bank borrowings included above are secured by:
  - i. mortgages over the Group's investment property situated in Hong Kong, which had an aggregate carrying value at the end of the reporting period of HK\$430,000,000 (31 March 2017: Nil).
  - ii. listed securities pledged to the Group by certain margin clients with an aggregate amount of approximately HK\$218,088,000 (31 March 2017: Nil).
- (c) Certain of the Group's other loans are secured by listed securities held by the Group classified as available-for-sale investments and equity investments at fair value through profit or loss which had an aggregate carrying value at the end of the reporting period of HK\$1,377,966,000 (31 March 2017: Nil) and HK\$547,778,000 (31 March 2017: Nil) respectively.
- (d) Other loans-unsecured are repayable to Globally Finance Limited, a subsidiary of FWF.

- (e) Current portion of bank loans and other borrowings are maturing within one year. The carrying amounts of these loans approximate to their fair values due to the short term maturities.
- (f) Mortgaged bank loans bear floating rates with reference to HIBOR and Prime Rate. The carrying amounts of these loans approximate their fair values.

## 18 SHARE CAPITAL

	<b>As at 31 December 2017 HK\$'000</b>	<b>As at 31 March 2017 HK\$'000</b>
<b>Authorised</b>		
— 80,000,000,000 (31 March 2017: 80,000,000,000) ordinary shares of HK\$0.01 each	<b>800,000</b>	800,000
<b>Issued and fully paid</b>		
— 12,716,650,461 (31 March 2017: 8,965,128,980) ordinary shares of HK\$0.01 each	<b>127,167</b>	89,651

A summary of movements of the Company's issued shares capital and share premium account is as follows:

	<i>Notes</i>	<b>Number of shares in issue</b>	<b>Issued share capital HK\$'000</b>	<b>Share premium account HK\$'000</b>	<b>Total HK\$'000</b>
At 1 April 2016		8,500,360,724	85,004	4,043,864	4,128,868
Bonus warrants exercised	(i)	<u>464,768,256</u>	<u>4,647</u>	<u>26,957</u>	<u>31,604</u>
At 31 March 2017 and 1 April 2017		8,965,128,980	89,651	4,070,821	4,160,472
Issue of new shares, net of expenses	(ii)	<u>3,751,521,481</u>	<u>37,516</u>	<u>420,668</u>	<u>458,184</u>
At 31 December 2017		<u>12,716,650,461</u>	<u>127,167</u>	<u>4,491,489</u>	<u>4,618,656</u>

*Notes:*

- (i) During the year ended 31 March 2017, 464,768,256 shares were issued as a result of the exercise of 464,768,256 units of warrants by warrant holders. The net proceeds from the exercise of warrants were approximately HK\$31,604,000. The remaining 4,298,676 warrants expired on 7 April 2016.
- (ii) During the period from 1 April 2017 to 31 December 2017, the Group issued shares in respect to the following transactions:
- a. On 8 May 2017, the Company placed a total of 1,300,040,000 shares at HK\$0.155 per share representing 14.50% of its total issued capital at that time. The net proceeds from the placing of approximately HK\$198,484,000 was used as 50% for financial investments and trading, 30% for money lending business and 20% for working capital.

- b. During the period from 1 April 2017 to 31 December 2017, the Company and FWF entered into a share swap agreement, under which the Company subscribed for 470,000,000 FWF shares at HK\$0.11 per share for a total consideration of HK\$51,700,000 and FWF subscribed for 470,000,000 shares of the Company at HK\$0.11 per share for a total consideration of HK\$51,700,000. 470,000,000 shares of the Company were allotted and issued to FWF on 4 August 2017.
- c. On 8 September 2017, the Group completed the acquisition of 66% equity interest of IAL for a total consideration of HK\$16,000,000, settled by the allotment and issue of 148,148,148 shares of the Company at approximately HK\$0.108 per share. Details of the transaction are included in note 19.
- d. On 8 September 2017, the Group repaid the amount due to Globally Finance Limited of HK\$90,000,000, settled by the allotment and issue of 833,333,333 shares of the Company at HK\$0.108 per share.
- e. On 13 September 2017, the Group acquired the equity interest of Goodview Assets Limited for a consideration of HK\$150,000,000, settled by cash amounting to HK\$48,000,000 and by the allotment and issue of 1,000,000,000 shares of the Company at the issue price of HK\$0.102 for a total consideration of HK\$102,000,000.

