中國富強金融集團

# CHINA FORTUNE FINANCIAL GROUP

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 290)

# Annual Report 2017

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. XIE Zhichun *(Chairman) (appointed on 6 January 2017)*
Mr. LIU Yinan *(appointed on 21 June 2017)*
Mr. HON Chun Yu
Ms. FU Wan Sheung
Mr. WONG Kam Choi MH
*(Chairman) (resigned on 6 January 2017)*

### Non-Executive Directors

Mr. TANG Baoqi
Mr. WU Ling

### Independent Non-Executive Directors

Mr. CHAN Kin Sang
Mr. NG Kay Kwok
Mr. CHIU Kung Chik *(appointed on 20 March 2017)*
Mr. TAM B Ray Billy *(resigned on 21 December 2016)*

## COMPANY SECRETARY

Ms. WONG Miu Ying Vivian
*(appointed on 21 December 2016)*
Mr. NG Kin Man *(resigned on 21 December 2016)*

## AUTHORISED REPRESENTATIVES

Mr. HON Chun Yu
Ms. WONG Miu Ying Vivian

## AUDIT COMMITTEE

Mr. NG Kay Kwok *(Chairman)*
Mr. CHAN Kin Sang
Mr. CHIU Kung Chik

## REMUNERATION COMMITTEE

Mr. CHIU Kung Chik *(Chairman)*
Mr. XIE Zhichun
Mr. NG Kay Kwok

## NOMINATION COMMITTEE

Mr. XIE Zhichun *(Chairman)*
Mr. CHIU Kung Chik
Mr. NG Kay Kwok

## AUDITOR

Grant Thornton Hong Kong Limited
*Certified Public Accountants*

## REGISTERED OFFICE

P.O. Box 309, Ugland House
Grand Cayman, KY1-1104
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

35/F., Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong
Tel: (852) 3105 1863
Fax: (852) 3105 1862

## PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
China Construction Bank (Asia) Corporation Limited
Chong Hing Bank Limited

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP PARTNERS (CAYMAN) LIMITED
Royal Bank House – 3rd Floor
24 Shedden Road, P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301-04, 33/F.
Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong
Tel: (852) 2849 3399
Fax: (852) 2849 3319

## STOCK CODE

290

## WEBSITE

www.290.com.hk

# CHAIRMAN'S STATEMENT

On behalf of the board (the "**Board**") of directors (each a "**Director**") of China Fortune Financial Group Limited (the "**China Fortune**" or the "**Company**", together with its subsidiaries collectively referred to as the "**Group**"), I hereby present the overall performance of the Group for the year ended 31 March 2017.

In the last year, the Company had a capital reorganisation, in which new strategic shareholders were introduced and a new corporate governance structure was put in place. Our long-term strategic objective is to establish an all-rounded financial holding platform which features valuable financial licenses, good return on capital, prominent market influence, and strong competitive advantages, by leveraging the capital markets of Hong Kong and focusing on equity investment and cross-border mergers & acquisitions ("**M&A**"). We have brought in a new management team with extensive experience in the capital markets, completed organisational restructuring, and reshaped our business model. With these efforts, we opened a new chapter of the China Fortune story.

The capital reorganisation laid a solid foundation for our future. By issuing convertible bonds, we have introduced new partners who share our vision and we gained stronger support from the existing shareholders. These actions have paved the way for our business expansion and in turn creating value for the shareholders of the Company ("**Shareholders**").

We have set new strategic objectives, and optimised company resources through organisational restructuring. Based on a thorough analysis and assessment of the Company's history, status quo, resource allocation, and future growth drivers, we built a framework of standardised procedures and mechanisms for operations, risk management, and delegation of decision-making authority. In line with our new strategic goals, we established a private equity fund management company in Shenzhen under Qianhai's Qualified Foreign Limited Partner program ("**QFLP Program**"), which allows such foreign-invested private equity funds and fund managers to convert foreign currency into RMB and invest into RMB assets). To echo the QFLP firm in the mainland, we also set up a direct investment entity in Hong Kong to better prepare for establishing a cross-border investment platform.

Our recapitalisation could not be accomplished without the strongest support from our investors, Shareholders, board of Directors, management team, and most importantly all of our employees. To everyone who stand beside and behind us during this time, I would like to extend the most genuine respect and gratitude.

For the year ended 31 March 2017, the Group recorded a total revenue of approximately HK$49,880,000 (2016: approximately HK$49,207,000) and net profit of approximately HK$30,907,000 (2016: net loss of approximately HK$42,682,000). The significant improvement in net profit was primarily attributed by the profit from the disposal of shares and benefits related to shareholders loan of a joint venture company, along with the realised gain in fair value of the derivative component of convertible bonds issued by the Company.

## CHAIRMAN'S STATEMENT

Looking into the future, we will focus on the coordination and collaboration between our Mainland China and Hong Kong businesses, as well as building a business model that connects the capital market with industrial development. We will make full use of the capital markets of Hong Kong, and tap into the opportunities brought upon by the Mainland and Hong Kong Closer Economic Partnership Arrangement ("**CEPA**") policies. We will focus on equity investment that facilitates industry integration and cross-border M&As, while maintaining a strong compliance culture. We aim to improve resource allocation and integration, and achieve sustainable growth and profitability by establishing an all-rounded financial holding platform which features valuable financial licenses, good return on capital, prominent market influence, and strong competitive advantages.

**XIE Zhichun**
*Chairman*

Hong Kong, 29 June 2017

# MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS

For the year ended 31 March 2017 (the "**Reporting Year**"), revenue of the Group amounted to approximately HK$49,880,000, representing an increase of approximately 1.37% from approximately HK$49,207,000 for the year ended 31 March 2016.

The Group recorded a profit of approximately HK$30,907,000 for the year ended 31 March 2017, as compared with the loss of approximately HK$42,682,000 for the corresponding period in 2016. Net profit attributable to owners of the Company amounted to approximately HK$30,907,000 for the Reporting Year, representing an increase of approximately 173.06% comparing with the loss of approximately HK$42,301,000 for the corresponding period in 2016. The overall performance from net loss to net profit attributable to owners of the Company was mainly due to (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 profit per share of the Company for the Reporting Year was approximately HK0.85 cents and HK0.84 cents respectively as compared with the basic and diluted loss per share of approximately HK1.24 cents for the corresponding period in 2016.

## 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$22,564,000, representing a decrease of approximately 13.48% as compared to the revenue of approximately HK$26,081,000 for the corresponding period in 2016.

The Group's strategy is to focus and strengthen existing securities operation and work in close collaboration with our wealth management business targeting at high-end customers in order to provide a one-stop integrated financial services business to satisfy every customer needs.

### 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 trading gain of approximately HK$4,213,000 (2016: approximately HK$3,010,000) and recorded a segment gain of approximately HK$3,841,000 (2016: approximately HK$2,664,000). The respective segment gain was due to a realised gain in trade on securities by the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

### 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 285.34% from approximately HK$3,444,000 to approximately HK$13,271,000 while the segment loss for the year ended 31 March 2017 amounted to approximately HK$11,053,000 (2016: approximately HK$13,956,000), representing a decrease in loss of approximately 20.80% as compared with the corresponding period in 2016.

### 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 and income from factoring of approximately HK$7,718,000 (2016: approximately HK$5,672,000), representing an increase of approximately 36.07% as compared with the corresponding period in 2016.

### 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$7,906,000 (2016: approximately HK$15,115,000), representing a decrease of approximately 47.69% as compared with the corresponding period in 2016. The segment loss for the year ended 31 March 2017 amounted to approximately HK$1,789,000 (2016: approximately HK$7,958,000), representing a decrease in loss of approximately 77.52% as compared with the corresponding period in 2016.

### Disposal of a joint venture

On 31 March 2016, Promiseasy Limited ("**Promiseasy**"), a direct wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party for the disposal of 35% of the entire issued share capital of Measure Up International Limited ("**Measure Up**") and the loan owed by Measure Up to Promiseasy for a consideration of HK$73,000,000. The disposal was subsequently completed on 30 June 2016.

# MANAGEMENT DISCUSSION AND ANALYSIS

## ISSUE OF CONVERTIBLE BONDS

(a) On 18 March 2016, the Company (as the issuer) entered into a convertible bonds subscription agreement (the "**Subscription Agreement**") with Ever Step Holdings Limited (the "**Ever Step**"), pursuant to which, Ever Step agreed to subscribe for the convertible bonds in the principal amount of HK$40,384,615 (the "**Convertible Bonds**").

Completion of the subscription under the Subscription Agreement took place on 6 April 2016. The Convertible Bonds to Ever Step bear an interest rate of 12% per annum and mature in twelve calendar months from the date of issue of the Convertible Bonds to Ever Step at the conversion price of HK$0.13 per conversion share.

The net proceeds raised through the issue of the Convertible Bonds to Ever Step is approximately HK$40,000,000, which will be used for settlement of previous debt owed to Ever Step.

Ever Step has assigned its rights and entitlements under the Convertible Bonds to Flying Bridge Investment Limited ("**Flying Bridge**") on 10 June 2016 with the consent of the Company.

The Convertible Bonds to Flying Bridge was subsequently exercised in full in the principal amount of HK$40,384,615 at the conversion price of HK$0.13 on 28 November 2016. After completion of conversion, the number of 310,650,884 shares of the Company (the "**Shares**") was being issued.

For details of the Subscription Agreement and the relevant transactions, please refer to the announcements of the Company dated 18 March, 6 April and 29 November 2016.

(b) On 27 June 2016, the Company (as the issuer) entered into a convertible bonds subscription agreement (the "**One Express Subscription Agreement**") with One Express Group Limited (the "**One Express**"), pursuant to which, One Express agreed to subscribe for the convertible bonds in the principal amount of HK$32,000,000 (the "**Convertible Bonds to One Express**").

Completion of the subscription under the One Express Subscription Agreement took place on 6 July 2016. The Convertible Bonds to One Express bear an interest rate of 5% per annum and mature in twenty-four calendar months after the issue date of the Convertible Bonds to One Express at the conversion price of HK$0.104 per conversion share.

The net proceeds received through the issue of the Convertible Bonds to One Express is HK$32,000,000, which will be used for settlement of previous debt owed to One Express.

The Convertible Bonds to One Express was subsequently exercised in full in the principal amount of HK$32,000,000 at the conversion price of HK$0.104 on 9 November 2016. After completion of conversion, the number of 307,692,307 shares was being issued.

For details of the One Express Subscription Agreement and the relevant transactions, please refer to the announcements of the Company dated 27 June, 6 July and 11 November 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

(c) 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 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**").

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

Completion of all three subscriptions took place on 30 March 2017. The convertible bonds to Mankind, PAL and Riverhead 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 will 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 subsequently 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. Furthermore, the Tranche 1 of the Convertible Bonds to Riverhead 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.

For details of the Cinda Subscription Agreement, PAL subscription/Supplemental Agreement and Riverhead 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## OUTLOOK

In 2017, the world faces changes. Political and military changes are challenging the world's economic stability. China is in the middle of the supply-side reform, and its economy is experiencing a shift into "a new normal state". Hong Kong, as a crucial part of the Chinese economy, is going to celebrate the 20th anniversary of the return of its sovereignty. China's "going global" strategy and the Belt and Road initiative exposes the financial markets in both mainland and Hong Kong to both opportunities and challenges. China Fortune will be highly alert of the changing economic situation, determinant while flexible in working towards our strategic goals, and proactive in grasping market opportunities and improving core competitiveness and profitability. Moreover, we will take full advantage of Hong Kong's strategic significance as Asia's key financial hub, and China's special administrative region under the "one country, two systems" principle. We, China Fortune, wish a good fortune for Hong Kong, for China.

## CAPITAL STRUCTURE

On 21 September 2016, the Board proposed to reorganise the share capital of the Company by capital reduction (the "**Capital Reduction**") and increase in authorised share capital (the "**Increase in Authorised Share Capital**").

In Capital Reduction, the Board proposes that the issued share capital of the Company be reduced from HK$341,838,566.80 to HK$34,183,856.68 by: (i) the cancellation of HK$0.09 paid up capital on each issued share so that each issued share shall be treated as one fully paid up share of HK$0.01 each in the capital of the Company; and (ii) the reduction of the par value of each unissued share from HK$0.10 to HK$0.01, such that the authorised share capital of the Company shall be reduced from HK$500,000,000 comprising 5,000,000,000 shares of par value of HK$0.10 each to HK$50,000,000 comprising 5,000,000,000 new shares of par value of HK$0.01 each.

In Increase in Authorised Share Capital, the original authorised share capital of the Company is HK$500,000,000 divided into 5,000,000,000 shares of HK$0.10 each, of which 3,418,385,668 shares are in issue and are fully paid or credited as fully paid. In order to facilitate the issue of the conversion shares upon the exercise of the conversion rights attached to the convertible bonds and to accommodate future expansion and growth of the Group and subject to the Capital Reduction becoming effective, the Board proposes to increase the authorised share capital of the Company from HK$50,000,000 divided into 5,000,000,000 new shares to HK$200,000,000 divided into 20,000,000,000 new shares of HK$0.01 each, by the creation of an additional 15,000,000,000 new shares, which will rank pari passu in all respects with the new shares in issue.

The proposal of the capital reorganisation was fulfilled and its became effective on 15 March 2017.

As at 31 March 2017, after the completion of the Convertible Bonds to Flying Bridge, One Express Subscription Agreement, Cinda Subscription Agreement and Riverhead Subscription Agreement in accordingly, the nominal value of the total issued share capital of the Company was HK$40,367,288.59 comprising 4,036,728,859 shares of HK$0.01 each.

For details of the capital reorganisation and the relevant transactions, please refer to the announcements of the Company dated 21 September, 13 December 2016 and 5 January, 16 March 2017.

# MANAGEMENT DISCUSSION AND ANALYSIS

## 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 2017 and 2016.

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 2017 and 2016.

## 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 2017, the Group's current assets and current liabilities were approximately HK$882,604,000 (2016: approximately HK$349,095,000) and approximately HK$260,147,000 (2016: approximately HK$232,906,000) respectively, while the current ratio was about 3.39 times (2016:1.50 times).

As at 31 March 2017, the Group's aggregate cash and cash equivalents amounted to approximately HK$471,990,000 (2016: approximately HK$46,757,000), of which approximately 98.09% was denominated in Hong Kong dollars ("**HKD**") (2016: approximately 89.22%), approximately 1.47% was denominated in United States dollars ("**USD**") (2016: approximately 9.77%), and approximately 0.44% was denominated in Renminbi ("**RMB**") (2016: approximately 1.01%), representing approximately 53.48% (2016: approximately 13.39%) of total current assets. As at 31 March 2017, the Group had a loan with accrued interest in approximately HK$130,404,000 (2016: nil).

# MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Year, no financial instruments were used for hedging purposes. As at 31 March 2017, the gearing ratio, measured on the basis of total borrowings as a percentage of equity attributable to owners of the Company, was approximately 210.82% (2016: approximately 118.22%). The increase in ratio was mainly due to issuance of corporate bonds and convertible bonds during the Reporting Year. The debt ratio, defined as total debts over total assets, was approximately 71.92% (2016: approximately 76.53%).

During the years ended 31 March 2017 and 2016, the Group has issued 2 years to 7.5 years and 1 year to 7 years corporate bonds with aggregate face value of HK$47,000,000 and HK$19,000,000 to 16 and 10 independent third parties respectively, net of direct expenses of approximately HK$6,769,000 and HK$3,772,000 respectively, their maturity dates are from January 2018 to April 2024 and carry interest at fixed rate of 6% to 7% 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 2017, the Group held financial assets at fair value through profit or loss of approximately HK$109,298,000 (2016: approximately HK$19,723,000), with unrealised gain at approximately HK$5,562,000 (2016: unrealised gain at approximately HK$1,582,000). The financial assets are traded by the Group to make a realised gain at approximately HK$4,912,000 (2016: gain at approximately 1,323,000) during the year ended 31 March 2017.

## CONTINGENT LIABILITIES

As at 31 March 2017, the Group has no material contingent liabilities (2016: nil).

## CHARGE ON THE GROUP’S ASSETS

No asset of the Group was subject to any charge as at 31 March 2017 (2016: 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## HUMAN RESOURCES

As at 31 March 2017, the Group had 72 employees in total (2016: 75 employees). The related employees' costs for the Reporting Year (excluding Directors' remunerations) amounted to approximately HK$43,238,000 (2016: approximately HK$34,235,000). 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. For details of the share option scheme, please refer to the section headed "Share Option Scheme" in the Directors' Report of this annual report.

## LITIGATION

In April 2014, a writ of summons was issued by a third party in liquidation (the "**Plaintiff**") against Fortune (HK) Securities Limited ("**F(HK)SL**"), a wholly-owned subsidiary of the Company, in relation to HK$4,000,000 ("**Sum**") paid to F(HK)SL pursuant to a cheque issued by the Plaintiff in September 2009 which was transferred to a client's account maintained with F(HK)SL. The Plaintiff claimed that the Sum was money belonging to them and demanded for a refund of the Sum. As advised by the external legal adviser to the case, F(HK)SL has withheld the shares in client's account, pursuant to the terms and conditions of the client's agreement entered into between the client and F(HK)SL, F(HK)SL is entitled to set off or withhold any securities and monies held in the account against any liabilities owed by the client. Having considered the legal advice, the Board believes that the said legal action does not have any material adverse impact on the Group's operation and financial position. There has not been any further action taken by the Plaintiff since June 2014.

# BIOGRAPHICAL DETAILS OF DIRECTORS

## EXECUTIVE DIRECTOR

### MR. XIE ZHICHUN

**Mr. XIE Zhichun**, aged 59, was appointed as an executive Director, Chairman of the Board and a member of the Remuneration Committee of the Company ("**Remuneration Committee**") in January 2017. He was further appointed as the chairman of the Nomination Committee of the Company ("**Nomination Committee**") in March 2017. Mr. Xie graduated from Heilongjiang University in 1982 and received his bachelor's degree in philosophy. In 1993, he graduated from Harbin Institute of Technology and received his master's degree in economics. In 2004, Mr. Xie graduated from Nankai University and received his doctor of philosophy in economics.

Mr. Xie has extensive experience in banking, securities and investment fields. He is currently the vice chairman of the consultation committee of Shenzhen Qianhai Shekou Free Trade Zone and Qianhai Shenzhen Hong Kong Cooperation Zone. He is also a professor of China Center for Special Economic Zone Research at Shenzhen University and postgraduate supervisor of PBC School of Finance at Tsinghua University. Mr. Xie is currently a non-executive director of China Smartpay Group Holdings Limited (listed on the GEM Board of the Stock Exchange), and an independent non-executive director of China Taiping Insurance Holdings Company Limited and China Minsheng Banking Corp., Ltd., both are listed on the Main Board of the Stock Exchange.

Mr. Xie has held various key positions in certain banks, securities firms and insurance companies in the People's Republic of China (the "**PRC**") and listed companies in Singapore, and has extensive experience in management of financial institutions. Mr. Xie was a non-executive director of Elife Holdings Limited (listed on the Main Board of the Stock Exchange) from November 2016 to July 2017. He acted as a deputy general manager of China Investment Corporation ("**CIC**") (中國投資有限責任公司) and an executive director and general manager of Central Huijin Investment Ltd. (中央滙金投資有限責任公司), a subsidiary of CIC which makes equity investment in key state-owned financial institutions in the PRC, from 2014 to 2015. From 2008 to 2014, Mr. Xie acted as an executive director and deputy general manager of China Everbright Group Limited (中國光大集團總公司) and the chairman of the board of directors of each of Sun Life Everbright Life Insurance Co., Ltd. (光大永明人壽保險有限公司) and Sun Life Everbright Asset Management Co., Ltd. (光大永明資產管理股份有限公司). From 2006 to 2008, he acted as the vice president and director of reorganisation and listing office of China Everbright Bank Company Limited. From 2001 to 2006, Mr. Xie acted as a director and chief executive officer of Everbright Securities Company Limited, an executive director of China Everbright Group, an executive director of China Everbright Limited, a company listed on the Stock Exchange with stock code 0165, a vice chairman (unattending) of China Enterprises Association (Singapore), a director of Shenyin & Wanguo Securities Co., Ltd., a director of Everbright Pramerica Fund Management Co., Ltd. and a vice chairman (unattending) of Securities Association of China.

# BIOGRAPHICAL DETAILS OF DIRECTORS

From 1997 to 2001, he acted as an executive director and president of China Everbright Asia-Pacific Company Limited, a company listed on the Singapore Exchange Securities Trading Limited, a director of Shenyin & Wanguo Securities Co., Ltd., the chairman of the board of directors of China Everbright Asia-Pacific (New Zealand) Company, the chairman of the board of directors of China Everbright (South Africa) Company, a director of China Everbright Asia-Pacific Industrial Investment Fund Management Company (中國光大亞太工業投資基金管理公司) and a director of Thailand Sunflower Company (泰國向日葵公司). From 1992 to 1999, Mr. Xie was a director and vice president of Everbright Securities Company Limited, a director of China Everbright Financial Holding Company (Hong Kong) (中國光大金融控股公司(香港)), a general manager of northern head office of Everbright Securities Company Limited, a deputy director of preparation team and deputy president of China Everbright Bank, Dalian Branch and the general manager of the international business department of China Everbright Bank, Heilongjiang Branch.

## MR. LIU YINAN

**Mr. LIU Yinan**, aged 39, was appointed as an executive Director in June 2017. He is also a director of certain subsidiaries of the Company. Mr. Liu graduated from the Northeastern University with a bachelor's degree in Computer Science and Technology in 2000. He further obtained a doctor's degree in Computer Engineering from the University of Rhode Island in 2006. Mr. Liu is a senior engineer in the PRC.

Prior to joining the Company, Mr. Liu had held various senior positions with certain PRC companies. He was the president of China Forestry Exchange during the period from June 2014 to January 2016, and was a director and vice president of a conglomerate in the PRC during the period from June 2008 to February 2014. Mr. Liu has extensive experience in corporate strategies and development planning, operation and human resources management, as well as corporate finance and mergers and acquisitions.

## MR. HON CHUN YU

**Mr. HON Chun Yu**, aged 41, was appointed as an executive Director in January 2010. He is also a director of certain subsidiaries of the Group. Mr. Hon has over ten years' experience in the securities brokerage industry. He joined the Group in November 2002 and served in both the accounting department of the Group for one year and as an account executive of a wholly-owned securities company of the Group for one year. Mr. Hon then left to pursue his career in a renowned securities company. He re-joined the Group in May 2006 as the operation manager of F(HK)SL.

## MS. FU WAN SHEUNG

**Ms. FU Wan Sheung**, aged 44, was appointed as an executive Director in July 2016. Ms. Fu joined the Group in 2002 and was promoted to the human resources and administration manager of the Group since August 2008. She is also a director of a subsidiary of the Group and has been the senior administration manager of F(HK)SL since November 2005. Ms. Fu has extensive experience in human resources management and business administration.

# BIOGRAPHICAL DETAILS OF DIRECTORS

## NON-EXECUTIVE DIRECTOR

### MR. TANG BAOQI

**Mr. TANG Baoqi**, aged 57, was appointed as a non-executive Director in March 2016. Mr. Tang has extensive experience in the finance industry.

Mr. Tang is currently the vice president and the chief risk officer in charge of finance and risk control work of China Cinda (HK) Holdings Company Limited ("**China Cinda (HK) Holdings**"). Mr. Tang served as the general manager in asset management department of China Cinda (HK) Holdings from February 2000 to April 2006. He has also served as the chief financial officer of China Cinda (HK) Holdings from April 2006 to April 2011. Mr. Tang was a non-executive director of China National Materials Company Limited, a company listed on the Main Board of the Stock Exchange, from July 2011 to July 2016.

According to the register required to be kept by the Company under section 336 of the Securities and Futures Ordinance ("**SFO**", Chapter 571 of Laws of Hong Kong), Mankind Investment Limited is interested in 1,416,430,000 Shares and is wholly-owned by China Cinda (HK) Asset Management Co., Limited ("**China Cinda (HK) Asset Management**"). China Cinda (HK) Asset Management is in turn wholly-owned by China Cinda (HK) Holdings. China Cinda (HK) Holdings is in turn wholly-owned by China Cinda Asset Management Co., Limited ("**China Cinda Asset Management**"), a company established in the PRC and the shares of which are listed on the Main Board of the Stock Exchange. As such, each of China Cinda (HK) Asset Management, China Cinda (HK) Holdings and China Cinda Asset Management is deemed to be interested in the aforesaid Shares held by Mankind as at the date of this annual report.

### MR. WU LING

**Mr. WU Ling**, aged 63, was appointed as a non-executive Director in December 2011. Mr. Wu holds a Bachelor's Degree in Economics from Zhongnan University of Economics and Law. He is a senior economist and has over 20 years of experience in the area of banking and financial services related business in the PRC. Mr. Wu was an executive director and vice chairman of China Cinda (HK) Holdings.

# BIOGRAPHICAL DETAILS OF DIRECTORS

## INDEPENDENT NON-EXECUTIVE DIRECTOR

### MR. CHAN KIN SANG

**Mr. CHAN Kin Sang**, aged 65, was appointed as an independent non-executive Director in July 2014. He is also a member of the Audit Committee of the Company ("**Audit Committee**"). Mr. Chan was a senior partner of Messrs. Peter K.S. Chan & Co., Solicitors and Notaries (a law firm which provides various services including corporate matters and litigations) from September 1996 to March 2006 and was the sole proprietor of the same from April 2006 to August 2016. He has been the senior partner of Messrs. Peter K.S. Chan & Co. Solicitors and Notaries again since September 2016. Mr. Chan obtained a Bachelor's Degree in Laws from the University of Hong Kong in November 1979 and a Postgraduate Certificate in Laws from the University of Hong Kong in July 1980. He has been a practising solicitor in Hong Kong since April 1982 and has been admitted as a Notary Public since April 1997 and a China-appointed Attesting Officer since January 2000. Mr. Chan has also been a Fellow of The Hong Kong Institute of Directors since August 2004 and a chairman of the Appeal Tribunal (Buildings Ordinance Cap.123) since February 2007.

Mr. Chan is currently an independent non-executive director of China Taifeng Beddings Holdings Limited and Tianhe Chemicals Group Limited, and a non-executive director of China Healthcare Enterprise Group Limited (all are listed on the Main Board of the Stock Exchange); a director of Guanghe Landscape Culture Communication Co., Ltd., Shanxi (listed on the Shanghai Stock Exchange); an independent non-executive director of Luxking Group Holdings Limited and a non-executive director of Pan Hong Holdings Group Limited (both are listed on the Singapore Exchange Securities Trading Limited).

Mr. Chan's past directorships in publicly listed companies in the past three years include: an independent non-executive director of Munsun Capital Group Limited from June 2004 to October 2016 and Runway Global Holdings Company Limited from October 2015 to December 2016 (both are listed on the Main Board of the Stock Exchange); a non-executive director of Combest Holdings Limited from June 2011 to January 2017 and an independent non-executive director of Tianjin TEDA Biomedical Engineering Company Limited from May 2013 to December 2016 (both are listed on the GEM Board of the Stock Exchange).

# BIOGRAPHICAL DETAILS OF DIRECTORS

## MR. NG KAY KWOK

**Mr. NG Kay Kwok**, aged 54, was appointed as an independent non-executive Director in September 2007. He is also the chairman of the Audit Committee, a member of the Nomination Committee and the Remuneration Committee. Mr. Ng graduated from the Australian National University with a Bachelor's Degree in Economics and obtained a Graduate Diploma in Accounting from Macquarie University. He is a member of CPA Australia and has extensive experience in accounting and financial management. Mr. Ng is an independent non-executive director of Merdeka Financial Services Group Limited (listed on the GEM board of the Stock Exchange).

## MR. CHIU KUNG CHIK

**Mr. CHIU Kung Chik**, aged 32, was appointed as an independent non-executive Director in March 2017. He is also the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee. Mr. Chiu graduated from the University of Chicago with a bachelor's degree in economics. He has extensive experience and knowledge in investment banking, capital financing, corporate restructuring, merger and acquisition, complex transaction structuring, etc. Mr. Chiu currently serves as an independent non-executive director of Beijing Enterprises Clean Energy Group Limited (listed on the main board of the Stock Exchange).

From 2008 to 2015, Mr. Chiu worked with UBS AG in the investment banking department in its Hong Kong office, primarily focusing on advising large scale corporate clients on their capital market activities. During the aforesaid period, he had completed a number of high-profile capital market transactions, merger and acquisition transactions as well as debt financing transactions.

# DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated financial statements of the Group for the year ended 31 March 2017.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 34 to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2017 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 58 and 59 of this annual report.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: nil).

## PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the Reporting Year are set out in note 15 to the consolidated financial statements.

## SHARE CAPITAL AND CONVERTIBLE BONDS

Details of movements in the share capital and convertible bonds of the Company during the Reporting Year are set out in notes 28 and 26 to the consolidated financial statements respectively.

## RESERVES

Movements in the reserves of the Group during the Reporting Year are set out in the consolidated statement of changes in equity on page 62 of this annual report.

## DISTRIBUTABLE RESERVES

As at 31 March 2017 and 31 March 2016, the Company had no reserves available for distributions.

## SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the audited consolidated financial statements and reclassified as appropriate, is set out on page 140 of this annual report. This summary does not form part of the audited consolidated financial statements.

# DIRECTORS' REPORT

## BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2017 is set out in the section headed "Management Discussion and Analysis" on pages 5 to 12 of this annual report. These discussions form part of this Directors' Report.

### Compliance with Relevant Laws and Regulations

During the year ended 31 March 2017, as far as the Board and the management are aware, there was no breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the business and operation of the Group.

### Relationship with Employees, Customers and Suppliers

The Group understands the importance of maintaining a good relationship with its employees and customers to meet its immediate and long-term business goals. During the year ended 31 March 2017, there were no material and significant dispute between the Group and its employees and customers.

### Environmental Policies and Performance

The Group is committed to operate in compliance with the applicable environmental laws as well as to protect the environment by minimising the negative impact of the Group's existing business activities on the environment.

## SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Company's original share option scheme was approved by the Shareholders on 12 February 2003 (the "**2003 Scheme**"), and was early terminated and replaced by a new share option scheme approved by the Shareholders on 19 August 2011 (the "**2012 Scheme**"). The 2012 Scheme shall be valid and effective for a period of 10 years commencing on 19 August 2011, subject to the early termination provisions contained therein.

An offer for the grant of options must be accepted within 7 days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK$1. The subscription price of a Share in respect of any particular option granted under the 2012 Scheme shall be a price solely determined by the Directors, but shall not be less than the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which shall be a business day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 trading days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

The Company shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all options to be granted under the 2012 Scheme does not exceed 10% of the Shares in issue as at the date of adoption of the 2012 Scheme. The Company may at any time refresh such limit, subject to the Shareholders' approval and issue of a circular in compliance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under all share option schemes of the Company does not exceed 30% of the Shares in issue at the time.

# DIRECTORS' REPORT

The total number of securities available for issue under the 2012 Scheme as at the date of this annual report was 292,408,566 Shares which represented approximately 4.13% of the issued share capital of the Company as at the date of this annual report. The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the 2012 Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

An option may be exercised in accordance with the terms of the 2012 Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof.

No share option was granted, exercised, lapsed or cancelled during the year ended 31 March 2017 pursuant to the 2012 Scheme.

As at 31 March 2017, the Company did not have any outstanding options under the 2012 Scheme.

## DIRECTORS

The Directors during the Reporting Year and up to the date of this Directors' Report were as follows:

### Executive Directors

| | |
|---|---|
| Mr. XIE Zhichun *(Chairman)* | (appointed on 6 January 2017) |
| Mr. LIU Yinan | (appointed on 21 June 2017) |
| Mr. HON Chun Yu | |
| Ms. FU Wan Sheung | (appointed on 8 July 2016) |
| Mr. WONG Kam Choi MH *(Chairman)* | (resigned on 6 January 2017) |
| Mr. NG Cheuk Fan Keith *(Managing Director)* | (resigned on 8 July 2016) |
| Mr. XIA Yingyan | (resigned on 6 July 2016) |

### Non-executive Directors

Mr. TANG Baoqi
Mr. WU Ling

### Independent non-executive Directors

| | |
|---|---|
| Mr. CHAN Kin Sang | |
| Mr. NG Kay Kwok | |
| Mr. CHIU Kung Chik | (appointed on 20 March 2017) |
| Mr. TAM B Ray Billy | (resigned on 21 December 2016) |

# DIRECTORS' REPORT

Pursuant to Article 99 of the articles of association of the Company (the "**Articles of Association**"), any Director appointed by the Board to fill a casual vacancy (or as an additional to the Board) shall hold office only until the next following general meeting (or annual general meeting) of the Company and shall then be eligible for re-election at that meeting.

Accordingly, Mr. XIE Zhichun, Mr. LIU Yinan and Mr. CHIU Kung Chik shall hold office until the forthcoming annual general meeting of the Company (the "**AGM**") and, being eligible, offer themselves for re-election at that AGM.

Pursuant to Article 116 of the Articles of Association, at each AGM one-third of the Directors for the time being (or, if their number is not three or a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Accordingly, Mr. HON Chun Yu and Mr. NG Kay Kwok shall retire by rotation at the forthcoming AGM and, being eligible, offer themselves for re-election at the forthcoming AGM.

## DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 13 to 17 of this annual report.

## DIRECTORS' SERVICE CONTRACTS

The Company has entered into service contracts or letters of appointment with each of the Directors for a specific term, subject to the renewal provisions contained therein and retirement by rotation and re-election at the AGMs. Apart from the foregoing, none of the Directors proposed for re-election at the forthcoming AGM has service contracts or letter of appointment with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favor, or in which he is acquitted.

The Company has maintained Directors' liability insurance during the year ended 31 March 2017 and up to the date of this annual report which provides appropriate cover for the Directors.

# DIRECTORS' REPORT

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 March 2017, the interests and short positions of each of the Directors or chief executive of the Company and their associates in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules were as follows:

Long position in the Shares and underlying shares of the Company:

| Name of Director | Capacity | Number of Shares held | Number of underlying Shares held | Approximate percentage of the issued share capital of the Company |
|---|---|---|---|---|
| XIE Zhichun ("**Mr. Xie**") *(Note)* | Interest of controlled corporation | – | 5,094,350,000 | 126.20% |

*Note:*

Mr. Xie was interested in 5,094,350,000 underlying shares of the Company which may be issued upon the exercise of the conversion rights attaching to the convertible bonds in the principal amount of HK$305,661,000 (at the conversion price of HK$0.06 per conversion share) to be issued by the Company to Riverhead Capital (International) Management Co., Ltd. ("**Riverhead**", a company which was owned as to 80% by Mr. Xie) pursuant to the subscription agreement entered into between the Company and Riverhead on 22 November 2016.

Save as disclosed above, as at 31 March 2017, none of the Director nor the chief executive of the Company, had or was deemed to have any interests or short positions in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

# DIRECTORS' REPORT

## DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

At no time during the Reporting Year was the Company, or any of its subsidiaries, a party to any arrangements to enable the Directors and the chief executive of the Company, their respective spouse or minor children (natural or adopted) to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance to which the Company, or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Reporting Year.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Year, the interests of the Directors in the business which compete or is likely to compete either directly or indirectly, with business of the Group ("**Competing Business**") as required to be disclosed pursuant to the Listing Rules were as follows:

| Name of Director | Name of company | Description of Competing Business | Nature of interest |
|---|---|---|---|
| XIE Zhichun *(Executive Director)* | China Taiping Insurance Holdings Co. Ltd. ("**China Taiping**") | Fund and asset management | As an independent non-executive director of China Taiping |
| | China Minsheng Banking Corp. Ltd. ("**China Minsheng**") | Fund and asset management, securities dealing and broking, investment banking | As an independent non-executive director of China Minsheng |
| HON Chun Yu *(Executive Director)* | Certain subsidiaries of Fortune Freedoness group (the "**Fortune Freedoness Subsidiaries**") | Provision of insurance brokerage service | As a director of the Fortune Freedoness Subsidiaries |

Save as disclosed above, none of the Directors was interested in any business apart from the Group's businesses which compete or is likely to complete, either directly or indirectly, with businesses of the Group.

# DIRECTORS' REPORT

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 March 2017, as far as is known to the Directors, the following persons (other than a Director or a chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long position in the Shares and underlying shares of the Company:

| Name of Shareholder(s) | Capacity | Number of Shares held | Number of underlying Shares held | Total number of Shares/ underlying Shares held | Approximate percentage of the issued share capital of the Company |
|---|---|---|---|---|---|
| Riverhead Capital (International) Management Co., Ltd. ("**Riverhead**") *(Note 1)* | Beneficial owner | – | 5,094,350,000 | 5,094,350,000 | 126.20% |
| Jadehero Limited ("**Jadehero**") *(Note 2)* | Beneficial owner | 800,000,000 | – | 800,000,000 | 19.81% |
| Southlead Limited ("**Southlead**") *(Note 2)* | Interest of controlled corporation | 800,000,000 | – | 800,000,000 | 19.81% |
| Marvel Steed Limited ("**Marvel Steed**") *(Note 2)* | Interest of controlled corporation | 800,000,000 | – | 800,000,000 | 19.81% |
| Wahen Investments Limited ("**Wahen**") *(Note 2)* | Interest of controlled corporation | 800,000,000 | – | 800,000,000 | 19.81% |
| Mankind Investment Limited ("**Mankind**") *(Note 3)* | Beneficial owner | 461,430,000 | 1,845,900,000 | 2,307,330,000 | 57.16% |
| China Cinda (HK) Asset Management Co., Limited ("**China Cinda (HK)**") *(Note 3)* | Interest of controlled corporation | 461,430,000 | 1,845,900,000 | 2,307,330,000 | 57.16% |
| China Cinda (HK) Holdings Company Limited ("**China Cinda Holdings**") *(Note 3)* | Interest of controlled corporation | 461,430,000 | 1,845,900,000 | 2,307,330,000 | 57.16% |
| China Cinda Asset Management Co., Limited ("**China Cinda Asset**") *(Note 3)* | Interest of controlled corporation | 461,430,000 | 1,845,900,000 | 2,307,330,000 | 57.16% |
| Flying Bridge Investment Ltd. ("**Flying Bridge**") *(Note 4)* | Beneficial owner | 310,650,884 | – | 310,650,884 | 7.70% |
| Chinese Strategic Holdings Limited ("**Chinese Strategic**") *(Note 5)* | Interest of controlled corporation | 292,900,000 | – | 292,900,000 | 7.25% |
| Pacific Alliance Limited ("**PAL**") *(Note 6)* | Beneficial owner | – | 2,559,750,000 | 2,559,750,000 | 63.41% |
| Best Fortress Limited ("**BFL**") *(Note 6)* | Interest of controlled corporation | – | 2,559,750,000 | 2,559,750,000 | 63.41% |

# DIRECTORS' REPORT

*Notes:*

1. Riverhead beneficially held 5,094,350,000 underlying shares of the Company which may be issued upon the exercise of the conversion rights attaching to the convertible bonds in the principal amount of HK$305,661,000 (at the conversion price of HK$0.06 per conversion share) to be issued by the Company to Riverhead pursuant to the subscription agreement entered into between the Company and Riverhead on 22 November 2016. Riverhead was owned as to 80% by Mr. Xie, a Director and the Chairman of the Company.

2. As at 31 March 2017, Jadehero beneficially held 800,000,000 Shares. Jadehero was owned as to 80% by Southlead and as to 20% by Marvel Steed. Southlead was wholly-owned by Wahen which in turn was wholly-owned by Mr. Zhao Xu Guang. Marvel Steed was wholly-owned by Mr. Wong Kam Fat Tony. For the purpose of SFO, Southlead, Marvel Steed, Wahen, Mr. Zhao Xu Guang and Mr. Wong Kam Fat Tony are deemed to be interested in the Shares held by Jadehero.

3. As at 31 March 2017, Mankind beneficially held 461,430,000 Shares and 1,845,900,000 underlying shares of the Company which may be issued upon the exercise of the conversion rights attaching to the convertible bonds in the principal amount of HK$110,754,000 (at the conversion price of HK$0.06 per conversion share) to be issued by the Company to Mankind pursuant to the subscription agreement entered into between the Company and Mankind on 22 November 2016. Mankind was wholly-owned by China Cinda (HK) which in turn was wholly-owned by China Cinda Holdings. China Cinda Holdings was wholly-owned by China Cinda Asset. For the purpose of SFO, China Cinda (HK), China Cinda Holdings and China Cinda Asset are deemed to be interested in the Shares and underlying shares held by Mankind.

4. As at 31 March 2017, Flying Bridge beneficially held 310,650,884 Shares. Flying Bridge was wholly-owned by Mr. Ding Lu. For the purpose of SFO, Mr. Ding Lu is deemed to be interested in the Shares held by Flying Bridge.

5. As at 31 March 2017, Victory Time Global Limited, Excel Return Enterprises Limited and Fameway Finance Limited beneficially held 153,800,000 Shares, 34,000,000 Shares and 105,100,000 Shares respectively. Victory Time Global Limited, Excel Return Enterprises Limited and Fameway Finance Limited are all indirect wholly-owned subsidiaries of Chinese Strategic. For the purpose of SFO, Chinese Strategic is deemed to be interested in the Shares held by Victory Time Global Limited, Excel Return Enterprises Limited and Fameway Finance Limited.

6. As at 31 March 2017, PAL beneficially held 2,559,750,000 underlying shares of the Company which may be issued upon the exercise of the conversion rights attaching to the convertible bonds in the principal amount of HK$153,585,000 (at the conversion price of HK$0.06 per conversion share) to be issued by the Company to PAL pursuant to the supplemental agreement entered into between the Company and PAL on 22 November 2016 (as supplementary to the previous convertible bonds subscription agreement dated 21 September 2016 executed between the Company and PAL). PAL was wholly-owned by BFL which in turn was owned as to 90% by Mr. Yip Sum Yin. For the purpose of SFO, BFL and Mr. Yip Sum Yin are deemed to be interested in the underlying shares held by PAL.

Save as disclosed above, and as at 31 March 2017, the Directors were not aware of any persons (who were not Directors or chief executive of the Company) who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

# DIRECTORS' REPORT

## RELATED PARTY TRANSACTIONS

The related party transactions are set out in note 31 to the consolidated financial statements. The related party transactions are either connected transactions or continuing connected transactions fully exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## CONNECTED TRANSACTIONS

On 22 November 2016, the Company (as issuer) entered into:

(i) the subscription agreement with Riverhead for an aggregated principal amount of HK$305,661,000 3-year 2% coupon convertible bonds at the conversion price of HK$0.06 per conversion share (the "**Riverhead Subscription Agreement**");

(ii) the subscription agreement with Mankind for a principal amount of HK$110,754,000 3-year 2% coupon convertible bonds at the conversion price of HK$0.06 per conversion share (the "**Mankind Subscription Agreement**"); and

(iii) the supplemental agreement with PAL (as supplementary to the previous convertible bonds subscription agreement dated 21 September 2016 executed between the Company and PAL) for a principal amount of HK$153,585,000 3-year 2% coupon convertible bonds at the conversion price of HK$0.06 per conversion share (the "**PAL Supplemental Agreement**").

The net proceeds from the issue of the above-mentioned convertible bonds of approximately HK$385,000,000 were intended to be used as follows:

a) approximately HK$180,000,000 for the injection of capital to a wholly-owned subsidiary of the Company and expanding its margin financing and underwriting businesses;

b) approximately HK$150,000,000 for expanding its money lending business;

c) approximately HK$12,000,000 for engaging in private equity investments;

d) approximately HK$9,000,000 for strengthening the capital base of its asset management, wealth management and corporate financing business; and

e) the remaining balance of approximately HK$34,000,000 for the general working capital of the Group.

As at the aforesaid date, Mankind was a substantial Shareholder whom beneficially held approximately 12.38% of the entire issued share capital of the Company. Hence, Mankind was a connected person of the Company.

# DIRECTORS' REPORT

Moreover, as the Riverhead Subscription Agreement, the Mankind Subscription Agreement and the PAL Supplemental Agreement were conditional amongst each other, Riverhead and BFL (the direct holding company of PAL) were deemed connected persons to the Company pursuant to Rule 14A.20(b) of the Listing Rules. Therefore, the transactions contemplated under the Riverhead Subscription Agreement and the PAL Supplemental Agreement also constituted connected transactions of the Company.

## MANAGEMENT CONTRACTS

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

## SUFFICIENCY OF PUBLIC FLOAT

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

## MAJOR CUSTOMERS AND SUPPLIERS

During the year under review, revenue attributable to the 5 largest customers of the Group accounted for less than 22% of the Group's total revenue for the year ended 31 March 2017.

The Group is a provider of financial services. In the opinion of the Directors, it is therefore of no value to disclose details of the Group's suppliers.

None of the Directors or any of their close associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the issued Shares) had any beneficial interest in the Group's 5 largest customers during the year ended 31 March 2017.

## RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit scheme of the Group and the employer's retirement benefit costs charged to the profit or loss for the year are set out in note 38 to the consolidated financial statements.

## 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 Reporting Year.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

# DIRECTORS' REPORT

## CORPORATE GOVERNANCE REPORT

The Company's corporate governance codes are set out in the Corporate Governance Report on pages 37 to 51 of this annual report.

## EVENT AFTER THE REPORTING YEAR

Details of the events after the Reporting Year are set out in note 39 to the consolidated financial statements.