## 19 BUSINESS COMBINATION

On 7 April 2017, the Group acquired a 34% equity interest in IAL for a cash consideration of HK\$7,000,000 and which was accounted for as an associate of the Group prior to its acquisition of a further 66% equity interest therein on 8 September 2017 (the “Acquisition Date”). The purchase consideration of the 66% equity interest in IAL was in the form of share issue of 148,148,148 ordinary shares of the Company approximately at HK\$0.108 per share. The acquisition was made as part of the Group’s strategy to expand on the business opportunities created by the Shanghai-HK Stock Connect, the Shenzhen-HK Stock Connect and the HK-China Bond Connect. As a result, the Group’s equity interest in IAL increased to 100% and IAL and its wholly owned subsidiaries, CWSI and CWF, became the wholly-owned subsidiaries of the Group after the acquisition.

Loss on step acquisition amounting to HK\$381,000, being the difference between the fair value of the Group’s 34% equity interests in IAL immediately at the Acquisition Date of HK\$13,077,000 and the carrying value of the Group’s interest in an associate immediately before the Acquisition Date of HK\$13,458,000 was recognised in the Group’s consolidated statement of profit or loss in accordance with HKFRS 3 Business Combinations.

The fair value of the identifiable assets and liabilities of Instant Achieve Group as at the Acquisition Date were as follows:

	<i>HK\$'000</i>
Property, plant and equipment	1,616
Intangible assets	500
Deposits	2,023
Trade receivables	240,431
Prepayments, deposits and other receivables	2,250
Bank balances held on behalf of clients*	268,826
Cash and bank balances	10,836
Deferred tax liabilities	(147)
Trade payables	(293,446)
Other payables and accruals	(3,198)
Due to Globally Finance Limited**	(90,000)
Due to Top Billion Finance Limited	(17,000)
Bank borrowings	(48,000)
Bank overdrafts	(35,753)
Tax payables	(4,491)
	<hr/>
Total identifiable net assets at fair value	34,447
Gain on bargain purchase	(5,370)
	<hr/>
Total consideration	<u>29,077</u>
Satisfied by:	
Issuance of consideration shares (148,148,148 @HK\$0.108)	16,000
Acquisition date fair value of 34% of equity interest in Instant Achieve Group	13,077
	<hr/>
	<u>29,077</u>
Analysis of net cash outflow in respect of business combination:	
Consideration paid by cash	(7,000)
Less: cash and bank balances acquired	10,836
Add: bank overdrafts	(35,753)
	<hr/>
Net outflow of cash and cash equivalent	<u>(31,917)</u>

\* Balances represent client trust monies in relation to the securities and futures dealing business which was not considered as cash and cash equivalent of the Group upon the acquisition.

\*\* The amount due to Globally Finance Limited was subsequently settled by allotment and issue of shares of the Company. Details of the transactions are included in note 18(ii)d.

The gain on bargain purchase is attributable to the Group's bargaining power and ability in negotiating the agreed terms of the transaction with the vendor.

Since the acquisition, Instant Achieve Group contributed HK\$38,965,000 to the Group's consolidated revenue and a profit of HK\$18,639,000 to the Group's consolidated profit for the period ended 31 December 2017.

Had the combination taken place at the beginning of the period, Instant Achieve Group could contribute HK\$64,276,000 to the Group's consolidated revenue and a profit of HK\$26,698,000 to the Group's consolidated profit for the period ended 31 December 2017.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Review of Results

We are pleased to present the outstanding results of the Group for the period ended 31 December 2017 (the “Period”). The Group recorded a positive revenue of approximately HK\$228.1 million as compared to the negative revenue of approximately HK\$52.1 million last year. It was mainly attributable to the one-off dividend income from listed equity securities of approximately HK\$157.7 million in the financial investments and services segment and interest income from money lending business of approximately HK\$33.0 million. The net profit for the Period was approximately HK\$368.9 million as compared to the net loss of approximately HK\$156.4 million for the last year. Basic earnings per share attributable to ordinary equity holders of the parent for the Period was approximately HK\$0.03 (31 March 2017: basic loss per share of approximately HK\$0.02). The Group’s net profit for the Period was mainly attributable to the unrealized fair value gains on equity investments of approximately HK\$121.6 million and the fair value gain of approximately HK\$91.0 million in investment properties. The unrealized fair value gain on available-for-sale equity investments of approximately HK\$581.3 million was taken to revaluation reserve account and resulted in an increase in the Group’s other comprehensive income and total net assets.