## TAXATION OF HOLDERS OF SHARES

### Hong Kong

The purchase, sale and transfer of Shares registered in the Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller (or transferee and transferor) is 0.1% of the consideration or, if greater, the fair value of the Shares being bought/sold or transferred (rounded up to the nearest HK$'000). In addition, a fixed duty of HK$5.00 is currently payable on an instrument of transfer of Shares.

Profits from dealings in the Share arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

### Cayman Islands

Under the present Cayman Islands laws, transfers and other dispositions of Shares are exempt from Cayman Islands stamp duty.

### Consultation with professional advisers

Intending holders and investors of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications (including tax relief) of subscribing for, purchasing, holding, disposing of or dealing in Shares. It is emphasised that none of the Company or its Directors or officers will accept any responsibility for any tax effect on, or liabilities of, holders of Shares resulting from their subscription for, purchase, holding, disposal of or dealing in such Shares.

## CHANGE OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in Directors' information of the Company since the date of the interim report of the Company for the period ended 30 September 2016 were as follows:

1) Mr. XIE Zhichun has been appointed as a non-executive director of China Smartpay Group Holdings Limited on 27 April 2017 and has resigned as a non-executive director of Elife Holdings Limited on 10 July 2017 subsequent to his appointment as an executive Director and Chairman of the Company on 6 January 2017; and

2) Mr. CHAN Kin Sang has resigned as a non-executive director of Combest Holdings Limited and an independent non-executive director of Tianjin TEDA Biomedical Engineering Company Limited on 12 January 2017 and 31 December 2016 respectively.

# DIRECTORS' REPORT

Save as disclosed above, there is no other change in the Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the date of the interim report of the Company for the period ended 30 September 2016 and up to the date of this report.

## REVIEW OF FINANCIAL INFORMATION

The Audit Committee comprises three independent non-executive Directors, namely, Mr. NG Kay Kwok (chairman of the Audit Committee), Mr. CHAN Kin Sang and Mr. CHIU Kung Chik.

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 Group for the year ended 31 March 2017.

## AUDITOR

Grant Thornton Hong Kong Limited ("**Grant Thornton**") was appointed as auditor of the Company on 23 March 2016 to fill the casual vacancy following the resignation of SHINEWING (HK) CPA Limited on the same date.

The consolidated financial statements of the Group for the year ended 31 March 2017 were audited by Grant Thornton which would retire at the conclusion of the forthcoming AGM and, being eligible, offer themselves for re-appointment. A resolution will be proposed to the Shareholders to re-appoint Grant Thornton as auditor of the Company.

Save as disclosed above, there has been no change in auditor of the Company in any of the preceding three years.

On behalf of the Board

**LIU Yinan**
*Director*

Hong Kong, 29 June 2017

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This is our first Environmental, Social and Governance Report (the "**Report**") to highlight our methodologies and strategies in pursuit of sustainable development during the Reporting Year. Unless otherwise stated, the Report covers the sustainability performance and initiatives of our Hong Kong head office and our businesses as mentioned above. The content of the Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules.

We welcome your precious comments and suggestions for this Report and our sustainability performance. Your feedback on the Report and our sustainability performance can be sent to info@290.com.hk.

## OUR APPROACH TO SUSTAINABLE DEVELOPMENT

As a responsible corporate citizen, we are dedicated to creating sustained value for stakeholders by incorporating environmental, social and governance considerations into our operation with an aim to be a positive force to our environment and the wider community. To be accountable to all the stakeholders, the company endeavoured to minimise the influence to environment, be aware of the employee well-being and contribute more to the community.

## LISTENING TO OUR STAKEHOLDERS

We trust that the understanding of the opinions from our stakeholders form the strong basis for the long-term growth and success of the Group. The Group develop various channels to a broad spectrum of stakeholders in order to provide them with the opportunity to express their opinions on our sustainability performance and future strategies. To strengthen mutual trust and respect, we are devoted to maintaining enduring communication channels, both formally and informally, with stakeholders to enable us to better shape our business strategies in order to respond to their needs and expectations, anticipate risks and strengthen key relationships. We have identified employees, business partners, shareholders, suppliers, government and the community at large as our key stakeholder groups. The information collected through different communication processes serves as an underlying basis for the structure of this Report.

## OUR PEOPLE

The Group's success relies heavily on the accumulated market knowledge and investment expertise of its staff, to provide the competitive and professional services to its client; hence we consider human resources as one of the most valuable assets for the business operations and sustainable development. The quality and stability of our workforce are invaluable. Attracting, developing and retaining talent is vital to the Group's success. We also advocate work-life balance and pay close attention to employees' total well-being.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## EMPLOYMENT

To be an equal opportunity employer, we abide by the principle of equal opportunities and diversity. The Hong Kong Bill of Rights Ordinance (Chapter 383 of the Laws of Hong Kong), Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong), Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong), Family Status Discrimination Ordinance (Chapter 527 of the Laws of Hong Kong), Race Discrimination Ordinance (Chapter 602 of the Laws of Hong Kong) are the laws and regulations governed the equal opportunity environment and anti-discrimination matters of which the Group consistently complies with. We committed to treat all the employees fairly regardless of their seniority, nationality, gender, age, marital status, disability, race, color, religion or sexual preference. We are committed in all areas to providing a work environment that is free from discrimination, sexual harassment and unethical labor policy. As the cornerstone of our corporate culture, we continue to adopt our zero-tolerance approach for these matters. Our Staff Handbook and Employment Contract set out the standard working hours, paid leaves, rest periods, and dismissal policy to safeguard the rights of our staff.

The relevant laws and regulations that have significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare during the Reporting Year included Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Minimum Wage Ordinance (Chapter 608 of the laws of Hong Kong) and Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong).

We provide insurance coverage for employees employed in Hong Kong in accordance with the Employees Compensation Ordinance (Chapter 282 of the Laws of Hong Kong) in respect of work-related injuries. Medical insurance is also available to our employees for general medical issues.

The Group is not aware of any material non-compliance with the relevant laws and regulations that have significant impact on the Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare during the Reporting Year.

## EMPLOYEE BENEFITS AND WELFARE

We generally remunerates our employees with reference to their qualifications, experience, and work performance. To ensure our salary structure is fair and competitive, we would review the performance of our staff annually.

We understand that employees are our most valuable assets and we strive to provide comprehensive benefits and safeguards to our employees. Employee benefits include five-day work week arrangement, medical insurance coverage, travel allowance, qualification allowance, a defined contribution Mandatory Provident Fund retirement benefits scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance and share option scheme in providing incentives and rewards to the eligible participants based on their contributions. In addition, if the day-off falls on a statutory holiday, compensatory time off would be offered on the following day.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Whenever an employee resigns or gets laid off, executive Director or department head would carry out exit-interview to find out the reasons behind for the departure or to inform the employee concerned of the reason for dismissal, and other procedures such as calculating and pay the last payment, severance payment and long service payment (if any) in accordance with the Employment Ordinance (Chapter 57 of the laws of Hong Kong), filing the form 56F to Inland Revenue Department in accordance with section 52(5) of the Inland Revenue Ordinance (Chapter 112 of the laws of Hong Kong), notifying the termination of employment to MPF trustee in accordance with Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong) to ensure full compliance with the relevant employment laws and regulations.

## HEALTH AND SAFETY

Although our operation is predominantly office-based, we adhere to Occupational Safety and Health Ordinance (Chapter 509 of the laws of Hong Kong) and other applicable laws and regulations to provide a safe and healthy workplace in order to protect our employees from occupational hazards. The Group is not aware of any non-compliance with the relevant laws and regulations that have significant impact to the Group in providing a safe working environment and protecting employees from occupational hazards during the Reporting Year.

As employees are our utmost asset and resource, our primary goal is to provide a safe and healthy working environment for the employees under reasonable and practicable conditions. We committed to achieve this goal by implementing the following key measures:

➢ Providing and maintaining in all workplaces under harmless working environment and poses no threat to health;
➢ Carry out inspection for any unsafe condition and fix it immediately;
➢ To participate the fire drills organised by the properties management company;
➢ Smoking is prohibited in all enclosed areas within the offices, without exception;
➢ To provide medical and employment injury insurance to eligible employees; and
➢ To set work arrangement for typhoon and rainstorm warning.

With the above measures, we have no work-related fatal or work-related injury during the Reporting Year.

## DEVELOPMENT AND TRAINING

To strengthen the talents and professionalism of our employees, our employees are motivated to attend any trainings that are related to their work. Being the licensed corporations under the SFC, we are required to ensure that all licensed/registered persons have the appropriate competency to carry out their regulated activities/functions on an on-going basis. This can be evidenced by them having successfully taken appropriate industry exams and in some cases, supplemented by relevant experience. On the other hand, various trainings are also provided by our compliance officer to our employees, especially the updates of rules, regulations and statutory requirements of the SFC, such as Anti-Money Laundering procedure and the Company's employee dealing policy, etc.

Apart from induction training for new staff, both on-job and off-job training were available. We also encourage our Directors and employees to attend relevant training courses and seminars that may require keeping abreast with the latest changes in laws, regulations and the business environment. Sponsorship would be provided for our employees to attend relevant external course.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

All Directors, including the independent non-executive Directors, should keep abreast of their responsibilities as Directors and the Company's business and activities. We brief and notify briefings and training to develop and reinforce the Directors' knowledge and skills, and update all Directors on the latest development regarding the Listing Rules and other applicable statutory and regulatory regime and the business environment to facilitate them to discharge their responsibilities.

## LABOUR STANDARDS

We strictly emphasise on prohibition of engaging child labour and forced labour. Regarding to the Employment of Children Regulations (Chapter 57B of the laws of Hong Kong), children aged under 15 should not be employed in all economic sectors. As prevention, our human resources department will verify the personal information including age of the applicants by checking their identity documents during the hiring process. We do not aware of any non-compliance with relevant rules and regulations on preventing child or forced labour during the Reporting Year.

## SUPPLY CHAIN MANAGEMENT

Our suppliers mainly comprise of general office supplies suppliers, for example, water, paper and stationery. We generally select suppliers based on their scale of business and reputation. Our suppliers should comply with all relevant local and national laws and regulations in relation to unethical behaviour, bribery, corruption and other prohibited business practices. When a supplier is found to be inconsistent with our policy or contractual requirements, we will terminate future cooperation until the situation has been improved.

During the Reporting Year, we do not aware that any key suppliers had any significant actual and potential negative impact on business ethics, environmental protection, human rights and labour practices, nor any of them had any non-compliance incident in respect of human rights issues.

## PERSONAL DATA PRIVACY

Since our businesses cover various financing services on securities brokerage, money lending, asset management, insurance brokerage and corporate finance services, we highly emphasis on the privacy of our client's personal data.

Pursuant to Personal Data (Privacy) Ordinance (Chapter 486 of the laws of Hong Kong), we are committed to protecting privacy and confidentiality of personal data of our employees, business partners and other identifiable individuals. Our employees are instructed to handle confidential information with due care. We collect and use information in a responsible and non-discriminatory manner by restricting the use of the information for the purposes consistent with those identified in the contracts.

We will go through the Terms of Business (with Notice to Client relating to the Personal Data (Privacy) Ordinance) with clients during the account opening procedures. Those personal data entered into the system are only available to the settlement department and password entry is required when accessing. Moreover, Responsible Officers are only allowed to access those information on a need to know basis.

During the Reporting Year, we did not receive any complaints concerning breaches of client privacy and losses of client data.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ANTI-CORRUPTION

As the licensed corporations, our employees are required to have due care in identifying the potential indicators of any involvement of corporate finance transaction in money laundering. Our Anti-Money Laundering and Counter Terrorism Financing Policy has set out the definition of money laundering and terrorist financing, process of money laundering, role of relevant parties, customer due diligence and on-going monitoring, recognising and reporting suspicions of money laundering. We perform the "Know Your Clients" procedures in the initiation of the transactions, by verifying the identity of our client with their personal identity documents and go through the "Accounting Opening and Anti-Money Laundering Risk Assessment Questionnaire."

As the cornerstone of our corporate culture, we attach great emphasis to maintaining the highest standards of integrity and honesty. We adopt our zero-tolerance policy for misconduct. We have no hesitation to adopt disciplinary actions upon any proven misconduct case.

In addition, whistleblowing policy has been implemented so as to enable our staff to raise concerns and to report information which the staff have reasonable grounds to believe a malpractice or impropriety.

We will treat all complaint of malpractice in a confidential and sensitive manner. The identity of the individual making the allegation may be kept confidential so long as it does not hinder or frustrate any investigation. The allegations would be fully investigated by executive Director or Chairman as appropriate. We have no hesitation to adopt disciplinary actions upon any proven misconduct case.

We commit to stringent compliance with the Prevention of Bribery Ordinance (Chapter 201 of the laws of Hong Kong) enforced by the Independent Commission Against Corruption in order to maintain a fair and just society.

During the Reporting Year, no legal cases concerned with corrupt practices were brought against the Group or Directors or employees.

## COMMUNITY INVOLVEMENT

Being a responsible corporate citizen, we are constantly aware of the community needs and take up our corporate responsibility with best efforts to make a contribution to the community by encouraging our employees to contribute their time and efforts in various local community projects in the regions where we operate.

## ENVIRONMENTAL

Our principal business activities do not have significant impact on the environment and natural resources. Despite this, we are committed to sustainability by seeking to reduce the environmental impact of our operations, with a particular focus on reduction of greenhouse gas emissions and preservation of resources.

We do not aware of any material non-compliance with the relevant laws and regulations that have a significant impact on the Group related to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste during the year.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## EMISSIONS

During the Reporting Year, our greenhouse gas ("**GHG**") emissions are mainly generated from the consumption of purchased electricity.

## ENERGY MANAGEMENT

As energy consumption accounts for a major part of our GHG emissions, various energy saving measures have been undertaken to improve energy efficiency and reduce energy consumption of our operations, for example:

- Deploy natural light and install energy-saving lightings, where feasible
- Switch off unnecessary lighting and energy consumption equipment (e.g. computer) while not in use
- Set the temperature of air conditioning of our offices to an energy-efficient level at 24°C to 26°C
- Select the electrical appliances with energy efficient labels
- Put the computer to sleep mode instead of using a screen saver
- If feasible, instead of taking overseas business trips, conduct video conferencing or use other electronic communication means to reduce carbon footprints from flights
- Clean the air filter of air-conditioners regularly to improve cool air flow efficiency

## WASTES REDUCTION

Our wastes are mainly classified into two categories in our business, including general wastes (household wastes) and recyclable wastes. We avoid wastage with the following measures:

- Reuse the pen shafts by using refills instead of simply throwing away the whole ballpoint pens
- Deploy recycling bins to collect used paper products, such as waste paper, letter and envelope
- Arrange recycle company to collect toner cartridges for recycling
- Other than the waste paper that contains confidential information, waste paper would be shipped to paper mill or scrap paper company so as to be recycled into new paper

Paper use is an essential item for our operational activities such as printing of publications and notices. For environment protection, we implemented the following policies to reduce the use of paper:

- Adopt an electronic system for filing and documentation
- Promote electronic communications and "think before you copy" attitude, we encourage our employee to use both sides of the paper for printing and copying
- Set computer defaults to print double-sided and make double-sided copies when possible
- Sending email is suggested instead of letters or fax when possible.
- Receive incoming faxes electronically through an e-fax system, and make hard copies only when necessary using used paper
- Reduce or avoid using excessive packing materials and decorations

We did not generate any hazardous waste in the ordinary course of business during the Reporting Year.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## WATER USE MANAGEMENT

We operated in leased office premises and our key water usage is arising from toilet flushing, water taps and drinking water. To avoid not necessary water consumption from daily operation, we promote staff behaviour by encouraging employees to always turn taps off tightly so they do not drip and giving priority to effective water-saving products.

## PROSPECT

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

# CORPORATE GOVERNANCE REPORT

The Company's commitment to the highest standards of corporate governance is driven by the Board of Directors which, led by the chairman, assumes overall responsibility for the governance of the Company, taking into account the interests of 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 Reporting Year, the Company has complied with all code provisions and, where appropriate, met the recommended best practices in the CG Code, except for the deviations from code provisions A.2.1 and A.5.1. Reasons for such deviations have been stated under the relevant sections of this Corporate Governance Report.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted 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.

## BOARD OF DIRECTORS

The Board is collectively responsible for formulating of the Group's overall strategy, reviewing and monitoring the Group's business operations and performance, preparing and approving financial statements, considering and approving material contracts and transactions as well as other significant policies and financial matters. The Board takes the responsibility to oversee internal controls and risk management systems and to review of the effectiveness of such systems, monitoring of the performance of the senior management and determining the policy for corporate governance. The Board also gives clear directions as to the powers delegated to the senior management for the day-to-day operation, business strategies and administrative functions of the Group.

### Board Composition

As at 31 March 2017, the composition of the Board was as follows:

| Executive Directors | Non-executive Directors | Independent Non-executive Directors |
|---|---|---|
| Mr. XIE Zhichun *(Chairman)* | Mr. TANG Baoqi | Mr. CHAN Kin Sang |
| Mr. HON Chun Yu | Mr. WU Ling | Mr. NG Kay Kwok |
| Ms. FU Wan Sheung | | Mr. CHIU Kung Chik |

*Note:* Mr. LIU Yinan was appointed as an executive Director on 21 June 2017

The Chairman and the non-executive Directors (including the independent non-executive Directors) have met at least once every year without the presence of executive Directors and the management and such meeting was held on 10 March 2017.

# CORPORATE GOVERNANCE REPORT

### Number of Board Meetings, Committees Meetings, General Meetings and Directors' Attendance Rate

Number of Board meetings, committees meetings and general meetings held during the year ended 31 March 2017 and the attendance rate of the individual Directors are set out below:

| Directors | Board Meetings | Remuneration Committee Meetings | Audit Committee Meetings | Nomination Committee Meetings | Annual General Meeting | Extraordinary General Meetings |
|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | |
| XIE Zhichun (Note 1) | | | | | | |
| *(Chairman)* | N/A | N/A | N/A | N/A | N/A | 1/1 |
| HON Chun Yu | 7/7 | N/A | N/A | N/A | 1/1 | 3/3 |
| FU Wan Sheung (Note 2) | 5/5 | N/A | N/A | N/A | 1/1 | 3/3 |
| WONG Kam Choi MH (Note 3) | | | | | | |
| *(former Chairman)* | 7/7 | 1/1 | N/A | N/A | 1/1 | 2/2 |
| NG Cheuk Fan Keith (Note 4) | | | | | | |
| *(former Managing Director)* | 1/1 | N/A | N/A | 1/1 | N/A | N/A |
| XIA Yingyan (Note 5) | 1/1 | N/A | N/A | N/A | N/A | N/A |
| **Non-executive Directors** | | | | | | |
| TANG Baoqi | 5/7 | N/A | N/A | N/A | 1/1 | 2/3 |
| WU Ling | 7/7 | N/A | N/A | N/A | 1/1 | 2/3 |
| **Independent non-executive Directors** | | | | | | |
| CHAN Kin Sang | 6/7 | N/A | 2/2 | N/A | 1/1 | 3/3 |
| NG Kay Kwok | 5/7 | 1/1 | 2/2 | 1/1 | 1/1 | 1/3 |
| CHIU Kung Chik (Note 6) | N/A | N/A | N/A | N/A | N/A | N/A |
| TAM B Ray Billy (Note 7) | 7/7 | 1/1 | 2/2 | 1/1 | 1/1 | 1/1 |

*Notes:*

1. Mr. XIE Zhichun was appointed as an executive Director, the Chairman of the Board and a member of the Remuneration Committee on 6 January 2017. He was further appointed as the chairman of the Nomination Committee on 20 March 2017. No Board, Remuneration Committee or Nomination Committee meeting was held whereas one general meeting was held after Mr. Xie's appointment.

2. Ms. FU Wan Sheung was appointed as an executive Director on 8 July 2016. Five Board meetings and four general meetings were held after Ms. Fu's appointment. She was a member of the Nomination Committee from 8 July 2016 to 20 March 2017, during which no Nomination Committee meeting was held.

3. Mr. WONG Kam Choi MH has resigned as an executive Director, the Chairman of the Board and a member of the Remuneration Committee on 6 January 2017. Seven Board meetings, one Remuneration Committee meeting and three general meetings were held prior to his resignation.

# CORPORATE GOVERNANCE REPORT

4. Mr. NG Cheuk Fan Keith has resigned as an executive Director, the Managing Director of the Company and a member of the Nomination Committee on 8 July 2016. One Board meeting and one Nomination Committee meeting were held whereas no general meeting was held prior to his resignation.

5. Mr. XIA Yingyan has resigned as an executive Director on 6 July 2016. One Board meeting and no general meeting was held prior to his resignation.

6. Mr. CHIU Kung Chik was appointed as an independent non-executive Director, the chairman of the Remuneration Committee and a member of the Audit and Nomination Committees on 20 March 2017. No Board, Remuneration Committee, Audit Committee, Nomination Committee or general meeting was held after Mr. Chiu's appointment.

7. Mr. TAM B Ray Billy has resigned as an independent non-executive Director, a member of the Audit Committee and the chairman of the Remuneration and Nomination Committees on 21 December 2016. Seven Board meetings, one Remuneration Committee meeting, two Audit Committee meetings, one Nomination Committee meeting and two general meetings were held prior to his resignation.

Following the resignation of Mr. TAM B Ray Billy on 21 December 2016, the Company failed to have sufficient number of independent non-executive Directors as required under Rule 3.10(1) and Rule 3.10A of the Listing Rules. The Company was in full compliance with the aforesaid rules upon the appointment of Mr. CHIU Kung Chik as independent non-executive Director on 20 March 2017. Save as foresaid, throughout the year ended 31 March 2017, the Company has three independent non-executive Directors, representing one third of the Board, whom the Company considers to have appropriate professional qualifications or accounting or related financial management experience and qualifications to carry out their duties.

The Company has received from each of its independent non-executive Directors an annual confirmation of independence as required under Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent.

The biographical details of all existing Directors are set out in the section headed "Biographical Details of Directors" of this Annual Report. None of the Director has any relationship (including financial, business, family or other material/relevant relationship(s)) between the Board members.

## Operation of the Board

The Board is provided with relevant information concerning matters to be brought for its decision. At least 14 days notice is given to the Directors before each Board meeting. Board papers are dispatched to the Directors at least 3 days before the meeting.

Directors have to declare their interests before the meeting in accordance with the Articles of Association. Directors who are considered to have a conflict of interest or material interests in the proposed transactions or issues to be discussed are not counted in the quorum of meeting and are required to abstain from voting on the relevant resolutions.

The company secretary of the Company ("**Company Secretary**") maintains the minutes of the Board meetings for inspection by Directors.

# CORPORATE GOVERNANCE REPORT

There is a clear division of responsibilities between the Board and the management of the Company (the "**Management**"). Decisions on important matters are reserved to the Board while decisions on the Group's general operations are delegated to the Management. Important matters including but not limited to major acquisitions and disposals, annual budgets, approval of annual and interim results, other significant operational and financial matters and those affecting the Group's strategic policies.

The Company has established a policy on handling the confidential and inside information, and securities dealing for all employees of the Group to comply with when they are in possession of confidential or unpublished inside information in relation to the Group. A revised policy on handling the confidential information, inside information, information disclosure and securities dealing has been adopted by the Company to comply with the requirements set out in Part XIVA of the SFO effective from 1 January 2013.

## Director induction and continuous professional development

Newly appointed Directors are provided with briefings and orientation on their legal and other responsibilities as a Director and the role of the Board.

Information package comprising the latest development in laws, rules and regulations relating to the duties and responsibilities of Directors will be forwarded to each Director from time to time for his/her information and reference. "A Guide on Directors' Duties" published by the Companies Registry of Hong Kong, and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" published by The Hong Kong Institute of Directors have also been forwarded to each Director for his/her information and reference.

In addition, the Company has also from time to time provided information and briefings to Directors on the latest development of the laws, rules and regulations relating to Directors' duties and responsibilities. The Company had, on an individual basis, advised Directors on queries raised or issues which arise in the performance of their duties as Directors.

During the year under review, one in-house seminar on Listing Rules updates in relation to the "Consultation Conclusion on ESG reporting & Risk Management and Internal Control" was provided by the Company to its Directors. Certain Directors have also participated in other continuous professional training organised by professional bodies and/or government authorities and had provided to the Company their records of continuous professional development. Such training records were maintained by the Company Secretary.

The Directors' knowledge and skills are continuously developed and refreshed by the following means:

(1) Participation in in-house seminars and/or briefings provided by the Company relating to the updates on legal and regulatory, corporate governance requirements and industry-related issues;

(2) Participation in the continuous professional training seminars/conferences/courses/workshops organised by other professional bodies and/or government authorities on topics relating to directors' duties, corporate governance and/or disclosure requirement updates, etc.; and

(3) Reading materials relating to the latest development in laws, rules and regulations in relation to the directors' duties and responsibilities, corporate governance and finance industry.

# CORPORATE GOVERNANCE REPORT

According to the records of training maintained by the Company Secretary, during the year under review, all the Directors participated in continuous professional development and the relevant details are set out below:

| Members of the Board | Training received |
|---|---|
| **Executive Directors** | |
| XIE Zhichun *(appointed on 6 January 2017)* | (3) |
| HON Chun Yu | (3) |
| FU Wan Sheung *(appointed on 8 July 2016)* | (3) |
| WONG Kam Choi MH *(resigned on 6 January 2017)* | (3) |
| NG Cheuk Fan Keith *(resigned on 8 July 2016)* | (1) |
| XIA Yingyan *(resigned on 6 July 2016)* | (1) |
| **Non-executive Directors** | |
| TANG Baoqi | (1) & (3) |
| WU Ling | (1) & (3) |
| **Independent non-executive Directors** | |
| CHAN Kin Sang | (2) & (3) |
| NG Kay Kwok | (3) |
| CHIU Kung Chik *(appointed on 20 March 2017)* | (3) |
| TAM B Ray Billy *(resigned on 21 December 2016)* | (1), (2) & (3) |

## LIABILITY INSURANCE FOR THE DIRECTORS

The Company has arranged for appropriate insurance cover in respect of possible legal actions against its Directors and officers.

## CHAIRMAN AND CHIEF EXECUTIVE

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.

The Company does not have the position of "chief executive". In the past, the duty of this role was assumed by the managing Director of the Company (the "**Managing Director**"). Subsequent to the resignation of Mr. NG Cheuk Fan Keith as the Managing Director on 8 July 2016, such duties have been taken up by the Chairman of the Company. The Board is aware of the said deviation but considers that the current leadership structure facilitates the execution of the business strategies, decision-making and maximises the effectiveness of the Group's operations. The Board also considers that such arrangement would not impair the balance of power and authority as general management decisions will be made collectively by the Company's executive Directors whereas significant decisions would be decided by the Board which meets regularly and on ad hoc basis to review the operation of the Group. Notwithstanding this, the Board will review its leadership structure from time to time and further amendment may be made should it considers appropriate or necessary to do so.

# CORPORATE GOVERNANCE REPORT

## NON-EXECUTIVE DIRECTORS

Each of the non-executive Directors and independent non-executive Directors has entered into letters of appointment with the Company for a term of one year and all are subject to retirement by rotation pursuant to the Articles of Association.

## BOARD COMMITTEES

The terms of reference of all board committees are disclosed in full on both the websites of the Company and the Stock Exchange.

### Remuneration Committee

The Remuneration Committee was established in October 2005. The Remuneration Committee currently comprises two independent non-executive Directors, namely Mr. CHIU Kung Chik (appointed as chairman of the Remuneration Committee on 20 March 2017) and Mr. NG Kay Kwok, and one executive Director, namely Mr. XIE Zhichun (Chairman of the Company). The terms of reference of the Remuneration Committee was revised with effect from 29 February 2012 and are aligned with the provisions set out in the CG Code. The main duties of the Remuneration Committee are as follows:

(a) to make recommendations to the Board on the Company's policy and structure for all Directors and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(c) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(d) to make recommendations to the Board on the remuneration of non-executive Directors;

(e) to consider salaries paid by comparable companies, time commitment and responsibility and employment conditions elsewhere in the Group;

(f) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive for the Company;

(g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and

(h) to ensure that no Director or any of his associates is involved in deciding his own remuneration.

## CORPORATE GOVERNANCE REPORT

During the year under review, the Remuneration Committee held one meeting, together with by means of written resolutions, to discuss and deal with the following major matters:

– to review the remuneration package of all Directors and senior management; and

– to recommend the remuneration package of the newly appointed Directors to the Board for approval.

### Nomination Committee

The Nomination Committee was established in December 2007. The Nomination Committee currently comprises one executive Director, namely Mr. XIE Zhichun (who was appointed as chairman of the Nomination Committee on 20 March 2017) and two independent non-executive Directors, namely Mr. NG Kay Kwok and Mr. CHIU Kung Chik (appointed on 20 March 2017). It adopts the recommended terms of reference set out in the CG Code and was revised on 29 February 2012.

Code Provision A.5.1 of the CG Code states that Issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive Director and comprises a majority of independent non-executive Directors.

Following the resignation of Mr. TAM B Ray Billy as an independent non-executive Director and, inter alia, the chairman of the Nomination Committee on 21 December 2016, the Nomination Committee failed to have a chairman until 20 March 2017 on which Mr. XIE Zhichun, the Chairman of the Board, was appointed as the chairman of the Nomination Committee.

The main duties of the Nomination Committee are as follows:

(a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become members of the Board and may select individuals nominated for directorship;

(c) to assess the independence of the independent non-executive Directors; and

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the chairman and the chief executive.

The Nomination Committee identifies and nominates qualified individual to the Board for consideration. All newly appointed Directors are subject to re-election by the Shareholders at the AGM or at the next following general meeting of the Company immediately following his or her appointment pursuant to the Articles of Association. In considering the new appointment or re-nomination of Directors, the Nomination Committee will focus their decisions based on attributes such as integrity, industry experience and professional and technical skills together with the ability to contribute time and afford to carry out their duties effectively and responsibly.

# CORPORATE GOVERNANCE REPORT

During the year under review, the Nomination Committee held one meeting, together with by means of written resolutions, to discharge the above-mentioned duties.

### *Board Diversity Policy*

The Company recognises and embraces the benefits of diversity of its Board members. It had adopted a Board Diversity Policy (the "**Policy**") in August 2013. All Board appointments will be based on meritocracy and competence. The ultimate decision will be based on merits and contributions that the selected candidates will bring to the Board.

In order to achieve a diversity of perspectives amongst the structure, size and composition of the Board, when making the recommendation to the Board for appointment or re-appointment of Directors, the Nomination Committee will take into account certain objective criteria such as gender, age, cultural and educational background, ethnicity, professional experience, skills and knowledge, and length of service, etc. Besides, it will also take into account factors based on the Company's business model and specific needs from time to time.

In addition, the Nomination Committee will from time to time review the Policy, as appropriate, to ensure its continued effectiveness. It will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

## Audit Committee

The Audit Committee was established in April 2001 and currently comprises three independent non-executive Directors, namely, Mr. NG Kay Kwok (chairman of the Audit Committee), Mr. CHAN Kin Sang and Mr. CHIU Kung Chik (appointed on 20 March 2017). The terms of reference of the Audit Committee were revised on 30 December 2015 and are aligned with the provisions set out in the CG Code. The main duties of the Audit Committee are as follows:

### *Relationship with the Company's auditor*

(a) to be primarily responsible for making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(c) to discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences;

(d) to develop and implement policy on engaging of an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

# CORPORATE GOVERNANCE REPORT

*Review of the Company's financial information*

(e) to monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them;

(f) in reviewing these reports mentioned in paragraph (e) before submission to the Board, focusing particularly on:

  (i) any changes in accounting policies and practices;

  (ii) major judgmental areas;

  (iii) significant adjustments resulting from the audit;

  (iv) the going concern assumptions and any qualifications;

  (v) compliance with accounting standards; and

  (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;

(g) regarding (e) and (f) above:

  (i) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's auditor; and

  (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditor;

*Oversight of the Company's financial reporting system, risk management and internal control systems*

(h) to review the Company's financial controls, and unless expressly addressed by a separate Board's risk committee, or by the Board itself, to review the Company's risk management and internal control systems;

(i) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;

(j) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

## CORPORATE GOVERNANCE REPORT

(k) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(l) to review the Group's financial and accounting policies and practices;

(m) to review the external auditor's management letter, any material queries raised by the auditor to management about accounting records, financial accounts or systems of control and management's response;

(n) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(o) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, risk management, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(p) to act as the key representative body for overseeing the Company's relations with the external auditor;

(q) to report to the Board on the matters set out above; and

(r) to consider other matters, as defined or assigned by the Board from time to time.

During the year under review, the Audit Committee held two meetings to consider and approve, inter alia, the following matters:

(a) to review the half-year and annual financial statements before submission to the Board, with a focus on compliance with accounting standards, the Listing Rules and other requirements in relation to financial reporting of the Audit Committee;

(b) to discuss the effectiveness of the internal controls system throughout the Group, including financial, operational and compliance controls, and risk management;

(c) to review the accounting principles and practices adopted by the Group and other financial reporting matters; and

(d) to recommend to the Board for re-appointment of Grant Thornton as auditor of the Group for the ensuing year and to approve the remuneration and terms of engagement of Grant Thornton.

# CORPORATE GOVERNANCE REPORT

### Corporate Governance functions

The Board is responsible for performing the following corporate governance duties:

(i) to develop and review the Company's policies and practices on corporate governance;

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

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

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

(v) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

During the year ended 31 March 2017, the Board has duly discharged the above-mentioned duties.

## AUDITOR'S REMUNERATION

For the year ended 31 March 2017, the auditor's remuneration paid or payable by the Group to Grant Thornton in respect of the audit and other non-audit services were as follows:

| | HK$ |
|---|---|
| Audit services | 962,100 |
| Non-audit services | |
| – other professional services | nil |

### Auditor's responsibilities for financial statements

The reporting responsibilities of the Grant Thornton to the Shareholders are set out in the Independent Auditor's Report on pages 52 and 57.

## DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements for the financial year ended 31 March 2017 which give a true and fair view of the affairs of the Group and of the Group's results and cash flow and in compliance with relevant laws and disclosure provisions of the Listing Rules. In preparing the consolidated financial statements for the year ended 31 March 2017, the Directors have selected appropriate accounting policies and applied them consistently; made prudent and reasonable judgments and estimates; and have prepared the financial statements on a going concern basis.

# CORPORATE GOVERNANCE REPORT

## COMPANY SECRETARY

Ms. WONG Miu Ying, Vivian, who is a full time employee of the Company, was appointed as the Company Secretary on 21 December 2016. Ms. Wong confirmed that she has taken no less than 15 hours of the relevant professional training during the year under review in compliance with Rule 3.29 of the Listing Rules.

## SHAREHOLDERS' RIGHTS

The Board gives high priority to balanced, clear, and transparent communications which allow Shareholders and investors to understand the Group's prospects and the market environment in which it operates. The Company communicates with Shareholders and investors in different ways to ensure that their views and concerns are understood and addressed in a constructive way.

In March 2012, the Board has established a Shareholders communication policy and a Shareholders' guide are in place to ensure that Shareholders are provided with ready, equal, and timely access to balanced and understandable information about the Group. The policy is regularly reviewed to ensure its effectiveness and is posted on the Company's website.

The Company's website has become the primary platform of communication between the Company and the Shareholders. The investor relations section of the website is kept under regular review by the Company to ensure that information related to Shareholders is disseminated in an accurate and timely manner.

The particulars of Shareholders' rights relating to, inter alia, putting forward proposals at Shareholders' meetings, convening of extraordinary general meetings and making enquiries to the Group are as follows:

### Proposing a candidate for election as a Director at the general meetings of the Company

Pursuant to Article 120 of the Articles of Association, no person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director, signed by a Shareholder (other than the person to be proposed for election as a Director) duly qualified to attend and vote at the meeting for which such notice is given, and a notice in writing signed by that person of his willingness to be elected shall have been lodged at the registration office. The minimum length of the period during which such notices are given shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and ending no later than seven days prior to the date of such general meeting.

To include a resolution relating to other matters in a general meeting, Shareholders are requested to follow the requirements and procedures as set out in the investor relations section of the Company's website.

# CORPORATE GOVERNANCE REPORT

### Convening of extraordinary general meeting of the Company

Pursuant to Article 72 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

### Enquiries to the Board

The Board is grateful to Shareholders and other stakeholders for their views, and welcomes their questions and concerns raised in relation to the management and governance of the Group.

Shareholders and other stakeholders may at any time send their enquiries and concerns to the Board by addressing them to Company Secretary by post to the Company at 35/F., Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong or by email to info@290.com.hk

## INVESTOR RELATIONS

### Constitutional Documents

The Company's Memorandum and Articles of Association (in both English and Chinese) is available on both the websites of the Company and the Stock Exchange. During the year under review, there is no change to the Company's Memorandum and Articles of Association.

# CORPORATE GOVERNANCE REPORT

## RISK MANAGEMENT AND INTERNAL CONTROL

### Goals and Objectives

The Board acknowledges that they are responsible for safeguarding the clients' investment and the Group's assets as well as for achieving the objectives of the Group. Therefore, the Board is committed to maintain a sound risk management and internal control systems and review their effectiveness on an ongoing basis.

Such risk management and internal control systems are designed for managing risks rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

As a routine procedure and part of the risk management and internal control systems, executive Directors and the senior management would meet on a regular basis to review the financial and operating performance of each department, so as to identify, evaluate and manage the significant risks of the Group.

Risk management policy was prepared and is subjected to the approval of the Board. Such policy formalises the risk management of the Group, to build up a standard and effective risk management system, improve the ability of risk handling, so as to ensure the Group is operating in a safety and steady environment, the operation management level could be increased and the Group's operational strategy and target could be achieved. Therefore, the Board believes that the policy would further enhance the risk management and internal control system of the Group in future, by tackling the risks of the Group in a systematic way.

The Board has delegated its responsibilities (with relevant authorities) of risk management and internal control to the Audit Committee. The Audit Committee (on behalf of the Board) oversees the management in the design, implementation and monitoring of the risk management and internal control systems for the year ended 31 March 2017.

The Group has engaged an independent professional adviser (the "**Internal Control Adviser**") to conduct the annual review of the effectiveness of the risk management and internal control systems for the year ended 31 March 2017. The scope of review included trading of listed securities cycle, human resource and payroll cycle, cash management and treasury cycle and financial reporting cycle for the holding company and one of the operating subsidiaries. Internal Control Adviser performed interviews, reviewed the relevant documents and reported major findings and areas for improvement to the Audit Committee. All recommendations from Internal Control Adviser would be followed up closely to ensure that they are implemented within a reasonable period of time. The Group therefore considered that the Group's risk management and internal control processes are adequate to meet the needs of the Company in its current business environment and that nothing has come to its attention to cause the Board to believe the Group's risk management and internal control systems are inadequate.

# CORPORATE GOVERNANCE REPORT

### Information Disclosure Policy

To ensure timely, fair, accurate and complete disclosure of inside information and for compliance with the applicable laws and regulations, the Group has in place, as an internal control element, a serious of disclosure procedures of price sensitive information on reporting and dissemination of inside information and preservation of confidentiality. Under the policy, Company Secretary shall report to Chairman any potential/suspected inside information event as soon as practicable when it materializes for determining the nature of developments, and if required, making disclosure. All staff are also required to observe the code of ethical standards stated in Staff Handbook to keep non-public information confidential.

## COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company continues to pursue a proactive policy of promoting investor relations and communication by maintaining regular meetings with institutional Shareholders, fund managers and analysts through different means including meetings, presentations and correspondence. In an effort to enhance communications with the Shareholders and investors, the Company maintains a website (www.290.com.hk) to disseminate information relating to the latest business developments and all corporate announcements.

The AGM is a valuable forum for the Board to communicate directly with the Shareholders. An AGM circular was distributed to all Shareholders at least 20 clear business days prior to the AGM held on 24 August 2016 (the "**2016 AGM**"), setting out the details of each proposed resolution and other relevant information. Separate resolutions are proposed at the general meetings of the Company on each substantially separate issue, including the election of individual Directors. Shareholders have the opportunity to participate and vote in general meetings and are informed of the rules and voting procedures that govern the general meeting.

The 2016 AGM of the Company was held at 35/F., Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong. The Chairman of the Board and the chairmen of Board Committees, accompanied by other Directors, attended the 2016 AGM. Please refer to the table set out on page 38 for the details of attendance of the Directors at the 2016 AGM. The external auditor of the Company, Grant Thornton, attended the 2016 AGM, during which was available to answer questions raised by the Shareholders.

# INDEPENDENT AUDITOR'S REPORT

Grant Thornton
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**To the members of China Fortune Financial Group Limited**
*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of China Fortune Financial Group Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 58 to 139, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (Continued)

| The Key Audit Matter | How the matter was addressed in our audit |
|---|---|

**Impairment of loan and trade receivables**

*Refer to note 21 to the consolidated financial statements and the key sources of estimation uncertainty in note 4(b)*

At reporting date, the Group has loan and trade receivables of approximately HK$179,333,000 which represents management's best estimate of ultimate collectible amount of loan and trade receivables net of individually assessed impairment of approximately HK$12,143,000 on aggregate.

Considerable amount of judgment is required in arriving at impairment of loan and trade receivables based on, among others, aging analysis of accounts, valuation of underlying collaterals, and creditworthiness, financial conditions, past collection and any default history of customers.

We have identified impairment of loan and trade receivables as a key matter to our audit considering materiality of the balances and the extent of judgment involved.

We inquired management regarding credit policies, and evaluated the controls that management has established to oversee and keep track of loan and trade receivables.

Our audit procedures were designed to ensure sufficiency and appropriateness of impairment provisions and include below:

– on a sample basis, tested the values of collaterals including pledged securities and properties of margin financing accounts and mortgage loans respectively;

– on a sample basis, reviewed and questioned credit profiles and reports of selected customers;

– reviewed subsequent settlements after year end;

– reviewed individually impaired accounts for the rationale and indicators, and questioned the judgment leading to the impairment; and

– tested arithmetical accuracy of the provision calculation including shortfalls of margin financing accounts.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (Continued)

**The Key Audit Matter** | **How the matter was addressed in our audit**

**Fair value valuation associated with convertible bonds**

*Refer to note 26 to the consolidated financial statements and the key sources of estimation uncertainty in note 4(b)*

In the current year, the Company issued convertible bonds of an aggregate principal amount of approximately HK$462,385,000 with and without issuer redemption rights, of which approximately HK$290,696,000 at amortised cost was outstanding at reporting date.

Financial instrument valuation technique is employed in arriving the fair values of liability, equity and any derivative components of these convertible bonds at issue and at any subsequent measurement dates for derivative components.

The carrying amounts of liability, equity and any derivative components as well as the amounts recognised in profit or loss as a result of subsequent amortisation, fair value measurement and derecognition are heavily affected by these fair values derived from valuation.

We have identified fair value valuation associated with convertible bonds as a key matter to our audit considering materiality of its impact on the consolidated financial statements and the extent of judgment exercised and the significance of estimate made.

We reviewed and discussed with management regarding the Group's accounting policies relevant to convertible bonds, and ensured the proper application and interpretation of relevant accounting principles.

We obtained reports from the valuation specialist employed by the Group and assessed its qualification and reputation.

We reviewed the valuation methodology, and questioned, among other applicable models, the valuation model selected and the assumptions made.

We challenged the assumptions made and benchmarks selected in arriving at, among others, risk free rate, required interest rate, stock market volatility, dividend yield and growth rate; and reconciled inputs to these calculations against convertible bond contract terms, company data and open market data.