### Business Review

The year of 2017 marked the 20th anniversary of Hong Kong’s return to our Motherland. Over the past 20 years, Hong Kong has increasing the economic integration with the Mainland China. This has brought, and will continue to bring, heightened opportunities to Hong Kong. With the firm US economy, low interest rates and the stable economic growth of Mainland China, Hong Kong’s economy grew at a fast pace throughout the year. Moreover, external demand stayed vibrant, supported by the broadly benign global economic conditions. Domestic demand stayed firm and the labour market remained in a state of full employment.

Against the backdrop of the overall economic recovery, the Hong Kong stock market has a satisfactory recovery with the Heng Seng index up approximately 24%, outperforming the other major markets in the world. The Stock Connects also provided a catalyst in shoring up the share price and recorded a new high in the trading volume.

### Brokerage and Commission

The brokerage and commission business of the Group comprise securities and futures brokerage, margin financing and placements of bonds. The business are carried on through IAL, a wholly-owned subsidiary of the Group, which in turn owned 100% equity interest in CWSI and CWF. CWSI and CWF are incorporated in Hong Kong with limited liability and are carrying on business in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 5 (advising on futures contracts) regulated activities under the Securities and Futures Ordinance. The Group completed the acquisition of 100% equity interest in IAL by step acquisitions in September 2017.



During the Period, the commission income from securities and futures dealing was approximately HK\$12.6 million and the share of profit of associates by the Group was approximately HK\$6.5 million. During the Period, the interest income from the securities margin was approximately HK\$7.6 million. The Group will maintain its prudent credit policy and risk management approach with a view to achieve a sustainable business environment. The placing business was in the start-up stage and recorded an commission income from placing of approximately HK\$18.7 million. The Group will continue to strengthen our services in the coming year and broaden our service range with an aim to provide one stop service to our customers.

### **Property Investments**

The Group principally focuses on the luxury property investments in Hong Kong market and currently holds two luxury properties in Hong Kong, located at No. 1 Lincoln Road, Kowloon Tong in Hong Kong (“No. 1 Lincoln Road Property”) and No. 2 Lincoln Road, Kowloon Tong in Hong Kong (“No. 2 Lincoln Road Property”). The Group has completed the acquisition of No. 2 Lincoln Road Property in May 2017. The Group acquired No. 1 Lincoln Road Property in September 2017. Detailed information was set out in the Company’s announcement dated 7 September 2017. The Group has entered into a conditional sale and purchase agreement dated 29 December 2017 to dispose of No. 1 Lincoln Road Property to FWF for a consideration shares of approximately HK\$260 million. For details, please refer to the announcement dated 29 December 2017. During the Period, the rental income of No.2 Lincoln Road Property was HK\$3.6 million. The Group will continue to monitor its property portfolio with an aim to generate the stable rental income and the capital appreciation.

### **Financial Investments and Services**

The financial investments and services of the Group comprise financial investments and trading, debt and equity investments and money lending business.

During the Period, the Hang Seng Index was on the upwards trend with fluctuations between 24,111 points to 29,919 points. Due to the satisfactory performance of global equity market, in particular the U.S. stock market, the launch of the Shenzhen-Hong Kong Stock Connect, continuous influx of China investment funds was attracted to the Hong Kong stock market. The Group recorded a realized losses on disposal of equity investments at fair value through profit of loss of approximately HK\$5.2 million, a realized gain on disposal of available-for-sale equity investments of approximately HK\$20.6 million, an unrealized fair value gain on equity investments at fair value through profit of loss of approximately HK\$121.6 million, an unrealized fair value gain on available-for-sale equity investments of approximately HK\$581.3 million and one-off dividend income from investment in listed equity securities of approximately HK\$157.7 million. Please refer to the below section “Significant Investments” for details.

During the Period, the interest income from the money lending services was approximately HK\$33.0 million. The net balance of loan book recorded a growth of approximately HK\$296.1 million to approximately HK\$476.8 million as compared to approximately HK\$180.7 million for the financial year ended 31 March 2017. The money lending services charged annual interest rates at a range from 5% to 12% (31 March 2017: range from 5% to 10%). Despite the rapid growth achieved by the money lending business during the Period, the Group will maintain its prudent credit policy and risk management approach with a view to achieve a sustainable business environment.