# INDEPENDENT AUDITOR'S REPORT

## OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises all the information in the 2017 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

# INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

# INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

**Grant Thornton Hong Kong Limited**
*Certified Public Accountants*
Level 12
28 Hennessy Road
Wanchai
Hong Kong

29 June 2017

**Kwong Kam Wing Kelvin**
Practising Certificate No.: P05373

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2017*

| | Notes | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|---|
| Revenue | 5, 6 | **49,880** | 49,207 |
| Cost of brokerage and other services | | **(11,164)** | (15,424) |
| Other income | 7 | **85,019** | 5,591 |
| Gain/(loss) on derivative component of convertible bonds | 26 | **31,564** | (1,419) |
| (Impairment)/reversal of impairment loss on loan and trade receivables | 8 | **(2,749)** | 21,165 |
| Staff costs | 10 | **(51,601)** | (40,430) |
| Other operating expenses | | **(50,516)** | (45,364) |
| Finance costs | 9 | **(25,977)** | (21,416) |
| Share of profit of associates | | **6,434** | 5,577 |
| Share of profit/(loss) of joint ventures | | **17** | (169) |
| Profit/(loss) before tax | 10 | **30,907** | (42,682) |
| Income tax expense | 11 | **–** | – |
| Profit/(loss) for the year | | **30,907** | (42,682) |
| **Other comprehensive expense** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences arising on translation of foreign operations | | **(454)** | (116) |
| Share of other comprehensive expense of associates | | **(5,395)** | (3,458) |
| Share of other comprehensive expense of joint ventures | | **(67)** | (51) |
| Exchange differences reclassified to profit or loss upon disposal of a joint venture | | **(194)** | – |
| | | **(6,110)** | (3,625) |
| **Total comprehensive income/(expense) for the year** | | **24,797** | (46,307) |

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2017*

| | Note | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| Profit/(loss) for the year attributable to: | | | |
| Owners of the Company | | **30,907** | (42,301) |
| Non-controlling interests | | **–** | (381) |
| | | **30,907** | (42,682) |
| Total comprehensive income/(expense) for the year attributable to: | | | |
| Owners of the Company | | **24,797** | (45,963) |
| Non-controlling interests | | **–** | (344) |
| | | **24,797** | (46,307) |
| | | **HK cents** | HK cents |
| Profit/(loss) per share | | | |
| Basic | 14 | **0.85** | (1.24) |
| Diluted | 14 | **0.84** | (1.24) |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2017*

| | Notes | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Property and equipment | 15 | **3,669** | 2,637 |
| Goodwill | 16 | **3,994** | 3,994 |
| Loan receivables | 21 | **7,494** | 5,502 |
| Other non-current assets | 17 | **6,840** | 6,885 |
| Interests in associates | 18 | **83,148** | 88,887 |
| Interests in joint ventures | 19 | **1,086** | 1,135 |
| | | **106,231** | 109,040 |
| Current assets | | | |
| Investments held for trading | 20 | **109,298** | 19,723 |
| Loan and trade receivables | 21 | **171,839** | 140,872 |
| Other receivables, deposits and prepayments | 22 | **14,380** | 6,528 |
| Bank balances and cash-trust | 23(a) | **115,097** | 135,215 |
| Bank balances and cash-general | 23(b) | **471,990** | 46,757 |
| | | **882,604** | 349,095 |
| Current liabilities | | | |
| Trade payables, other payables and accruals | 24 | **125,079** | 221,414 |
| Loan payable | 25 | **130,404** | – |
| Corporate bonds | 27 | **3,944** | 10,772 |
| Tax payable | | **720** | 720 |
| | | **260,147** | 232,906 |
| Net current assets | | **622,457** | 116,189 |
| Total assets less current liabilities | | **728,688** | 225,229 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2017*

| | Notes | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|---|
| Non-current liabilities | | | |
| Convertible bonds | 26 | **290,696** | – |
| Corporate bonds | 27 | **160,326** | 117,689 |
| | | **451,022** | 117,689 |
| Net assets | | **277,666** | 107,540 |
| Capital and reserves | | | |
| Share capital | 28 | **40,367** | 341,839 |
| Reserves | | **237,299** | (233,174) |
| Equity attributable to owners of the Company | | **277,666** | 108,665 |
| Non-controlling interests | | **–** | (1,125) |
| Total equity | | **277,666** | 107,540 |

**XIE Zhichun**
*Chairman*

**LIU Yinan**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 March 2017*

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium HK$'000 | Translation reserve HK$'000 | Convertible bond reserves HK$'000 (note 26) | Special reserve HK$'000 (note 29(a)) | Capital reserve HK$'000 (note 29(b)) | Other reserve HK$'000 (note 29(c)) | Accumulated losses HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| At 1 April 2015 | 341,839 | 431,725 | 1,591 | 11,240 | 13,524 | 1,863 | (2,315) | (644,839) | 154,628 | (781) | 153,847 |
| Loss for the year | – | – | – | – | – | – | – | (42,301) | (42,301) | (381) | (42,682) |
| Other comprehensive expense for the year: | | | | | | | | | | | |
| Exchange differences arising on translation of foreign operations | – | – | (153) | – | – | – | – | – | (153) | 37 | (116) |
| Share of other comprehensive expense of associates | – | – | (3,458) | – | – | – | – | – | (3,458) | – | (3,458) |
| Share of other comprehensive expense of joint ventures | – | – | (51) | – | – | – | – | – | (51) | – | (51) |
| Total comprehensive expense for the year | – | – | (3,662) | – | – | – | – | (42,301) | (45,963) | (344) | (46,307) |
| Lapse of conversion option of convertible bonds (note 26) | – | – | – | (11,240) | – | – | – | 11,240 | – | – | – |
| At 31 March 2016 | 341,839 | 431,725 | (2,071) | – | 13,524 | 1,863 | (2,315) | (675,900) | 108,665 | (1,125) | 107,540 |
| **At 1 April 2016** | **341,839** | **431,725** | **(2,071)** | **-** | **13,524** | **1,863** | **(2,315)** | **(675,900)** | **108,665** | **(1,125)** | **107,540** |
| Profit for the year | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **30,907** | **30,907** | **-** | **30,907** |
| Other comprehensive expense for the year: | | | | | | | | | | | |
| Exchange differences arising on translation of foreign operations | **-** | **-** | **(454)** | **-** | **-** | **-** | **-** | **-** | **(454)** | **-** | **(454)** |
| Share of other comprehensive expense of associates | **-** | **-** | **(5,395)** | **-** | **-** | **-** | **-** | **-** | **(5,395)** | **-** | **(5,395)** |
| Share of other comprehensive expense of joint ventures | **-** | **-** | **(67)** | **-** | **-** | **-** | **-** | **-** | **(67)** | **-** | **(67)** |
| Exchange differences reclassified to profit or loss upon disposal of a joint venture | **-** | **-** | **(194)** | **-** | **-** | **-** | **-** | **-** | **(194)** | **-** | **(194)** |
| Total comprehensive income for the year | **-** | **-** | **(6,110)** | **-** | **-** | **-** | **-** | **30,907** | **24,797** | **-** | **24,797** |
| Additional holding in a subsidiary | **-** | **-** | **-** | **-** | **-** | **-** | **(1,125)** | **-** | **(1,125)** | **1,125** | **-** |
| Issue of convertible bonds (note 26) | **-** | **-** | **-** | **151,433** | **-** | **-** | **-** | **-** | **151,433** | **-** | **151,433** |
| Issue of shares for convertible bonds exercised (note 26) | **61,834** | **(16,008)** | **-** | **(51,930)** | **-** | **-** | **-** | **-** | **(6,104)** | **-** | **(6,104)** |
| Capital reduction (note 28(a)) | **(363,306)** | **-** | **-** | **-** | **-** | **-** | **-** | **363,306** | **-** | **-** | **-** |
| At 31 March 2017 | **40,367** | **415,717** | **(8,181)** | **99,503** | **13,524** | **1,863** | **(3,440)** | **(281,687)** | **277,666** | **-** | **277,666** |

# CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31 March 2017*

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit/(loss) before tax | | **30,907** | (42,682) |
| Adjustments for: | | | |
| Bad debt written off on trade and other receivables | | **5,592** | - |
| (Gain)/loss on derivative component of convertible bonds | 26 | **(31,564)** | 1,419 |
| Depreciation | 15 | **1,433** | 1,777 |
| Dividend income | | **(157)** | (105) |
| Finance costs | 9 | **25,977** | 21,416 |
| Gain on disposal of property and equipment | | **(125)** | (200) |
| Gain on disposal of subsidiaries | 30(a) | **(395)** | – |
| Interest income | | **(51)** | (111) |
| Impairment/(reversal) of impairment loss on loan and trade receivables | 8 | **2,749** | (21,165) |
| Loss on disposal of an associate | 30(b) | **1,361** | 168 |
| Net gains on trading of listed securities | | **(10,474)** | (2,905) |
| Gain on disposal of a joint venture | 30(c) | **(73,000)** | – |
| Share of profits of associates | | **(6,434)** | (5,577) |
| Share of (profit)/loss of joint ventures | | **(17)** | 169 |
| Translation reserve reclassified to profit or loss upon disposal of a joint venture | | **(194)** | – |
| Operating cash flow before movements in working capital | | **(54,392)** | (47,796) |
| Decrease/(increase) in other non-current assets | | **45** | (45) |
| Decrease in investments held for trading | | **3,364** | 4,126 |
| Decrease/(increase) in loan receivables | | **1,118** | (17,081) |
| Decrease in factoring receivables | | **2,210** | 1,186 |
| (Increase)/decrease in trade receivables | | **(39,224)** | 47,772 |
| (Increase)/decrease in other receivables, deposits and prepayments | | **(8,073)** | 1,208 |
| Decrease/(increase) in bank balances and cash – trust | | **20,118** | (27,583) |
| (Decrease)/increase in trade payables, other payables and accruals | | **(101,518)** | 713 |
| Dividend income received | | **157** | 105 |
| **NET CASH USED IN OPERATING ACTIVITIES** | | **(176,195)** | (37,395) |

## CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31 March 2017*

| | Notes | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|---|
| **INVESTING ACTIVITIES** | | | |
| Purchases of property and equipment | 15 | **(2,465)** | (1,528) |
| Purchases of investments held for trading | | **(101,315)** | – |
| Proceeds from disposal of investments held for trading | | **18,850** | – |
| Interest received | | **51** | 111 |
| Proceeds on disposal of property and equipment | | **125** | 340 |
| Proceeds from disposal of an associate | 30(b) | **1,218** | 200 |
| Proceeds from disposal of subsidiaries | 30(a) | **4,852** | – |
| Proceeds from disposal of a joint venture | 30(c) | **73,000** | – |
| Dividend income received from an associate | | **–** | 1,340 |
| **NET CASH (USED IN)/FROM INVESTING ACTIVITIES** | | **(5,684)** | 463 |
| **FINANCING ACTIVITIES** | | | |
| Proceeds from issue of convertible bonds | | **462,385** | – |
| Proceeds from issue of corporate bonds | 27 | **47,000** | 19,000 |
| Costs of issue of corporate bonds | | **(6,770)** | (3,772) |
| Repayments on corporate bonds | | **(11,000)** | – |
| Proceed from a loan | 25 | **130,000** | – |
| Interest paid | | **(14,049)** | (10,858) |
| **NET CASH FROM FINANCING ACTIVITIES** | | **607,566** | 4,370 |
| **NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS** | | **425,687** | (32,562) |
| Effect of foreign currency translation | | **(454)** | (116) |
| **CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR** | | **46,757** | 79,435 |
| **CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR,** represented by bank balances and cash – general | 23(b) | **471,990** | 46,757 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 1. GENERAL

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 disclosed in the corporate information section of this annual report.

The principal activities of the Group are securities 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.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**").

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 3.

The consolidated financial statements have been prepared on the historical cost basis except for:

– financial instruments classified as at fair value through profit or loss, and

– derivative financial instruments

which are stated at fair values. Non-current assets are stated the lower of carrying amount and fair value less costs to sell. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgment of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 March each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Basis of consolidation (Continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to retained earnings). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

### 2.3 Associates and joint ventures

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions relating about relevant activities require the unanimous consent of the parties sharing control.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 Associates and joint ventures (Continued)

In consolidated financial statements, an investment in an associate or a joint venture is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate or joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in the associate or joint venture is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate or joint venture's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the year includes the Group's share of the post-acquisition, post-tax results of the associate or joint venture for the year, including any impairment loss on the investment in associate or joint venture recognised for the year. The Group's other comprehensive income for the year includes its share of the associate or joint venture's other comprehensive income for the year.

Unrealised gains on transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the associates or joint venture. Where unrealised losses on assets sales between the Group and its associate or joint venture are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate or joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate or joint venture's accounting policies to those of the Group when the associate or joint venture's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. For this purpose, the Group's interest in the associate or joint venture is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or joint venture.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.3 Associates and joint ventures (Continued)

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates or joint venture. At each reporting date, the Group determines whether there is any objective evidence that the investment in associate or joint venture is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (higher of value in use and fair value less costs of disposal) of the associate or joint venture and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including cash flows arising from the operations of the associate or joint venture and the proceeds on ultimate disposal of the investment.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate or joint control over a joint venture. If the retained interest in that former associate or joint venture is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between (i) the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in the profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would have been required if the associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.4 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of a subsidiary. Accounting for goodwill arising on acquisition of investment in an associate or a joint venture is set out in note 2.3.

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units ("**CGUs**") and is tested annually for impairment (note 2.20).

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

### 2.5 Derivative financial instruments

Derivative financial instruments, in individual contracts or separated from hybrid financial instruments, are initially recognised at fair value on the date the derivative contract is entered into and subsequently remeasured at fair value. Derivatives that are not designated as hedging instruments are accounted for as financial assets or financial liabilities at fair value through profit or loss. Gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

### 2.6 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.7 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for services rendered in the normal course of business. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Commission income for brokerage business of securities and futures dealing are recognised on a trade date basis when the services are provided.

Commission income from factoring services is recognised when the relevant arrangement commences.

Insurance brokerage, commission income, consultancy service income, underwriting commission income, placing commission income, securities handling fee income, advisory and other corporate finance service income are recognised when the services are provided.

Realised fair value gains or losses on securities trading are recognised on a trade date basis whilst unrealised fair value gains or losses are recognised on change in fair value at the end of the Reporting Year.

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

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.8 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

*Operating lease charges as the lessee*

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to the income statement on a straight line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

### 2.9 Foreign currency translation

The consolidated financial statements are presented in Hong Kong Dollars (HK$), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Hong Kong dollars. Assets and liabilities have been translated into Hong Kong dollars at the closing rates at the reporting date. Income and expenses have been converted into the Hong Kong dollars at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.9 Foreign currency translation (Continued)

On the disposal of a foreign operation (i.e., a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a joint venture that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

### 2.10 Borrowing costs

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

### 2.11 Employee benefits

***Retirement benefits***

Retirement benefits to employees are provided through defined contribution plans.

The Group participates in defined contribution retirement benefit plans under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentages of its payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

***Short-term employee benefits***

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.12 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.12 Accounting for income taxes (Continued)

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

   (i) the same taxable entity; or

   (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.13 Property and equipment

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

Depreciation on other assets is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

| | |
|---|---|
| Leasehold improvements | Over the lease term |
| Furniture and fixtures | 25% per annum |
| Office equipments | 25% per annum |
| Motor vehicles | 25% per annum |

The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

### 2.14 Club membership debentures and regulatory deposits

The club membership debentures and regulatory deposits are stated at cost less subsequent accumulated impairment losses, if any.

### 2.15 Intangible assets (other than goodwill)

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets, with indefinite useful lives, are tested for impairment as described below in note 2.20.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.16 Cash and cash equivalents

Cash and cash equivalents include cash at bank – general and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash as defined above.

### 2.17 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries, associates and joint ventures are set out below.

Financial assets are classified into the following categories:

– financial assets at fair value through profit or loss

– loans and receivables

– available-for-sale financial assets

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.17 Financial assets (Continued)

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

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

Financial assets at fair value through profit or loss include:

- Financial assets held for trading; and

- Financial assets designated upon initial recognition as at fair value through profit or loss

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term, or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or financial guarantee contracts.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial asset at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial assets may be designated at initial recognition as at fair value through profit or loss if the following criteria are met:

– the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or

– the assets are part of a Group of financial assets which are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management strategy and information about the Group of financial assets is provided internally on that basis to the key management personnel; or

– the financial asset contains an embedded derivative that would need to be separately recorded.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.17 Financial assets (Continued)

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

Subsequent to initial recognition, the financial assets included in this category are measured at fair value with changes in fair value recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists. Fair value gain or loss does not include any dividend or interest earned on these financial assets. Dividend and interest income is recognised in accordance with the Group's policies in note 2.7 to these consolidated financial statements.

The Group has designated its listed convertible debt securities at fair value through profit or loss in order to avoid the need to recognise separately embedded derivatives which were not closely related to the host debt contract.

#### *ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

#### *iii) Available-for-sale financial assets*

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets.

For available-for-sale investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at each reporting date subsequent to initial recognition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.17 Financial assets (Continued)

#### *Impairment of financial assets*

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

– Significant financial difficulty of the debtor;

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

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

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

– The disappearance of an active market for that financial asset because of financial difficulties; and

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

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.17 Financial assets (Continued)

***Impairment of financial assets*** (Continued)

If any such evidence exists, the impairment loss is measured and recognised as follows:

i) Financial assets carried at amortised cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

ii) Financial assets carried at cost
For financial assets carried at cost (including available-for-sale financial assets carried at costs), the amount of impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of the impairment losses is recognised in profit or loss of the period in which the impairment occurs and not reversed in subsequent periods.

Impairment losses on financial assets other than financial assets at fair value through profit or loss and trade receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade receivables is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

Impairment losses recognised in an interim period in respect of available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of an annual period, or in a subsequent period, the increase is recognised in other comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.18 Financial liabilities

The Group's financial liabilities includes trade payables, other payables and accruals, loan payable, corporate bonds and convertible bonds. They are included in line items in the statement of financial position as borrowings under current or non-current liabilities or trade and other payables.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised in accordance with the Group's accounting policy for borrowing costs (note 2.10).

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

#### *Borrowings*

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

#### *Convertible bond*

Convertible bonds that can be converted to equity share capital at the option of the holder, where the number of shares that would be issued on conversion and the value of the consideration that would be received at that time do not vary, are accounted for as compound financial instruments which contain both a liability component and an equity component.

Convertible bonds issued by the Group that contain both financial liability and equity components are classified separately into respective liability and equity components on initial recognition. On initial recognition, the fair value of the liability component is determined using the prevailing market interest rate for similar non-convertible debts. The difference between the proceeds of the issue of the convertible bond and the fair value assigned to the liability component, representing the call option for conversion of the bond into equity, is included in equity as convertible bond reserve.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.18 Financial liabilities (Continued)

***Convertible bond*** (Continued)

The liability component is subsequently carried at amortised cost using the effective interest method. The equity component will remain in equity until conversion or redemption of the bond.

When the bond is converted, the equity component of convertible bond and the carrying value of the liability component at the time of conversion are transferred to share capital as consideration for the shares issued. If the bond is redeemed, the convertible bond reserve is released directly to retained profits.

***Trade and other payables***

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

***Offsetting financial instruments***

Financial assets and liabilities of the Group are offset and the net amount reported in the consolidated statement of financial position when, and only when, there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

### 2.19 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.19 Provisions and contingent liabilities (Continued)

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After the initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be recognised in a comparable provision as described above. Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed as per above.

### 2.20 Impairment of non-financial assets

The following assets are subject to impairment testing:

- Goodwill arising on acquisition of a subsidiary;
- Other intangible assets; and
- The Company's interests in subsidiaries, associates and joint ventures

Goodwill and other intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e., a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.20 Impairment of non-financial assets (Continued)

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

### 2.21 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

- (i) has control or joint control over of the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) the party is an entity and if any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.21 Related parties (Continued)

(b) the party is an entity and if any of the following conditions applies: (Continued)

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

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

(vi) the entity is controlled or jointly controlled by a person identified in (a);

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

### 3. ADOPTION OF NEW AND AMENDED HKFRSs

In the current year, the Group has applied for the first time certain new and 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 2016.

The adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

#### 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.

- Amendments to HKFRS 2 – *Classification and Measurement of Share-based Payment Transactions* [2]
- Amendments to HKFRS 4 – *Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contract* [2]
- HKFRS 9 – *Financial Instruments* [2]
- Amendments to HKFRS 10 and HKAS 28 (2011) – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [4]
- HKFRS 15 – *Revenue from Contracts with Customers* [2]
- Amendments to HKFRS 15 – *Clarifications to HKFRS 15 Revenue from Contracts with Customers* [2]
- HKFRS 16 – *Leases* [3]
- Amendments to HKAS 7 – *Disclosure Initiative* [3]
- Amendments to HKAS 12 – *Recognition of Deferred Tax Assets for Unrealised Losses* [1]
- HKFRS 1 – *First-time Adoption of Hong Kong Financial Reporting Standards* [2]
- HKFRS 12 – *Disclosure of Interests in Other Entities*[1]
- HKAS 28 – *Investments in Associates and Joint Ventures*[2]
- HKAS 40 – *Investment Property*[2]
- Hong Kong (IFRIC)-Interpretation 22 – *Foreign Currency Transactions and Advance Consideration*[2]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 Effective for annual periods beginning on or after a date to be determined

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 3. ADOPTION OF NEW AND AMENDED HKFRSs (Continued)

### Issued but not yet effective HKFRSs (Continued)

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning 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 financial statements.

#### *HKFRS 9 Financial instruments*

HKFRS 9 *Financial Instruments* introduces extensive changes to HKAS 39's guidance on the classification and measurement of financial assets and financial liabilities, impairment requirements for financial assets and general hedge accounting.

The management has started assessing the impact of HKFRS 9 but is not yet in a position to provide quantified information. At this stage, the main areas of expected impact are as follows:

- the classification and measurement of the Group's financial assets will need to be reviewed based on the new criteria that considers the assets' contractual cash flows and the business model in which they are managed;

- an expected credit loss-based impairment (either on a twelve-month basis or a lifetime basis) will need to be recognised on the Group's loan and trade receivables and other receivables, unless classified as at fair value through profit or loss in accordance with the new criteria;

- it will no longer be possible to measure equity investments at cost less impairment and all such investments will instead be measured at fair value. Changes in fair value will be presented in profit or loss unless the Group makes an irrevocable designation to present them in other comprehensive income;

- if the Group continues to elect the fair value option for certain financial liabilities, fair value movements will be presented in other comprehensive income to the extent those changes relate to the Group's own credit risk.

HKFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 2, the Directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### a) Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the Directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

#### *Classification of joint arrangements*

Shenzhen Qianhai Fortune Financial Service Company Limited* ("**Qianhai Fortune Financial**") and Shenzhen Qianhai Fortune Equity Investment Management Co., Ltd.* ("**Qianhai Fortune Equity**") are limited liability companies whose legal form confers separation between the parties to joint arrangement and the Company. Furthermore, there is no contractual arrangement or any other facts and circumstances that indicate that the parties to the joint arrangements have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, Qianhai Fortune Financial and Qianhai Fortune Equity are classified as joint ventures of the Group.

* The English transliteration of the Chinese name in this annual report, where indicated is included for information purpose only, and should not be regarded as the official English name of such Chinese name.

### b) Key sources of estimation uncertainty

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### b) Key sources of estimation uncertainty (Continued)

#### *Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2017, the carrying amount of goodwill is approximately HK$3,994,000 (2016: HK$3,994,000). No impairment loss has been recognised as at 31 March 2017 and 2016. Details of the impairment testing on goodwill are set out in note 16.

#### *Impairment of loan and trade receivables*

The policy for impairment loss in respect of loan and trade receivables of the Group is based on the evaluation of collectability, aging analysis of accounts, the value of underlying collaterals and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of those client in default of settlement. If the financial conditions of debtors and their ability to make payment worsen, additional allowance may be required.

As at 31 March 2017, the carrying amount of trade receivables is approximately HK$144,907,000 (2016: HK$100,019,000), net of accumulated impairment losses of approximately HK$3,542,000 (2016: HK$73,205,000).

As at 31 March 2017, the carrying amount of loan receivables is approximately HK$34,426,000 (2016: HK$44,145,000), net of accumulated impairment loss of approximately HK$8,601,000 (2016: nil).

As at 31 March 2017, there is no carrying amount of factoring receivables (2016: HK$2,210,000). No impairment was recognised during the year ended 31 March 2017 (2016: net of accumulated impairment loss approximately HK$13,000).