### **Electronic and Accessory Products**

The electronic and accessory products business continued to slow down amid the sluggish export trade performance and the intense competition in the consumer electronic market. During the Period, there was no revenue generated, compared to that of approximately HK\$2.5 million for the last year. The Group will cease the operation of the electronic and accessory products business in the future.

### **Prospects**

Looking forward, the year of 2018 will be a year of opportunities and challenges. The Group is cautiously optimistic about the global economic growth, in particular, the U.S. and the Mainland China for the year to come. With the implementation of the belt and road initiative, the development of Guangdong-Hong Kong-Macau Greater Bay Area and the launch of the Shanghai-HK Stock Connect, Shenzhen-HK Stock Connect and the HK-China Bond in July 2017, it is expected that Hong Kong will benefit from the increasing demand for the financial investments and business services. Further, Hong Kong will have completed several major infrastructure projects like the Hong Kong-Zhuhai-Macao Bridge and the Express Railway Link in the coming years. The Hong Kong-Zhuhai-Macao Bridge, the world's longest combined sub-sea tunnel and bridge, will accelerate Hong Kong's economic integration with the western Pearl River Delta region. The Hong Kong section of the Express Rail Link which will slash journey time between Guangzhou and Hong Kong, on a non-stop basis. It will connect Hong Kong to our country's national rail network and its 22,000km of high-speed track.

Despite the above, we shall not overlook the downside risks due to the expectation of US interest hike and the threat of geopolitical tension of North Korea which continue to cloud the global economic recovery. In light of these macroeconomic challenges, the Group will continue to be on the alert to pursue its prudent investment strategy in developing its existing and new businesses.

The Group plans to commence its asset management business in 2018 to provide investment management services for customers' assets. The Group will provide different asset management services in accordance with the methods, conditions, requirements and limitations as set forth in asset management contracts. Riding on the sound investors base of its securities brokerage business and the clients resources accumulated in its investment banking business, the Group intends to focus on issuing and managing various kinds of funds, offering institutional and individual clients comprehensive asset management services.

Besides, the Group is also aware of the importance of the financial technology (the “FinTech”) and will deploy more resources in the development of FinTech in the future. FinTech is driving innovation in financial services globally and changing the nature of commerce and end-user expectations for payments and financial services. The integration of finance and technology in modern-day style has evolved to become a vibrant industry. While FinTech may carry different meanings, it is now commonly considered to cover areas such as payments, big data analytics, applications, platforms and cybersecurity. With the support from the Fintech Facilitation Office of the Hong Kong Monetary Authority and other government regulatory bodies and their determinations to promote Hong Kong as a FinTech hub in Asia, the Group is prudently optimistic in the sustainable development of the FinTech industry and FinTech ecosystem in Hong Kong. The Group will continue to study the benefits and risks brought by it and the updates in the relevant regulatory requirement. At the same time, the Group will continue to look for possible FinTech investment opportunities and create the greatest value and return to the shareholders.

## **Financial Review**

The Group for the Period recorded positive revenue of approximately HK\$228.1 million as compared to the negative revenue of approximately HK\$52.1 million last year. The Group’s revenue principally comprised the one-off dividend income from investment in listed equity securities of approximately HK\$157.7 million, interest income from money lending business of approximately HK\$33.0 million, commission income from placing of approximately HK\$18.7 million, the commission income from securities and futures dealing of approximately HK\$12.6 million, interest income from securities margin of approximately HK\$7.6 million, a realized loss on the disposal of equity investment of approximately HK\$5.2 million and property rental income of HK\$3.6 million.

The Group’s net profit for the Period was mainly attributable to the unrealized fair value gain on equity investments of approximately HK\$121.6 million and the fair value gain of approximately HK\$91.0 million in investment in properties. The Group recorded total comprehensive income of approximately HK\$950.1 million for the Period compared to the total comprehensive income of approximately HK\$288.9 million for the last year.

As at 31 December 2017, the Group’s net asset value was approximately HK\$2,723.9 million compared to the net asset value of approximately HK\$1,315.6 million as at 31 March 2017. The consolidated net asset value per share of the Group as at 31 December 2017 was approximately HK\$0.21 (31 March 2017: HK\$0.147). The Group’s total assets and total liabilities were approximately HK\$4,228.6 million (31 March 2017: HK\$1,424.5 million) and approximately HK\$1,504.7 million (31 March 2017: HK\$108.9 million).