#### *Impairment loss recognised in respect of other receivables and deposits*

The policy for impairment loss in respect of other receivables and deposits of the Group are based on the estimation of future cash flows. The amount of the impairment loss is measured at the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment losses may arise.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

### b) Key sources of estimation uncertainty (Continued)

***Impairment loss recognised in respect of other receivables and deposits*** (Continued)

As at 31 March 2017, the carrying amount of other receivables and deposits is approximately HK$6,303,000 (2016: HK$6,223,000). No impairment was recognised during the year ended 31 March 2017 (2016: nil).

***Impairment of interests in associates***

The Group determines whether the interests in associates are impaired required an estimation of the future cash flows expected to arise and the expected dividend yield from the associates in order to calculate the present value. Where the actual future cash flows are less than expected, impairment loss may arise. As at 31 March 2017, the carrying amount of interests in associates is approximately HK$83,148,000 (2016: HK$88,887,000) and no impairment loss has been recognised (2016: nil).

***Impairment of interests in joint ventures***

The Group determines whether the interests in joint ventures are impaired required an estimation of the future cash flows expected to arise and the expected dividend yield from the joint ventures in order to calculate the present value. Where the actual future cash flows are less than expected, impairment loss may arise. As at 31 March 2017, the carrying amount of interests in joint ventures is approximately HK$1,086,000 (2016: HK$1,135,000). No impairment was recognised during the year ended 31 March 2017 (2016: net of accumulated impairment losses of approximately HK$7,044,000).

***Fair value of the derivative components and liability components of convertible bonds***

The fair values of the derivative components and liability components of convertible bonds in the principal amount of approximately HK$46,181,000 and HK$357,133,000 that are not traded in an active market are estimated by the Group based on the valuation performed by an independent valuer. The fair values of the derivative components and liability components of convertible bonds are valued using Black-Scholes option pricing model and the contractual cash flows over the remaining contractual terms based on assumptions supported, where possible, by observable market prices or rates. A gain on early redemption of convertible bonds of approximately HK$31,564,000 was recognised in the consolidated income statement for the year ended 31 March 2017. No carrying amount of derivative components of convertible bonds as at 31 March 2017 due to convertible bonds converted by the holders. The carrying amount of the liability components of convertible bonds as at 31 March 2017 is approximately HK$290,696,000 (2016: nil). Further details are set out in note 26.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 5. 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 2017 and 2016 is as follows:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Dividend income | **157** | 105 |
| Income from securities brokerage business | **9,193** | 15,975 |
| Income from factoring business | **3** | 187 |
| Interest income from money lending business | **7,715** | 5,485 |
| Income from insurance brokerage business | **3,784** | 11,024 |
| Margin interest income from securities brokerage business | **13,371** | 10,106 |
| Net gains on trading of listed securities | **4,056** | 2,905 |
| Service income from corporate finance | **11,601** | 3,394 |
| Others | **–** | 26 |
| | **49,880** | 49,207 |

## 6. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purpose of resources allocation and assessment of segment performance focus is 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 6. SEGMENT INFORMATION (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2. 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 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| | **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 | **22,564** | 26,081 | **4,213** | 3,010 | **11,601** | 3,394 | **7,718** | 5,672 | **3,784** | 11,050 | **–** | – | **49,880** | 49,207 |
| Inter-segment revenue | **–** | – | **–** | – | **1,670** | 50 | **–** | – | **4,122** | 4,065 | **(5,792)** | (4,115) | **–** | – |
| | **22,564** | 26,081 | **4,213** | 3,010 | **13,271** | 3,444 | **7,718** | 5,672 | **7,906** | 15,115 | **(5,792)** | (4,115) | **49,880** | 49,207 |
| Interest income | **48** | 58 | **1** | – | **–** | – | **–** | – | **–** | – | **–** | – | **49** | 58 |
| Gain on investments held for trading | **6,454** | – | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **6,454** | – |
| Finance costs | **(48)** | (1,047) | **–** | – | **–** | – | **–** | – | **–** | – | **–** | – | **(48)** | (1,047) |
| Others | **9,815** | 23,792 | **3,840** | 2,664 | **(11,053)** | (13,956) | **(2,932)** | 13,289 | **(1,789)** | (7,958) | **–** | – | **(2,119)** | 17,831 |
| Segment profit/(loss) | **16,269** | 22,803 | **3,841** | 2,664 | **(11,053)** | (13,956) | **(2,932)** | 13,289 | **(1,789)** | (7,958) | **–** | – | **4,336** | 16,842 |
| Unallocated operating income | | | | | | | | | | | | | **607** | 1,232 |
| Unallocated operating expense | | | | | | | | | | | | | **(59,642)** | (44,576) |
| Unallocated other income, gains or losses | | | | | | | | | | | | | **73,520** | 200 |
| Gain/(loss) on derivative component of convertible bonds | | | | | | | | | | | | | **31,564** | (1,419) |
| Share of profit of associates | | | | | | | | | | | | | **6,434** | 5,577 |
| Share of profit/(loss) of joint ventures | | | | | | | | | | | | | **17** | (169) |
| Finance costs | | | | | | | | | | | | | **(25,929)** | (20,369) |
| Profit/(loss) before tax | | | | | | | | | | | | | **30,907** | (42,682) |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 6. SEGMENT INFORMATION (Continued)

### Segment assets and liabilities

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

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| **Segment assets** | | |
| Brokerage and margin financing | **419,457** | 248,053 |
| Proprietary trading | **26,489** | 24,282 |
| Corporate finance | **9,985** | 9,926 |
| Money lending and factoring | **35,699** | 53,622 |
| Consultancy and insurance brokerage | **1,715** | 2,334 |
| Total segment assets | **493,345** | 338,217 |
| Unallocated | **495,490** | 119,918 |
| **Consolidated assets** | **988,835** | 458,135 |
| **Segment liabilities** | | |
| Brokerage and margin financing | **121,038** | 139,386 |
| Proprietary trading | **136** | 149 |
| Corporate finance | **1,575** | 1,635 |
| Money lending and factoring | **53** | 1,136 |
| Consultancy and insurance brokerage | **590** | 925 |
| Total segment liabilities | **123,392** | 143,231 |
| Unallocated | **587,777** | 207,364 |
| **Consolidated liabilities** | **711,169** | 350,595 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 6. SEGMENT INFORMATION (Continued)

### Segment assets and liabilities (Continued)

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 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2017 HK$'000** | 2016 HK$'000 | **2017 HK$'000** | 2016 HK$'000 | **2017 HK$'000** | 2016 HK$'000 | **2017 HK$'000** | 2016 HK$'000 | **2017 HK$'000** | 2016 HK$'000 | **2017 HK$'000** | 2016 HK$'000 | **2017 HK$'000** | 2016 HK$'000 |
| **Amounts included in the measure of segment results or segment assets:** | | | | | | | | | | | | | | |
| Additions to non-current assets (exclude financial instruments) | **18** | 724 | **-** | – | **-** | – | **-** | – | **-** | – | **2,447** | 804 | **2,465** | 1,528 |
| Bad debt written off | **5,371** | – | **-** | – | **-** | – | **-** | – | **-** | – | **221** | – | **5,592** | – |
| Depreciation | **190** | 282 | **-** | – | **-** | 1 | **-** | – | **-** | – | **1,243** | 1,494 | **1,433** | 1,777 |
| Reversal of impairment loss recognised in respect of trade receivables | **(7,417)** | (17,532) | **-** | – | **-** | (150) | **-** | – | **-** | – | **-** | – | **(7,417)** | (17,682) |
| Reversal of impairment loss recognised in respect of loan receivable | **-** | – | **-** | – | **-** | – | **-** | (10,000) | **-** | – | **-** | – | **-** | (10,000) |
| Impairment loss recognised in respect of trade receivables | **1,565** | 5,116 | **-** | – | **-** | 1,388 | **-** | – | **-** | – | **-** | – | **1,565** | 6,504 |
| Impairment loss recognised in respect of loan receivables | **-** | – | **-** | – | **-** | – | **8,601** | – | **-** | – | **-** | – | **8,601** | – |
| Impairment loss recognised in respect of factoring receivable | **-** | – | **-** | – | **-** | – | **-** | 13 | **-** | – | **-** | – | **-** | 13 |
| Gain on disposal of property and equipment | **(125)** | (160) | **-** | – | **-** | – | **-** | – | **-** | – | **-** | (40) | **(125)** | (200) |

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 2017 and 2016.

### Information about major customers

No customer individually contribute over 10% of the Group's aggregate revenue during the year. (2016: revenue of HK$7,916,000 was derived from a customer that contributed approximately 16% to the Group's aggregate revenue for the year ended 31 March 2016).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 6. SEGMENT INFORMATION (Continued)

### 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.

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Hong Kong | **78,108** | 79,565 |
| The PRC | **20,629** | 23,973 |
| | **98,737** | 103,538 |

## 7. OTHER INCOME

| | Note | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|---|
| Handling fee income | | **3,357** | 2,416 |
| Interest income from financial institutions | | **51** | 111 |
| Gain on disposal of subsidiaries | 30(a) | **395** | – |
| Management fee income | | **190** | 1,440 |
| Gain on disposal of property and equipment | | **125** | 200 |
| Exchange gain, net | | **109** | – |
| Sundry income | | **1,144** | 1,424 |
| Gain on disposal of a joint venture | 30(c) | **73,000** | – |
| Unrealised gain on investments held for trading | | **6,454** | – |
| Translation reserve reclassified to profit or loss upon disposal of a joint venture | | **194** | – |
| | | **85,019** | 5,591 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 8. (IMPAIRMENT)/REVERSAL OF IMPAIRMENT LOSS ON LOAN AND TRADE RECEIVABLES

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| Reversal of impairment loss on trade receivables | 21(a) | **7,417** | 17,682 |
| Reversal of impairment loss on loan receivables | 21(b) | **–** | 10,000 |
| Impairment loss on trade receivables | 21(a) | **(1,565)** | (6,504) |
| Impairment loss on loan receivables | 21(b) | **(8,601)** | – |
| Impairment loss on factoring receivable | 21(c) | **–** | (13) |
| | | **(2,749)** | 21,165 |

## 9. FINANCE COSTS

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Interests on bank and other borrowings | **4,891** | 1,179 |
| Interests on corporate bonds | **15,882** | 12,047 |
| Interests on convertible bonds | **5,204** | 8,190 |
| | **25,977** | 21,416 |

## 10. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax after charging:

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| Auditor's remuneration | | **960** | 680 |
| Bad debt written off on trade and other receivables | | **5,592** | – |
| Depreciation | 15 | **1,433** | 1,777 |
| Exchange losses, net | | **–** | 17 |
| Operating lease payments | | **13,179** | 16,710 |
| Loss on disposal of an associate | 30(b) | **1,361** | 168 |
| Staff costs: | | | |
| – Directors' remunerations | 12(a) | **8,363** | 6,195 |
| – salaries and allowance | | **42,236** | 33,268 |
| – retirement benefit scheme contributions (excluding Directors) | | **1,002** | 967 |
| | | **51,601** | 40,430 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 11. INCOME TAX EXPENSE

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 (2016: nil).

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

| | **2017 HK$'000** | 2016 HK$'000 |
|---|---|---|
| Profit/(loss) before tax | **30,907** | (42,682) |
| Tax at domestic income tax rate of 16.5% (2016: 16.5%) | **5,100** | (7,043) |
| Tax effect of expenses not deductible for tax purpose | **15,467** | 936 |
| Tax effect of incomes not taxable for tax purpose | **(31,357)** | (41) |
| Tax effect of share of profit of associates | **(1,062)** | (920) |
| Tax effect of share of (profit)/loss of joint ventures | **(3)** | 28 |
| Utilisation of tax losses not recognised in previous years | **(2,928)** | (3,130) |
| Tax effect of tax losses not recognised | **14,783** | 10,170 |
| Tax for the year | **–** | – |

At 31 March 2017, the Group had estimated unused tax losses of approximately HK$342,670,000 (2016: HK$277,318,000) 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, 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.

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$6,125,000 (2016: HK$12,624,000) attributable to certain subsidiaries in the PRC had an expiry period of five years. During the year, tax loss approximately, HK$6,499,000 have been expired. The remaining tax losses of approximately HK$336,545,000 (2016: HK$264,694,000) do not expire under current tax legislation.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 11. INCOME TAX EXPENSE (Continued)

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 2017 and 2016, 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 2017 and 2016.

## 12. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATIONS

### a) Directors' remunerations

Directors' remunerations, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

| | Year ended 31 March, 2017 | | | |
|---|---|---|---|---|
| Name of Directors | Fees HK$'000 | Salaries and other benefits HK$'000 | Contributions to retirement benefits schemes HK$'000 | Total HK$'000 |
| **Executive Directors** | | | | |
| NG Cheuk Fan, Keith (note i) | 30 | 1,335 | 6 | 1,371 |
| HON Chun Yu | 120 | 960 | 18 | 1,098 |
| XIA Yingyan (note h) | 30 | 194 | 5 | 229 |
| FU Wan Sheung (note e) | 88 | 526 | 14 | 628 |
| **Chairmans** | | | | |
| XIE Zhichun (note d) | 28 | 1,864 | 5 | 1,897 |
| WONG Kam Choi MH (note b) | 90 | 1,426 | 15 | 1,531 |
| **Non-executive Directors** | | | | |
| TANG Baoqi (note c) | 360 | – | – | 360 |
| WU Ling | 600 | – | – | 600 |
| **Independent Non-executive Directors** | | | | |
| CHAN Kin Sang | 216 | – | – | 216 |
| NG Kay Kwok | 216 | – | – | 216 |
| TAM B Ray Billy (note f) | 210 | – | – | 210 |
| CHIU Kung Chik (note g) | 7 | – | – | 7 |
| | 1,995 | 6,305 | 63 | 8,363 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 12. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATIONS (Continued)

### a) Directors' remunerations (Continued)

| | Year ended 31 March, 2016 | | | |
|---|---|---|---|---|
| Name of Directors | Fees<br>HK$'000 | Salaries and other benefits<br>HK$'000 | Contributions to retirement benefits schemes<br>HK$'000 | Total<br>HK$'000 |
| **Executive Directors** | | | | |
| NG Cheuk Fan, Keith (note i) | 120 | 1,709 | 18 | 1,847 |
| WONG Kam Fat, Tony (note a) | 78 | 842 | 12 | 932 |
| HON Chun Yu | 120 | 720 | 18 | 858 |
| XIA Yingyan (note h) | 120 | 720 | 18 | 858 |
| **Chairman** | | | | |
| WONG Kam Choi MH (note b) | 42 | 375 | 6 | 423 |
| **Non-executive Directors** | | | | |
| TANG Baoqi (note c) | 29 | – | – | 29 |
| WU Ling | 600 | – | – | 600 |
| **Independent Non-executive Directors** | | | | |
| CHAN Kin Sang | 216 | – | – | 216 |
| NG Kay Kwok | 216 | – | – | 216 |
| TAM B Ray Billy (note f) | 216 | – | – | 216 |
| | 1,757 | 4,366 | 72 | 6,195 |

There were no bonuses paid or payable by the Group to the Directors which were discretionary or were based on the Group's or any member of the Group's performance for the years ended 31 March 2017 and 2016.

Notes:

a. Resigned all his offices in the Company with effect from 26 November 2015.

b. Appointed as an executive Director and chairman of the Board with effect from 26 November 2015 and resigned all his offices in the Company with effect from 6 January 2017.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 12. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATIONS (Continued)

### a) Directors' remunerations (Continued)

Notes: (Continued)

c. Appointed as a non-executive Director of the Company with effect from 2 March 2016.

d. Appointed as an executive Director and chairman of the Board with effect from 6 January 2017.

e. Appointed as an executive Director with effect from 8 July 2016. FU Wan Sheung performed the duties of chief executive during the year ended 31 March 2017.

f. Resigned all his offices in the Company with effect from 21 December 2016.

g. Appointed as an independent non-executive Director with effect from 20 March 2017.

h. Resigned all his offices in the Company with effect from 6 July 2016.

i. The Company did not appoint a chief executive during the years ended 31 March 2017 and 31 March 2016. NG Cheuk Fan Keith performed the duties of chief executive. Mr. Ng resigned all his offices in the Company with effect from 8 July 2016.

There was no arrangement under which Directors waived or agreed to waive any remunerations for the years ended 31 March 2017 and 2016. No remunerations have been paid to the Directors of the Company as inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 March 2017 and 2016.

### b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included, one (2016: two) Director of the Company whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2016: three) individuals during the year are as follows:

| | **2017 HK$'000** | 2016 HK$'000 |
|---|---|---|
| Salaries, allowances and other benefits | **11,372** | 8,285 |
| Retirement benefits scheme contributions | **66** | 38 |
| | **11,438** | 8,323 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 12. DIRECTORS' AND SENIOR EXECUTIVES' REMUNERATIONS (Continued)

### b) Five highest paid individuals (Continued)

The emoluments of the remaining four (2016: three) highest paid employees fall in the following bands:

| | Number of individuals | |
|---|---|---|
| | **2017** | 2016 |
| **Emolument bands** | | |
| HK$1,000,001 to HK$1,500,000 | **–** | – |
| HK$1,500,001 to HK$2,000,000 | **–** | 1 |
| HK$2,000,001 to HK$2,500,000 | **1** | 1 |
| HK$2,500,001 to HK$3,000,000 | **1** | – |
| HK$3,000,001 to HK$3,500,000 | **2** | – |
| HK$3,500,001 to HK$4,000,000 | **–** | 1 |
| | **4** | 3 |

## 13. DIVIDEND

No dividend was paid or proposed during the year ended 31 March 2017, nor has any dividend been proposed since the end of the Reporting Year (2016: nil).

## 14. PROFIT/(LOSS) PER SHARE

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

| | **2017 HK$'000** | 2016 HK$'000 |
|---|---|---|
| **Profit/(loss)** | | |
| Profit/(loss) for the purpose of basic profit/(loss) per share | **30,907** | (42,301) |
| Adjustment for the profit and loss effect of convertible bonds | **199** | – |
| Profit/(loss) for the purpose of diluted profit/(loss) per share | **31,106** | (42,301) |

| | **2017 '000** | 2016 '000 |
|---|---|---|
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of basic profit/(loss) per share | **3,641,933** | 3,418,386 |
| Effect of dilutive potential ordinary shares: | | |
| Convertible bond | **35,616** | – |
| | **3,677,549** | 3,418,386 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 15. PROPERTY AND EQUIPMENT

| | Leasehold improvements HK$'000 | Furniture and fixtures HK$'000 | Office equipments HK$'000 | Motor vehicles HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 April 2015 | 8,269 | 1,412 | 1,241 | 10,741 | 21,663 |
| Additions | – | 47 | 33 | 1,448 | 1,528 |
| Disposals | – | – | – | (1,318) | (1,318) |
| At 31 March 2016 and 1 April 2016 | 8,269 | 1,459 | 1,274 | 10,871 | 21,873 |
| Additions | 176 | 60 | – | 2,229 | 2,465 |
| Disposals | – | – | – | (2,366) | (2,366) |
| **At 31 March 2017** | **8,445** | **1,519** | **1,274** | **10,734** | **21,972** |
| **Accumulated depreciation** | | | | | |
| At 1 April 2015 | 8,269 | 1,283 | 1,115 | 7,970 | 18,637 |
| Provided for the year | – | 132 | 64 | 1,581 | 1,777 |
| Eliminated on disposal | – | – | – | (1,178) | (1,178) |
| At 31 March 2016 and 1 April 2016 | 8,269 | 1,415 | 1,179 | 8,373 | 19,236 |
| Provided for the year | 33 | 24 | 42 | 1,334 | 1,433 |
| Eliminated on disposal | – | – | – | (2,366) | (2,366) |
| **At 31 March 2017** | **8,302** | **1,439** | **1,221** | **7,341** | **18,303** |
| **Carrying values** | | | | | |
| **At 31 March 2017** | **143** | **80** | **53** | **3,393** | **3,669** |
| At 31 March 2016 | – | 44 | 95 | 2,498 | 2,637 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 16. GOODWILL

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| At 1 April 2015, 31 March 2016 and 31 March 2017 | **3,994** | 3,994 |

Goodwill of approximately HK$3,994,000 was attributable to the acquisition of Fortune Financial Capital Limited in previous years.

The carrying amount of goodwill is allocated to the corporate finance segment. No impairment loss has been recognised as at 31 March 2017 and 2016.

### Impairment test on goodwill

***Corporate finance segment***

The recoverable amount of corporate finance operation is determined from value in use calculations using cash flow projections based on financial budget approved by the management covering five-year period with average growth rate of 14.76% (2016: 46.89%), zero growth rate is applied to extrapolate the cash flows beyond five-year period during the years ended 31 March 2017 and 2016. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. The discount rate applied to the cash flow projections is 16.70% (2016: 16.95%). Other key assumptions for the value in use calculation related to the estimation of cash inflows and outflows which include budgeted sales and budgeted net profit margin. This estimation is determined based on the unit's past performance and management's expectation for the market development.

Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of corporate finance operation to exceed the aggregate recoverable amount of corporate finance operation.

## 17. OTHER NON-CURRENT ASSETS

| | Notes | **2017** | 2016 |
|---|---|---|---|
| | | **HK$'000** | HK$'000 |
| Club membership debentures | | **6,610** | 6,610 |
| Regulatory deposits | | **230** | 275 |
| Available-for-sale financial assets | a) | **–** | – |
| Intangible asset | b) | **–** | – |
| | | **6,840** | 6,885 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 17. OTHER NON-CURRENT ASSETS (Continued)

The club membership debentures are unlisted, non-interest bearing, and carried at cost.

The regulatory deposits were made with the Stock Exchange and Hong Kong Securities Clearing Company Limited ("**HKSCC**"), and required for the Group to conduct regulated businesses in Hong Kong.

### a) Available-for-sale financial assets

| | **2017 HK$'000** | 2016 HK$'000 |
|---|---|---|
| Unlisted equity securities, at cost | **508** | 508 |
| Less: Impairment | **(508)** | (508) |
| | **–** | – |

The financial assets classified as available-for-sale are unlisted equity instruments, and carried at cost less impairment at reporting date. Due to the wide range of reasonable fair value estimates, the Directors of the Company are of the opinion that their fair value cannot be measured reliably.

### b) Intangible asset

| | **License right HK$'000** |
|---|---|
| At 1 April 2015, 31 March 2016 and 31 March 2017 | |
| Cost | 2,261 |
| Accumulated impairment | (2,261) |
| | – |

The intangible asset represents a license right acquired as part of a business combination of a subsidiary. The license carries a right to conduct asset management business in Hong Kong, and has no foreseeable limit to the period over which the Group can use to generate net cash flows. As a result, the license right is considered by the management of the Group as having an indefinite useful life and is not amortised. It is tested for impairment annually and whenever there is an indication that it may be impaired.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 17. OTHER NON-CURRENT ASSETS (Continued)

### b) Intangible asset (Continued)

***Impairment review on the intangible asset***

The basis of the recoverable amounts of the intangible assets and its major underlying assumptions are summarised below:

During the years ended 31 March 2017 and 2016, the Directors of the Company conducted a review of the Group's license right and determined that no benefits would be generated from the license right in the foreseeable future. The asset management business is not yet to be commenced during both years ended 31 March 2017 and 2016 and the Directors of the Company expected that the business will not be started in the near future, therefore, the carrying amount of the license right was fully impaired.