## **Liquidity and Financial Resources**

During the Period, the Group generally financed its operation with internally generated cash flow, overdrafts, bank and other borrowings and other fund raising activities. The Group's cash and bank balances as at 31 December 2017 were approximately HK\$123.4 million (31 March 2017: HK\$4.0 million).

As at 31 December 2017, the Group had bank overdrafts of approximately HK\$59.5 million (31 March 2017: Nil), interest-bearing bank borrowings of approximately HK\$331.8 million (31 March 2017: Nil), interest-bearing other borrowings of approximately HK\$525.9 million (31 March 2017: Nil), shareholder loan of HK\$122 million (31 March 2017: Nil) and non-current notes payable of approximately HK\$86.6 million (31 March 2017: HK\$86.6 million).

As at 31 December 2017 the Group's current ratio was approximately 1.65 times (31 March 2017: 12.2 times) based on current assets of approximately HK\$2,072.5 million (31 March 2017: HK\$271.5 million) and current liabilities of approximately HK\$1,254.0 million (31 March 2017: HK\$22.3 million).

As at 31 December 2017, the Group has no capital commitment (31 March 2017: HK\$0.9 million). The Group also had no other contingent liabilities (31 March 2017: Nil).

## **Capital Structure**

As at 31 December 2017, the Group's gearing ratio was approximately 41.33 % (31 March 2017: 6.58%). The significant increase in gearing ratio was mainly due to the drawdown of additional borrowings of approximately HK\$1,039.2 million for the Period. The additional borrowings was used for the acquisition of property, expansion of money lending business, investment in securities and development of brokerage and commission business. Gearing ratio equals total borrowings divided by net asset value as at the end of the year. The total borrowings of approximately HK\$1,125.8 million includes shareholder loan, bank and other borrowings, bank overdraft and notes payable.

The Group's bank balance and borrowings are mainly denominated in Hong Kong and United States dollars. Most of the Group's revenue are made in Hong Kong and United States dollars. Therefore, the exchange risks that the Group is exposed to are insignificant.

In May 2017, the Company placed a total of 1,300,040,000 shares at HK\$0.155 per placing share representing 14.50% of its total issued capital at that time. The net proceeds of approximately HK\$198.5 million was raised from the placing. Detailed information was set out in the Company's announcements dated 6 April 2017 and 8 May 2017 respectively.

On 27 July 2017, the Company and FWF entered into the share swap agreement under which the Company shall subscribe for 470,000,000 FWF shares at HK\$0.11 per share for a total consideration of HK\$51.7 million and FWF shall subscribe for 470,000,000 Company's shares at HK\$0.11 per share for a total consideration of HK\$51.7 million. On completion, the total consideration of the Company and FWF will be fully set off against each other. Detailed information was set out in the Company's announcements dated 27 July 2017, 31 July 2017 and 7 August 2017 respectively.

## Significant Investments

As at 31 December 2017, the Group maintained a portfolio of equity investments (including available-for-sale equity investments and equity investments at fair value through profit or loss) with total carrying amount of approximately HK\$2,271.1 million (31 March 2017: HK\$1,170.9 million). The details of the portfolio of equity investments as at 31 December 2017 and 31 March 2017 are respectively set out as follows:

### 31 December 2017

Stock Code	Name of Securities	% of shareholding in the listed securities held by the Group as at 31 December 2017	Unrealized gain/(loss) for the period from 1 April 2017 to 31 December 2017 <i>HK\$'000</i>	Fair value of the investment in listed securities as at 31 December 2017 <i>HK\$'000</i>
<b>Available-for-sale equity investments</b>				
572	Future World Financial Holdings Limited	8.48%	46,015	249,059
1004	China Smarter Energy Group Holdings Limited	0.79%	15,284	74,170
1141	CMBC Capital Holdings Limited	5.68%	519,987	1,377,966
1370	Aowei Holding Limited (formerly known as Hengshi Mining Investments Limited)	0.31%	(800)	9,500
	Total		<u>580,486</u>	<u>1,710,695</u>
<b>Equity investments at fair value through profit or loss</b>				
1141	CMBC Capital Holdings Limited	2.28%	120,485	552,361
388	Hong Kong Exchanges and Clearing Limited	0.00%	1,138	8,007
	Total		<u>121,623</u>	<u>560,368</u>