## 18. INTERESTS IN ASSOCIATES

| | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|
| Cost of investments in unlisted associates | **64,131** | 72,604 |
| Share of post-acquisition profits and other comprehensive income | **19,017** | 16,283 |
| | **83,148** | 88,887 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 18. INTERESTS IN ASSOCIATES (Continued)

Set out below are the particulars of the principal associates as at 31 March 2017 and 2016 in the opinion of the Directors of the Company, to give details of other associates would result in particulars of excessive length:

| Name of entity | Form of entity | Place of incorporation and operation | Particulars of issued and paid up capital | Percentage of nominal value of issued capital held by the Group 2017 | 2016 | Proportion of voting right held by the Group at board level 2017 | 2016 | Principal activities |
|---|---|---|---|---|---|---|---|---|
| Starlight Financial Holdings Limited ("**Starlight**") | Limited liability company | Hong Kong | 234,000,000 ordinary shares | **25%** | 25% | **33% (note)** | 33% (note) | Investment holding |
| City Eagle Holdings Limited | Limited liability company | Hong Kong | 100 ordinary shares | **25%** | 25% | **33%** | 33% | Investment holding |
| Chongqing Liangjiang New Area Runtong Small Loans Business Limited* ("**Runtong**") | Limited liability company | The PRC | Registered capital of USD30,000,000 | **25%** | 25% | **33%** | 33% | Provision of secured financing services and microfinance services in Chongqing of the PRC |
| Wine Financier Limited | Limited liability company | Hong Kong | 10,000 ordinary shares | **25%** | 25% | **33%** | 33% | Provision of loan financing services |
| Beijing Sapiential & Golden Resources Public Relations Consultant Co., Ltd* ("**Beijing Sapiential & Golden Resources**") | Limited liability company | The PRC | Registered capital of RMB10,000,000 | **– (note 30(a))** | 48% | **–** | 25% | Provision of business consultancy services |
| Prior Capital Limited ("**Prior Capital**") | Limited liability company | Hong Kong | 100 ordinary shares | **– (note 30(b))** | 25% | **–** | 25% | Provision of consultancy services |

* The English transliteration of the Chinese name in this annual report, where indicated, is included for information purpose only, and should not be regarded as the official English name of such Chinese name.

Wine Financier Limited, City Eagle Holdings Limited and Runtong are wholly-owned subsidiaries of Starlight.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 18. INTERESTS IN ASSOCIATES (Continued)

Note: The Group is able to exercise significant influence over Starlight and its subsidiaries ("**Starlight Group**") because it has the power to appoint two out of the six directors of that company under the provisions stated in the shareholders' agreement.

As at 31 March 2017, included in the cost of investments in associates was goodwill of approximately HK$4,052,000 (2016: HK$6,223,000) arising on the acquisition of associates.

### Material associates

#### *Starlight Group*

The summarised financial information in respect of the Group's material associates, Starlight Group, which is accounted for using the equity method is set out below. The summarised financial information below represented amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Current assets | **368,971** | 422,804 |
| Non-current assets | **47,226** | 19,781 |
| Total assets | **416,197** | 442,585 |
| Current liabilities | **56,415** | 83,820 |
| Non-current liabilities | **602** | 1,850 |
| Total liabilities | **57,017** | 85,670 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 18. INTERESTS IN ASSOCIATES (Continued)

### Material associates (Continued)

***Starlight Group*** (Continued)

| | Year ended 31 March 2017 HK$'000 | Year ended 31 March 2016 HK$'000 |
|---|---|---|
| Revenue | **91,632** | 89,455 |
| Profit for the year | **25,851** | 19,434 |
| Other comprehensive expense for the year | **(20,321)** | (13,065) |
| Total comprehensive income for the year | **5,530** | 6,369 |

Reconciliation of the above summarised financial information to the carrying amount of the interests in the associates recognised in the consolidated financial statements:

| | As at 31 March | |
|---|---|---|
| | **2017 HK$'000** | 2016 HK$'000 |
| Net assets of the associate | **359,180** | 356,915 |
| Non-controlling interests | **(42,793)** | (46,061) |
| | **316,387** | 310,854 |
| Proportion of the Group's ownership in Starlight Group | **25%** | 25% |
| | **79,096** | 77,713 |
| Goodwill | **4,052** | 4,052 |
| Carrying amount of the Group's interest in Starlight Group | **83,148** | 81,765 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 18. INTERESTS IN ASSOCIATES (Continued)

### Material associates (Continued)

***Prior Capital***

During the year, Prior Capital was disposed and the carrying amount as of the date of disposal was below:

| | As at date of disposal (note 30(b)) HK$'000 | As at 31 March 2016 HK$'000 |
|---|---|---|
| Net assets of the associate | **1,632** | 1,657 |
| Proportion of the Group's ownership interest in Prior Capital | **25%** | 25% |
| | **408** | 414 |
| Goodwill | **2,171** | 2,171 |
| Carrying amount of the Group's interest in Prior Capital | **2,579** | 2,585 |

### Other associate

Other associate not individually material consists only Beijing Sapiential & Golden Resources, which had been disposed of during the year (see note 30(a)). At the end of the current year, associates of the Group consist only Starlight Group disclosed above:

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| The Group's share of: | | |
| Profit | – | 206 |
| Other comprehensive expense | – | (192) |
| Total comprehensive income | – | 14 |
| Aggregate carrying amount of the Group's interests in immaterial associates | – | 4,537 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 19. INTERESTS IN JOINT VENTURES

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Cost of investments in unlisted joint ventures | **1,415** | 9,492 |
| Share of post-acquisition losses and other comprehensive expenses | **(329)** | (1,313) |
| | **1,086** | 8,179 |
| Less: Impairment loss recognised | **–** | (7,044) |
| | **1,086** | 1,135 |

Details of the joint ventures as at 31 March 2017 and 2016 are as follows:

| Name of entity | Form of entity | Place of incorporation and operation | Particulars of issued and paid up capital | Percentage of nominal value of issued capital held by the Group 2017 | 2016 | Proportion of voting right held by the Group at board level 2017 | 2016 | Principal activities |
|---|---|---|---|---|---|---|---|---|
| Qianhai Fortune Financial | Limited liability company | the PRC | Registered capital of RMB754,000 | **30%** | 30% | **40%** | 40% | Provision of corporate financial consultancy service |
| Qianhai Fortune Equity | Limited liability company | the PRC | Registered capital of RMB2,989,000 | **30%** | 30% | **40%** | 40% | Inactive |
| Measure Up International Limited ("**Measure Up**") | Limited liability company | British Virgin Islands ("**BVI**") | 100 ordinary shares of US$1 each | **–** **(note 30(c))** | 35% | **–** | 33% | Investment holding |
| Lucky Target Property Agency Limited | Limited liability company | Hong Kong | 100 ordinary shares | **–** **(note 30(c))** | 35% | **–** | 33% | Investment holding |
| Rongtong Finance Lease (Shanghai) Company Limited* | Limited liability company | the PRC | Registered capital of HK$206,000,000 | **–** **(note 30(c))** | 35% | **–** | 33% | Provision of finance lease service |

* The English transliteration of the Chinese name in this annual report, where indicated, is included for information purpose only, and should not be regarded as the official English name of such Chinese name.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

### 19. INTERESTS IN JOINT VENTURES (Continued)

**Measure Up**

During the year, Measure Up was disposed of and the carrying amount as of the date of disposal was below:

| | As at date of disposal (note 30(c)) HK$'000 | As at 31 March 2016 HK$'000 |
|---|---|---|
| Net assets of the joint venture | **20,126** | 20,126 |
| Proportion of the Group's ownership interest in Measure Up | **35%** | 35% |
| | **7,044** | 7,044 |
| Less: Impairment loss | **(7,044)** | (7,044) |
| Carrying amount of the Group's interest in Measure Up | **–** | – |

The Group holds 30% of equity interests of Qianhai Fortune Financial and controls 40% of the voting power in the board meeting. Under a shareholders' agreement, the major financing and operational decisions of Qianhai Fortune Financial should be unanimously approved by the Group and other venturers. Therefore, Qianhai Fortune Financial is regarded as joint ventures of the Group.

The Group holds 30% of equity interests of Qianhai Fortune Equity and controls 40% of the voting power in the board meeting. Under a shareholders' agreement, the major financing and operational decisions of Qianhai Fortune Equity should be unanimously approved by the Group and other venturers. Therefore, Qianhai Fortune Equity is regarded as joint ventures of the Group.

The financial information and carrying amount, in aggregate, of the Group's interests in joint ventures that are not individually material and are accounted for using equity method are set out below:

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| The Group's share of profit/(loss) | **17** | (169) |
| The Group's share of other comprehensive expense | **(67)** | (51) |
| The Group's share of total comprehensive expense | **(50)** | (220) |

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Carrying amount of the Group's interests in immaterial joint ventures | **1,086** | 1,135 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 20. INVESTMENTS HELD FOR TRADING

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Listed investments | | |
| – Equity securities listed in Hong Kong | **109,298** | 19,723 |

The fair values of the above listed securities are determined based on the quoted market bid prices available on the Stock Exchange.

## 21. LOAN AND TRADE RECEIVABLES

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

| | Notes | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|---|
| Trade receivables | a) | **144,907** | 100,019 |
| Loan receivables – current | b) | **26,932** | 38,643 |
| Factoring receivables | c) | **–** | 2,210 |
| | | **171,839** | 140,872 |
| Loan receivables – non current | b) | **7,494** | 5,502 |
| | | **179,333** | 146,374 |

### a) Trade receivables

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

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Trade receivables from security brokerage business | | |
| – cash clients | **705** | 5,278 |
| – HKSCC | **-** | 3,416 |
| – margin clients | **144,983** | 162,176 |
| Trade receivables from other businesses | **2,761** | 2,354 |
| | **148,449** | 173,224 |
| Less: Impairment loss | **(3,542)** | (73,205) |
| | **144,907** | 100,019 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 21. LOAN AND TRADE RECEIVABLES (Continued)

### a) Trade receivables (Continued)

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.

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 2017 and 2016 based on the invoice date which approximated the respective revenue recognition dates was as follows:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Less than 30 days | **1,413** | 7,347 |
| 31 to 60 days | **49** | 201 |
| 61 to 90 days | **31** | 442 |
| Over 90 days | **584** | 1,104 |
| | **2,077** | 9,094 |

Trade receivables from cash and margin clients are secured by the clients' pledged securities at quoted market value of approximately HK$1,228,702,000 (2016: HK$1,455,925,000) 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 2017, included in the total trade receivables, approximately HK$136,922,000 (2016: HK$71,717,000) were interest bearing whereas approximately HK$7,985,000 (2016: HK$28,302,000) 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$837,000 (2016: HK$5,377,000) which were past due as at 31 March 2017 for which the Group has not provided for impairment loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

### 21. LOAN AND TRADE RECEIVABLES (Continued)

#### a) Trade receivables (Continued)

In respect of trade receivables (excluded margin clients) which are past due but not impaired as at 31 March 2017 and 2016, the aging analysis (subsequent to the settlement date) are as follows:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Less than 30 days | **214** | 3,634 |
| 31 to 60 days | **31** | 281 |
| 61 to 90 days | **11** | 358 |
| Over 90 days | **581** | 1,104 |
| | **837** | 5,377 |

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$10,069,000 over these balances (2016: HK$826,698,000).

Movements in the impairment loss of trade receivables in aggregate during the years ended 31 March 2017 and 2016 are as follows:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Balance at the beginning of the year | **73,205** | 84,383 |
| Disposal of trade receivables | **(63,811)** | - |
| Reversal of impairment loss | **(7,417)** | (17,682) |
| Impairment loss recognised | **1,565** | 6,504 |
| Balance at the end of the year | **3,542** | 73,205 |

Included in the impairment losses of trade receivables with an aggregated balance of approximately HK$3,542,000 (2016: HK$73,205,000) were individually impaired trade receivables who were in financial difficulties. In the current year, trade receivables of approximately HK$63,811,000 (2016: nil) were sold with subsidiary at consideration of HK$2,000,000. Detailed please refer to note 30(a).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 21. LOAN AND TRADE RECEIVABLES (Continued)

### b) Loan receivables

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| **Non-current portion** | | |
| Secured loan receivables | **7,494** | 2,265 |
| Unsecured loan receivables | **5,216** | 3,237 |
| | **12,710** | 5,502 |
| Less: Impairment loss | **(5,216)** | – |
| | **7,494** | 5,502 |
| **Current portion** | | |
| Secured loan receivables | **9,690** | 32,275 |
| Unsecured loan receivables | **20,627** | 6,368 |
| | **30,317** | 38,643 |
| Less: Impairment loss | **(3,385)** | – |
| | **26,932** | 38,643 |
| | **34,426** | 44,145 |

The secured loan receivables are secured by equity shares of listed companies with fair value of approximately HK$1,866,000 and second mortgage over certain property units (2016: second mortgage over a property unit) and bear interest at a fixed interest rate at 14% to 22.5% (2016: 10% to 22%) per annum.

The unsecured loan receivables carry interest at fixed interest rate at 15% to 22% (2016: 25%) per annum. The unsecured loan receivables are guaranteed by an independent third party as at 31 March 2017 (2016: guaranteed by an independent third party).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 21. LOAN AND TRADE RECEIVABLES (Continued)

### b) Loan receivables (Continued)

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:

| | **2017 HK$'000** | 2016 HK$'000 |
|---|---|---|
| Less than 30 days | **457** | 4,516 |
| 31 to 60 days | **628** | 218 |
| 61 to 90 days | **–** | 194 |
| Over 90 days | **33,341** | 39,217 |
| | **34,426** | 44,145 |

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 as at 31 March 2017 and 2016 is as follows:

| | **2017 HK$'000** | 2016 HK$'000 |
|---|---|---|
| Less than 30 days | **45** | 323 |
| 31 to 60 days | **–** | 600 |
| 61 to 90 days | **–** | 600 |
| Over 90 days | **–** | 1,800 |
| | **45** | 3,323 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 21. LOAN AND TRADE RECEIVABLES (Continued)

### b) Loan receivables (Continued)

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

| | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|
| Balance at the beginning of the year | – | 10,988 |
| Reversal of impairment loss | – | (10,000) |
| Written off as uncollectable | – | (988) |
| Impairment loss recognised | **8,601** | – |
| Balance at the end of the year | **8,601** | – |

Impairment loss of approximately HK$8,601,000 recognised during the year ended 31 March 2017 is based on estimated irrecoverable amount by reference to the creditability of the customers past default experience and subsequent settlement. (2016: Impairment loss of loan receivable of HK$10,000,000 has been reversed during the year ended 31 March 2016 upon disposal of such loan receivable).

### c) Factoring receivables

| | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|
| Factoring receivables | – | 2,210 |

The factoring receivables arose from money lending to customers with their receivables pledged to the Group. No impairment loss recognised (2016: HK$13,000) during the year ended 31 March 2017. At the end of the current year, there was no outstanding factoring receivable.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 22. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | Note | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| Other receivables | | **1,956** | 1,784 |
| Deposits | | **4,347** | 4,439 |
| Prepayments | | **8,077** | 180 |
| Amount due from a non-controlling shareholder of a subsidiary | | **–** | 125 |
| Amount due from a joint venture | a) | **–** | – |
| Amount due from an investee company | b) | **–** | – |
| | | **14,380** | 6,528 |

The amount due from a non-controlling shareholder of a subsidiary is unsecured, interest-free and repayable on demand.

### a) Amount due from a joint venture

| | Note | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| At the beginning of the year | | | |
| Cost | | **73,000** | 73,000 |
| Impairment | | **(73,000)** | (73,000) |
| | | **–** | – |
| Disposed of together with the joint venture | 30(c) | **–** | – |
| At the end of the year | | **–** | – |

### b) Amount due from an invested company

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| At the beginning of the year | | |
| Cost | **5,042** | 5,042 |
| Impairment | **(5,042)** | (5,042) |
| Written off | **–** | – |
| At the end of the year | **–** | – |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 23. BANK BALANCES AND CASH

### a) Bank balances and cash-trust

The Group maintains segregated trust accounts with a licensed bank to hold clients' monies arising from its securities and futures brokerage and financing business. The Group has classified the clients' monies as bank balances and cash - trust under the current assets of the consolidated statement of financial position and recognised the corresponding account payables to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The Group is restricted to use the clients' monies to settle its own obligations.

### b) Bank balances and cash-general

Bank balances and cash held by the Group amounting to approximately HK$471,990,000 (2016: HK$46,757,000) were with an original maturity of three months or less. The bank balances and bank deposits carried interest at market rates ranging from 0.001% to 0.15% (2016: 0.001% to 0.15%) per annum.

## 24. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

| | **2017** | 2016 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Trade payables from the business of dealing in securities: | | |
| – margin and cash clients | **114,037** | 138,631 |
| – HKSCC | **5,183** | – |
| Other payables and accruals | **5,859** | 82,783 |
| | **125,079** | 221,414 |

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.

## 25. LOAN PAYABLE

The loan is unsecured, interest bearing at 8% (2016: nil) per annum and subsequently repaid on 11 May 2017 (2016: nil).

## 26. CONVERTIBLE BONDS

The Group employs convertible bonds as one of its sources of financing. In the both years presented, the Company issued below series of convertible bonds with maturity terms ranging from 1 to 3 years, unsecured, coupon rate at 2%-12%, with or without issuer redemption rights by the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

### 26. CONVERTIBLE BONDS (Continued)

Convertible bonds are carried at amortised cost, and corresponding equity components, namely convertible bond reserves, were recognised at issue date. At reporting date, carrying amounts of the convertible bonds and these reserves were:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| **Non-current** | | |
| Convertible bonds | **290,696** | – |
| Convertible bond reserves | **99,503** | – |

Particulars of new issued convertible bonds during the year are set out as below:

| | Issue date | Maturity date | Coupon rate | Effective interest rate | Principal<br>HK$'000 | Conversion price per share<br>HK$ | Issuer redemption right |
|---|---|---|---|---|---|---|---|
| Year ended 31 March 2016 | | | | | | | |
| 2016 A | 1 March 2013 | 29 February 2016 | 5% | 12.53% | 32,000 | 0.100 | Yes |
| 2016 B | 25 February 2015 | 24 February 2016 | 12% | 13.26% | 40,385 | 0.130 | Yes |
| **Year ended 31 March 2017** | | | | | | | |
| **2017 A** | 6 April 2016 | 5 April 2017 | 12% | 14.99% | 40,385 | 0.130 | Yes |
| **2017 B** | 6 July 2016 | 5 July 2018 | 5% | 13.54% | 32,000 | 0.104 | Yes |
| **2017 C** | 30 March 2017 | 29 March 2020 | 2% | 12.47% | 390,000 | 0.060 | No |

The issuer redemption right confers the Company an option to redeem the convertible bonds before maturity and conversion exercise, and is accounted as a separate derivative component. The fair value of the derivative components at issuance and subsequently at end of Reporting Year was estimated using Black-Scholes option pricing model by recognised valuation specialist and any change in fair value is recognised in profit or loss.

Movements of carrying amounts of the liability components, equity components and any derivative components are summarised below.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

### 26. CONVERTIBLE BONDS (Continued)

| | | | Convertible Bond Series | | | |
|---|---|---|---|---|---|---|
| | 2016 A<br>HK$'000 | 2016 B<br>HK$'000 | **2017 A**<br>**HK$'000** | **2017 B**<br>**HK$'000** | **2017 C**<br>**HK$'000** | Total<br>HK$'000 |
| **Liability components** | | | | | | |
| At 1 April 2015 | 30,225 | 40,416 | **–** | **–** | **–** | 70,641 |
| Interest paid | (1,600) | – | **–** | **–** | **–** | (1,600) |
| Interests at effective interest rates | 3,375 | 4,815 | **–** | **–** | **–** | 8,190 |
| Redemption at maturity | (32,000) | (45,231) | **–** | **–** | **–** | (77,231) |
| At 31 March 2016 and 1 April 2016 | – | – | – | – | | – |
| Issue of convertible bonds | – | – | **39,333** | **27,303** | **290,497** | 357,133 |
| Interests at effective interest rates | – | – | **3,751** | **1,254** | **199** | 5,204 |
| Conversion at exercise | – | – | **(43,084)** | **(28,557)** | **–** | (71,641) |
| **At 31 March 2017** | – | – | **–** | **–** | **290,696** | 290,696 |
| **Equity components** | | | | | | |
| At 1 April 2015 | 10,018 | 1,222 | **–** | **–** | **–** | 11,240 |
| Lapse of conversion option at maturity | (10,018) | (1,222) | **–** | **–** | **–** | (11,240) |
| At 31 March 2016 and 1 April 2016 | – | – | **–** | **–** | **–** | – |
| Issue of convertible bonds | – | – | **24,126** | **27,804** | **99,503** | 151,433 |
| Issue of shares for convertible bonds exercised | – | – | **(24,126)** | **(27,804)** | **–** | (51,930) |
| **At 31 March 2017** | – | – | **–** | **–** | **99,503** | 99,503 |
| **Derivative components** | | | | | | |
| At 1 April 2015 | (627) | (792) | **–** | **–** | **–** | (1,419) |
| Lapse of redemption right at maturity | 627 | 792 | **–** | **–** | **–** | 1,419 |
| At 31 March 2016 and 1 April 2016 | – | – | **–** | **–** | **–** | – |
| Issue of convertible bonds | – | – | **(23,074)** | **(23,107)** | **–** | (46,181) |
| Gains on exercise of conversion | – | – | **(9,468)** | **(22,096)** | **–** | (31,564) |
| Conversion at exercise | – | – | **32,542** | **45,203** | **–** | 77,745 |
| **At 31 March 2017** | – | – | **–** | **–** | **–** | – |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

### 26. CONVERTIBLE BONDS (Continued)

During the valuation process of fair value of derivative components and liability components, at issuance and at subsequent measurement dates, the significant inputs to the valuation model were as follows:

| | **2017** | 2016 |
|---|---|---|
| Risk free rate | **0.307% - 0.406%** | 0.085% - 0.086% |
| Expected volatility | **98.915% - 114.652%** | 5.02% - 5.06% |
| Expected option period | **0.997 - 1.997 year** | 0.907 - 0.919 year |

### 27. CORPORATE BONDS

The Group employs corporate bonds as one of its sources of financing. These corporate bonds are unsecured. At the reporting date, carrying amount of corporate bonds at amortised cost includes:

| | **2017 HK$'000** | 2016 HK$'000 |
|---|---|---|
| Current | **3,944** | 10,772 |
| Non-current | **160,326** | 117,689 |
| | **164,270** | 128,461 |

Particulars of outstanding corporate bonds at reporting date summarised by original issue year are set out below:

| Issue in the year ended | Original terms | Annual coupon rate | Effective interest rate | Principal HK$'000 | Carrying amount HK$'000 |
|---|---|---|---|---|---|
| **At 31 March 2017** | | | | | |
| 31 March 2014 | **7 - 7.5 years** | **6% - 7%** | **8.59% - 9.66%** | **43,000** | **40,277** |
| 31 March 2015 | **7 years** | **6% - 6.5%** | **8.59% - 9.12%** | **57,500** | **53,346** |
| 31 March 2016 | **2 - 7 years** | **6% - 7%** | **9.12% - 10.78%** | **28,810** | **27,119** |
| 31 March 2017 | **2 - 7.5 years** | **6% - 6.5%** | **9.10% - 10.25%** | **47,000** | **43,528** |
| | | | | | **164,270** |
| At 31 March 2016 | | | | | |
| 31 March 2014 | 7 - 7.5 years | 6% - 7% | 8.58% - 9.66% | 43,000 | 39,309 |
| 31 March 2015 | 2 - 7 years | 6% - 6.5% | 8.58% - 10.25% | 67,500 | 61,816 |
| 31 March 2016 | 1 - 7 years | 6% - 7% | 9.12% - 10.78% | 29,810 | 27,336 |
| | | | | | 128,461 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 27. CORPORATE BONDS (Continued)

These corporate bonds are repayable in the following schedule:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Within one year | **3,944** | 10,772 |
| More than one year but not exceeding two years | **9,823** | 3,803 |
| More than two years but not exceeding five years | **112,313** | 41,924 |
| More than five years | **38,190** | 71,962 |
| | **164,270** | 128,461 |

## 28. SHARE CAPITAL

| | Notes | Number of shares<br>'000 | Amount<br>HK$'000 |
|---|---|---|---|
| **Authorised:** | | | |
| At 1 April 2015 and 31 March 2016, ordinary shares of HK$0.1 each | | 5,000,000 | 500,000 |
| Capital reduction | a) | - | (450,000) |
| Increase in authorised share capital | a) | 15,000,000 | 150,000 |
| At 31 March 2017, ordinary shares of HK$0.01 each | | 20,000,000 | 200,000 |
| **Issued and fully paid:** | | | |
| At 1 April 2015 and 31 March 2016, ordinary shares of HK$0.1 each | | 3,418,386 | 341,839 |
| Issue of shares for convertible bonds exercised | b) | 618,343 | 61,834 |
| Capital reduction | a) | - | (363,306) |
| At 31 March 2017, ordinary shares of HK$0.01 each | | 4,036,729 | 40,367 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 28. SHARE CAPITAL (Continued)

### a) Capital reorganisation

On 15 March 2017, the Company implemented a capital reorganisation including i) capital reduction and ii) the increase in authorised share capital.