## 31 March 2017

Stock Code	Name of Securities	% of shareholding in the listed securities held by the Group as at 31 March 2017	Unrealized gain/(loss) for the year ended 31 March 2017 HK\$'000	Fair value of the investment in listed securities as at 31 March 2017 HK\$'000
<b>Available-for-sale equity investments</b>				
572	Future World Financial Holdings Limited (formerly known as Central Wealth Financial Group Limited)	4.84%	87,263	185,170
1004	China Smarter Energy Group Holdings Limited	0.93%	6,966	67,923
1141	CMBC Capital Holdings Limited (formerly known as Skyway Securities Group Limited)	14.43%	350,515	857,979
1370	Aowei Holdings Limited (formerly known as Hengshi Mining Investments Limited)	0.31%	(3,947)	10,300
	Total		<u>440,797</u>	<u>1,121,372</u>

### Equity investments at fair value through profit or loss

1141	CMBC Capital Holdings Limited (formerly known as Skyway Securities Group Limited)	0.83%	<u>20,250</u>	<u>49,500</u>
	Total		<u>20,250</u>	<u>49,500</u>

### Details of Charges on Assets

As at 31 December 2017, the Group had charges on assets in the form of certain Hong Kong listed securities collectively held by two wholly-owned subsidiaries charged to Independent third party to secure a US\$30,000,000 (equivalent to approximately HK\$234,000,000) term loan facility (31 March 2017: Nil).

As at 31 December 2017, the Group had pledged certain listed equity investments of approximately HK\$1,925,744,000 (31 March 2017: Nil) to secure the other loan.

As at 31 December 2017, the Group had pledged its investment properties with a carrying amount of approximately HK\$830,000,000 to secure the bank borrowing (31 March 2017: Nil).



## Material Acquisitions

### *(a) Acquisition of No. 2 Lincoln Road Property*

On 28 November 2016, the Group, through a wholly-owned subsidiary of the Company, conditionally agreed to acquire from a wholly-owned subsidiary of CMBC Capital Holdings Limited, the sale shares and sale loan of a target company for a consideration of HK\$227.0 million. The sole asset of the target company is its beneficial interest in the entire issued share capital of a subsidiary which in turn holds No. 2, Lincoln Road Property. The acquisition was completed on 9 May 2017. Details of the acquisition were set out in the announcements of the Company dated 28 November 2016, 28 February 2017, 8 March 2017 and 9 May 2017 and the circular of the Company dated 31 March 2017.

### *(b) Share Swap between the Company and FWF*

On 27 July 2017, the Company and FWF entered into a share swap agreement. The Group has subscribed for 470,000,000 FWF subscription shares under the FWF general mandate and FWF has subscribed for 470,000,000 subscription shares of the Company under the Company's general mandate. The completion of the share swap has taken place on 7 August 2017. Details of the share swap were set out in the announcements of the Company dated 27 July 2017, 31 July 2017 and 7 August 2017.

### *(c) Acquisition of IAL*

On 3 April 2017, the Company entered into an agreement with FWF for the transfer of shares equivalent to 34% equity interest of IAL for a total consideration of HK\$7 million. IAL directly holds the entire issued share capital of CWSI, a licensed corporation carrying on business in type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO; and the entire issued share capital of CWF, a licensed corporation carrying on business in type 2 (dealing in futures contracts) and type 5 (advising on futures contracts) regulated activities under the SFO. The acquisition was completed on 7 April 2017.

On 1 September 2017, the Company entered into an agreement with Mr. Siu Gee Tai for the transfer of shares equivalent to 66% equity interest of IAL for a total consideration of HK\$16 million, which would be settled by way of allotment and issue of consideration shares by the Company to Mr. Siu Gee Tai (or such designated party as Mr. Siu Gee Tai may direct) at approximately HK\$0.108 per consideration share of the Company upon completion. The acquisition was completed on 8 September 2017.

On 1 September 2017, the Company conditionally agreed to acquire from Globally Finance Limited (“GFL”) a loan due and owing to GFL by IAL pursuant to a loan agreement, which is in the sum of HK\$90.0 million, interest-free and repayable on 30 September 2020 for a consideration of HK\$90.0 million, which will be settled by way of allotment and issue of consideration shares by the Company to GFL (or such designated party as GFL may direct) at approximately HK\$0.108 per consideration share of the Company upon completion. The acquisition of the loan was completed on 8 September 2017.

*(d) Acquisition of No. 1 Lincoln Road Property*

On 7 September 2017, the Group entered into an agreement with Dragon Huge Development Limited for the transfer of shares equivalent to 100% equity interest of Goodview Assets Limited for a total consideration of HK\$150.0 million. The sole asset of the target company is No. 1, Lincoln Road Property. The acquisition was completed on 13 September 2017. Details of the acquisition were set out in the announcements of the Company dated 7 and 13 September 2017 respectively.

## **Material Disposal**

*Proposed Disposal of No. 1 Lincoln Road Property*

On 29 December 2017, the Group entered into a conditional sale and purchase agreement to dispose of its entire interest in Goodview Assets Limited, an indirect wholly owned subsidiary of the Company, to FWF for a cash consideration of HK\$260 million. The sole asset of the disposal company is a property located at No. 1, Lincoln Road, Kowloon, Hong Kong. This disposal was not yet completed. Details of the proposed disposal were set out in the announcements of the Company dated 29 December 2017, 22 January 2018, 12 February 2018, 12 March 2018 and 16 March 2018, and the circular of the Company dated 21 March 2018.

## **Events after the Reporting Period**

On 11 January 2018, the Company and CTOP Blockchain Technology Inc. entered into a framework agreement, pursuant to which the Company intended to cooperate with CTOP Blockchain Technology Inc. in respect of the research and development of blockchain technology and exploration of the application of blockchain technology in the financial sector. Details of the proposed cooperation were set out in the announcement of the Company dated 11 January 2018.

## **Employment, Training and Development**

As at 31 December 2017, the Group had a total of 71 employees. The Group is committed to staff training and development and structured training programmes for all employees.

Remuneration packages are maintained at a competitive level and reviewed on a periodic basis. Bonuses and share options are awarded to certain employees according to individual performance and industry practice.



## **CORPORATE GOVERNANCE**

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code (the “CG Code”) in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited throughout the Period except there is no separation of the roles of Chairman and Chief Executive during the Period as specified in the code provision A.2.1 of CG Code.

To achieve clear division of responsibilities between the management of board and the day-to-day management of business and hence to ensure balance of power and authority, there are separation of duties for the Group’s Chairman and Chief Executive. However, after the resignation of Mr. Kwong Kai Sing, Benny as the Group’s Chief Executive with effective on 20 April 2015, the Group has been recruiting the appropriate substitution for the post of Chief Executive. On 27 February 2018, Mr. Xu Ke has been appointed as the Chief Executive Officer of the Company.

Detailed disclosure of the Company’s corporate governance practices is included in the annual report of the Company for the Period.

## **AUDIT COMMITTEE**

The Audit Committee of the Company meets at least twice a year to monitor and review the integrity and effectiveness of the Company’s financial reporting. The Audit Committee has met with the external auditors of the Company, Ernst & Young, to review the accounting principles and practices adopted by the Group and the annual results of the Group for the Period. The Audit Committee has also discussed auditing, financial reporting matters and risk management and internal control systems of the Company. The Audit Committee comprises the three independent non-executive directors of the Company, namely, Mr. Kwok Chi Kwong (Chairman of the Audit Committee), Mr. Chen Youchun and Mr. Mai Qijian.

## **SCOPE OF WORK OF ERNST & YOUNG ON THE PRELIMINARY ANNOUNCEMENT**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the Period as set out in this preliminary announcement have been agreed by the Group’s independent auditors, Ernst & Young, to the amounts set out in the Group’s draft consolidated financial statements for the Period. The work performed by Ernst & Young 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 HKICPA and consequently, no assurance has been expressed by Ernst & Young on the preliminary announcement.

## **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 Period.

## **DIRECTORS OF THE COMPANY**

As at the date hereof, the Board comprises five executive directors namely, Mr. Chen Xiaodong (Chairman), Mr. Xu Ke (Chief Executive Officer), Mr. Yu Qingrui, Ms. Lam Hay Yin and Ms. Lee Chau Man, Ada and three independent non-executive directors namely, Mr. Kwok Chi Kwong, Mr. Chen Youchun and Mr. Mai Qijian.

On behalf of the Board  
**China Soft Power Technology Holdings Limited**  
**Chen Xiaodong**  
*Chairman of the Board*

Hong Kong, 23 March 2018