The par value of issued ordinary share was reduced from HK$0.1 to HK$0.01 for i) all the then outstanding shares in issue exactly 4,036,728,859 by cancellation of paid-up capital of HK$0.09 per share (approximately HK$363,306,000 on aggregate); and ii) authorised but not issued shares exactly 963,271,141. Effectively, authorised share capital was reduced from HK$500,000,000 to HK$50,000,000.

The cancellation of paid-up capital of approximately HK$363,306,000 on aggregate was offset by crediting the same amount to accumulated losses of the Company.

After reduction in par value of ordinary shares, authorised share capital was increased by lifting number of authorised shares from 5,000,000,000 to 20,000,000,000. Effectively, authorised share capital was increased from HK$50,000,000 to HK$200,000,000.

### b) Issue of shares for convertible bonds exercised

On 11 November 2016 and 29 November 2016, the holders of convertible bond series 2017 B and A exercised the option to convert as ordinary shares at HK$0.104 and HK$0.13 for approximately 307,692,000 shares and approximately 310,651,000 shares respectively.

## 29. RESERVES

### a) Special reserve

The special reserve of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the Company's shares issued for the acquisition under the corporate reorganisation of the Group.

### b) Capital reserve

The capital reserve represents the contributions made by the then controlling shareholder under the corporate reorganisation of the Group.

### c) Other reserve

The other reserves mainly represents premium arisen from the acquisition of additional 20% equity interest in Fortune Financial Capital Limited ("**Fortune Financial Capital**") at cash consideration of HK$1,793,000, additional 25% equity interest in Fortune Wealth Management Limited ("**Fortune Wealth**") at cash consideration of HK$1,125,000 from non-controlling interests on 18 May 2012 and 10 January 2013 respectively and additional 20% equity interest in 富強諮詢服務(深圳)有限公司 at cash consideration of RMB100,000 (equivalent to approximately HK$114,000) from non-controlling interest at 30 November 2016.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 30. 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<br>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, an associate of the Company, together with a subsidiary of Prior Capital, at a consideration of approximately HK$1,218,000.

The detail of the disposal was summarised as below:

| | Note | **2017<br>HK$'000** |
|---|---|---|
| Proceeds | | **1,218** |
| Less: Net assets value | 18 | **(2,579)** |
| Loss on disposal | | **(1,361)** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 30. DISPOSALS OF COMPONENTS OF THE GROUP (Continued)

### c) Disposal of a joint venture

In the prior year, the Group held a 35% equity interest in Measure Up 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 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:

| | Notes | **2017 HK$'000** |
|---|---|---|
| Proceeds | | **73,000** |
| Less: Interest in a joint venture | 19 | **–** |
| Amount due from a joint venture | 22(a) | **–** |
| Gain on disposal | | **73,000** |

There was no other material disposal of components of the Group during the year.

## 31. RELATED PARTY TRANSACTIONS

Except as disclosed elsewhere in the consolidated financial statements, the significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

| | **2017 HK$'000** | 2016 HK$'000 |
|---|---|---|
| Brokerage commission received from Directors | **46** | 219 |
| Management charges from associates | **190** | 1,440 |
| Commission fees to associates | **82** | 7,489 |
| Referral fee to an associate | **3,506** | 3,772 |

### Compensation of key management personnel

All executive Directors were considered to be the key management personnel of the Group. The remuneration of executive Directors for the year was as follows:

| | **2017 HK$'000** | 2016 HK$'000 |
|---|---|---|
| Short-term benefits | **6,691** | 4,846 |
| Post-employment benefits | **63** | 72 |
| | **6,754** | 4,918 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 32. OFFSETTING FINANCIAL ASSET AND FINANCIAL LIABILITIES

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

The Group maintained accounts with the HKSCC through which they conducted securities trading transactions and settlement on a net basis.

In presenting the amounts due from and to HKSCC (included in trade receivables or trade payables with clearing house), the Group has offset the gross amount of the accounts receivable from and the gross amount of the accounts payable to HKSCC. The amounts offset and the net balances are shown as follows:

| | Gross amount<br>HK$'000 | Amount offset<br>HK$'000 | Net amount receivable (payable)<br>HK$'000 |
|---|---|---|---|
| **As at 31 March 2017** | | | |
| Trade receivable from HKSCC | **5,945** | **(5,945)** | **-** |
| Trade payable to HKSCC | **(11,128)** | **5,945** | **(5,183)** |
| As at 31 March 2016 | | | |
| Trade receivable from HKSCC | 11,820 | (8,404) | 3,416 |
| Trade payable to HKSCC | (8,404) | 8,404 | – |

## 33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

### a) Categories of financial instruments

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Loan and receivables (including cash and cash equivalents) | **772,723** | 334,694 |
| Fair value through profit or loss | | |
| – Investments held for trading | **109,298** | 19,723 |
| **Financial liabilities** | | |
| At amortised cost | **710,449** | 349,875 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

### b) Financial risk management objectives and policies

The Group's major financial instruments include investments held for trading, loan and trade receivables, other receivables and deposits, bank balances and cash - trust and general, trade payables, other payables and accruals, loan payable, convertible bonds and corporate bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

*Currency risk*

Foreign exchange risk is the risk of loss due to adverse movements in foreign exchange rate relating to foreign currency denominated other receivables, bank balances, other payables and accruals. The Group's exposure to currency risk is minimal. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

| | Assets | | Liabilities | |
|---|---|---|---|---|
| | **2017** | 2016 | **2017** | 2016 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| RMB | **2,346** | 914 | **394** | 37 |
| USD | **6,949** | 4,647 | **153** | 149 |

As HK$ is pegged to USD, the Group does not expect any significant movements in the USD/HK$ exchange rates. In the opinion of the Directors of the Company, the foreign currency sensitivity does not give additional value in view of insignificant movement in the USD/HK$ exchange rates.

Since the effect of RMB against HKD is insignificant, thus no sensitivity analysis is presented.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

### b) Financial risk management objectives and policies (Continued)

***Interest rate risk***

The Group is exposed to fair value interest rate risk in relation to loan receivables, loan payable, convertible bonds and corporate bonds at fixed rates and such fixed rate assets and liabilities were disclosed in the respective notes. The Group is exposed to cash flow interest rate risk in relation to certain trade receivables and bank balances and cash - general. It is the Group's policy to keep its assets and liabilities at floating rate of interests so as to minimise the fair value interest rate risk.

The Group's cash flow interest rate risk is mainly relating to the fluctuation of Hong Kong prime rate ("**prime rate**") and Hong Kong Interbank Offered Rate ("**HIBOR**") (the prime rate and HIBOR arising from the Group's interest bearing financial instruments). The Group's exposure to interest rates on financial assets and financial liabilities are detailed below.

Financial instruments with variable interest rate in nature:

| | **2017 HK$'000** | 2016 HK$'000 |
|---|---|---|
| **Assets** | | |
| Trade receivables | | |
| – cash and margin clients | **136,922** | 71,717 |
| Factoring receivables | **–** | 2,210 |
| Bank balances and cash - general | **471,990** | 46,757 |

The sensitivity analysis below have been determined based on the exposure to variable interest rates at the end of the Reporting Year. The analysis is prepared assuming the amounts outstanding at the end of the Reporting Year were outstanding for the whole year. A 100 basis points (2016: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

As at 31 March 2017, if the interest rate of trade receivables from cash and margin clients and bank balances and cash-general had been 100 (2016: 100) basis point higher/lower, the Group's profit for the year would increase/decrease by approximately HK$5,084,000 (2016: HK$1,008,000).

***Equity price risk***

The Group is exposed to equity price risk through its investment in listed equity securities. The Group's equity price risk is mainly concentrated on equity instruments quoted in the Stock Exchange. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

### b) Financial risk management objectives and policies (Continued)

***Equity price risk*** (Continued)

*Sensitivity analysis*

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date.

If the prices of the respective equity instruments had been 5% (2016: 5%) higher/lower, profit for the year ended 31 March 2017 would increase/decrease by approximately HK$4,563,000 (2016: HK$823,000) as a result of the changes in fair value of investments held for trading.

***Liquidity risk***

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivatives financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

### b) Financial risk management objectives and policies (Continued)

***Liquidity risk*** (Continued)

The maturity portfolio of the Group's financial liabilities as at the end of the Reporting Year, based on the contracted undiscounted payments, the table include both interest and principal cash flow was as follows:

| | Within 1 year or on demand HK$'000 | More than 1 year but less than 2 years HK$'000 | More than 2 years but less than 5 years HK$'000 | Over 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amounts as at 31 March HK$'000 |
|---|---|---|---|---|---|---|
| **2017** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Trade payables, other payables and accruals | **125,079** | **–** | **–** | **–** | **125,079** | **125,079** |
| Loan payable | **131,733** | **–** | **–** | **–** | **131,733** | **130,404** |
| Corporate bonds | **15,534** | **20,812** | **144,513** | **45,576** | **226,435** | **164,270** |
| Convertible bonds | **–** | **–** | **413,400** | **–** | **413,400** | **290,696** |
| | **272,346** | **20,812** | **557,913** | **45,576** | **896,647** | **710,449** |
| **2016** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Trade payables, other payables and accruals | 221,414 | – | – | – | 221,414 | 221,414 |
| Corporate bonds | 20,200 | 12,529 | 69,366 | 82,560 | 184,655 | 128,461 |
| | 241,614 | 12,529 | 69,366 | 82,560 | 406,069 | 349,875 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

### b) Financial risk management objectives and policies (Continued)

***Credit risk***

As at 31 March 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of loan and trade receivables, other receivables at the end of each reporting year to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors of the Company consider that the Group's credit risk is significantly reduced.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers, spreading across diverse industries.

The Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 100% (2016: 98%) of the total loan and trade receivables as at 31 March 2017.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

### c) Fair value measurements of financial instruments

Financial instruments and non-financial assets measured at fair value in the consolidated statement of financial position are categorised into the three level fair value hierarchies as defined in HKFRS 13, "Fair Value Measurement".

The following table gives information about how fair values of these financial assets are determined (in particular, the valuation technique(s) and input(s) used).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 33. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

### c) Fair value measurements of financial instruments (Continued)

| Financial assets | Fair value as at 31 March 2017 HK$'000 | Fair value as at 31 March 2016 HK$'000 | Fair value hierarchy | Valuation technique(s) and key input(s) |
|---|---|---|---|---|
| Investments held for trading | **109,298** | 19,723 | Level 1 | Quoted bid prices in active market |

There were no transfers between levels of fair value hierarchy in the current and prior years.

The Directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

## 34. PRINCIPAL SUBSIDIARIES OF THE COMPANY

| Name of subsidiary | Place of incorporation/ registration and operations | Particulars of issued and paid up capital | Percentage of ownership interest and voting power held by the Company 2017 | 2016 | Principal activities |
|---|---|---|---|---|---|
| Fortune (HK) Securities Limited | Hong Kong | 310,000,000 ordinary shares | **100%** | 100% | Provision of securities brokerage and margin financing services |
| Fortune Asset Management Limited | Hong Kong | 25,000,000 ordinary shares | **100%** | 100% | Provision of asset management services |
| Fortune Financial (Holdings) Limited | BVI | 1 ordinary share of US$1 each | **100%** | 100% | Investment holding |
| Fortune Finance Limited | Hong Kong | 10,000 ordinary shares | **100%** | 100% | Provision of money lending services |
| Fortune Wealth | Hong Kong | 6,700,000 ordinary shares | **100%** | 100% | Provision of insurance brokerage services |
| Fortune Immigration Investment Consulting Limited | Hong Kong | 100,000 ordinary shares | **100%** | 100% | Provision of immigration advisory services |
| Fortune Financial Capital | Hong Kong | 29,200,000 ordinary shares | **100%** | 100% | Provision of corporate finance services |
| Fortune Case Limited | Hong Kong | 1 ordinary share | **100%** | 100% | Provision of corporate administrative services to group companies |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 34. PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

All subsidiaries are companies incorporated with limited liability in the respective jurisdictions.

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the years ended 31 March 2017 and 2016.

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

## 35. FINANCIAL INFORMATION OF THE COMPANY

### a) Statement of financial position of the Company

| | **2017 HK$'000** | 2016 HK$'000 |
|---|---|---|
| **Non-current assets** | | |
| Property and equipment | **27** | 153 |
| Interests in joint ventures | **1,415** | 1,415 |
| Investments in subsidiaries | **2,461** | 3,547 |
| | **3,903** | 5,115 |
| **Current assets** | | |
| Other receivables, deposits and prepayments | **279** | 1,250 |
| Amounts due from subsidiaries | **411,069** | 251,192 |
| Bank balances and cash | **390,686** | 4,930 |
| | **802,034** | 257,372 |
| **Current liabilities** | | |
| Trade payables, other payables and accruals | **2,935** | 79,696 |
| Amounts due to subsidiaries | **48,142** | 52,713 |
| Loan payable | **130,404** | – |
| Corporate bonds | **3,944** | 10,772 |
| Tax payable | **21** | 21 |
| | **185,446** | 143,202 |
| **Net current assets** | **616,588** | 114,170 |
| **Total assets less current liabilities** | **620,491** | 119,285 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 35. FINANCIAL INFORMATION OF THE COMPANY (Continued)

### a) Statement of financial position of the Company (Continued)

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Corporate bonds | | **160,326** | 117,689 |
| Convertible bonds | | **290,696** | – |
| | | **451,022** | 117,689 |
| **Net assets** | | **169,469** | 1,596 |
| **Capital and reserves** | | | |
| Share capital | 28 | **40,367** | 341,839 |
| Share premium | 35(b) | **415,717** | 431,725 |
| Convertible bond reserves | 26 | **99,503** | – |
| Contributed surplus | 35(b) | **80,657** | 80,657 |
| Accumulated losses | 35(b) | **(466,775)** | (852,625) |
| **Total equity** | | **169,469** | 1,596 |

### b) Reserves of the Company:

| | Note | Share premium HK$'000 | Convertible bond reserves (note 26) HK$'000 | Contributed surplus HK$'000 | Accumulated losses HK$'000 |
|---|---|---|---|---|---|
| At 1 April 2015 | | 431,725 | 11,240 | 80,657 | (839,869) |
| Loss for the year | | | – | – | (23,996) |
| Lapse of conversion option during the year | | – | (11,240) | – | 11,240 |
| At 31 March 2016 | | **431,725** | **–** | **80,657** | **(852,625)** |
| Profit for the year | | **–** | **–** | **–** | **22,544** |
| Issue of convertible bonds | | **–** | **151,433** | **–** | **–** |
| Issue of shares for convertible bonds exercised | | **(16,008)** | **(51,930)** | **–** | **–** |
| Capital reduction | 28(a) | **–** | **–** | **–** | **363,306** |
| **At 31 March 2017** | | **415,717** | **99,503** | **80,657** | **(466,775)** |

The contributed surplus of the Company represents the difference between the fair values of the underlying net assets of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued under the corporate reorganisation of the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 36. 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 year.

The capital structure of the Group consists of convertible bonds disclosed in note 26, corporate bonds disclosed in note 27, loan disclosed in note 25, 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.

## 37. 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 six months 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 2017 and 2016, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

| | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|
| Within one year | **2,268** | 13,797 |
| In the second to fifth year, inclusive | **643** | 523 |
| | **2,911** | 14,320 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 37. COMMITMENTS AND CONTINGENCIES (Continued)

### b) Capital commitment

The Group had the following capital commitment at reporting date:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Contracted but not provided for: | | |
| Investment in a joint venture | **5,428** | 5,853 |
| Investment in a subsidiary | **11,405** | – |

### c) Pending litigation

In April 2014, a writ of summons was issued by an independent third party in liquidation (the "**Plaintiff**") against F(HK)SL, in relation to HK$4,000,000 ("**Sum**") paid to F(HK)SL pursuant to a cheque issued by the Plaintiff in September 2009 which was transferred to a client's account maintained with F(HK)SL. The Plaintiff claimed that the Sum was money belonging to them and demanded for a refund of the Sum. As advised by the external legal adviser of the Company to the case, F(HK)SL has withheld the shares in client's account, pursuant to the terms and conditions of the client's agreement entered into between the client and F(HK)SL, F(HK)SL is entitled to set off or withhold any securities and monies held in the account against any liabilities owed by the client. Having considered the legal advice, the Directors of the Company believe that the said legal action does not have any material adverse impact on the Group's operation and financial position. There has not been any further action taken by the Plaintiff since June 2014.

## 38. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund ("**MPF**") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employee's basic salaries and are charged to the consolidated statement of profit or loss and other comprehensive income when employees have rendered service entitling them to the contributions. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Pursuant to the regulations of the relevant authorities in the PRC, the subsidiaries of the Group in PRC participate in respective government retirement benefit scheme (the "**Scheme**") whereby the subsidiaries are required to contribute to the Scheme to fund the retirement benefits of the eligible employees. Contributions made to the Scheme are calculated based on certain percentages of the applicable payroll costs as stipulated under the requirement in the PRC. The relevant authorities of the PRC are responsible for the entire pension obligations payable to the retired employees. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contribution under the Schemes.

The total cost charged to the consolidated statement of profit or loss and other comprehensive income of approximately HK$1,065,000 (2016: approximately HK$1,039,000) represents contributions payable to the schemes by the Group in respect of the year ended 31 March 2017.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2017*

## 39. EVENTS AFTER THE REPORTING DATE

(i) On 16 November 2016, the Group had entered into a loan agreement with the lender, an independent third party for an unsecured term loan facility up to HK$130,000,000 with the interest rate of 8% per annum. The Group had fully repaid on 11 May 2017.

(ii) On 27 April 2017, certain holders of convertible bond series 2017 C as described in note 26 exercised portion of their holdings, in an aggregate principal amount of HK$182,961,000 representing 46.91% of the original principal amount, at an exercise price of HK$0.06. 3,049,350,000 ordinary shares of the Company were issued for the conversion.

(iii) On 27 March 2017, incidental to the subscription of convertible bonds of the Company by Mankind Investment Limited ("**Mankind**"), China Cinda (HK) Assets Management Co., Limited ("**Cinda HK**", the parent company of Mankind), provided the Company with a two-year term loan facility which confers the Company to an unconditional and irrevocable cash loan of HK$800 million at an interest rate of 6% per annum available for drawdown within a specified period not less than 24 months conditioning on several fulfilments. The loan has not been utilised at the end of Reporting Year nor up to the date of these consolidated financial statements. Both Mankind and Cinda HK are substantial Shareholders of the Company.

(iv) On 23 January 2017, the Group entered into a share subscription agreement with independent third parties in relation to the establishment of a joint venture at total investment amount of RMB1,000 million (equivalent to approximately HK$1,112 million) and the Group shall contribute an aggregate amount of RMB 300 million (equivalent to approximately HK$334 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. Up to the date of these consolidated financial statements, there was no such approval obtained.

## 40. COMPARATIVE FIGURES

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

# FIVE YEAR FINANCIAL SUMMARY

| | For the year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2017** | 2016 | 2015 | 2014 | 2013 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **RESULTS** | | | | | |
| Revenue | **49,880** | 49,207 | 45,083 | 51,140 | 46,810 |
| Profit/(loss) before tax | **30,907** | (42,682) | (156,736) | (15,591) | (71,953) |
| Income tax expense | **–** | – | (431) | (32) | – |
| Profit/(loss) for the year from continuing operations | **30,907** | (42,682) | (157,167) | (15,623) | (71,953) |
| Profit for the year from discontinued operations | **–** | – | – | – | 2,587 |
| Profit/(loss) before non-controlling interests | **30,907** | (42,682) | (157,167) | (15,623) | (69,366) |
| Non-controlling interests | **–** | 381 | 435 | 369 | 364 |
| Profit/(loss) for the year attributable to owners of the Company | **30,907** | (42,301) | (156,732) | (15,254) | (69,002) |
| Profit/(loss) per share (HK cents) | | | | | |
| Basic | **0.85** | (1.24) | (4.58) | (0.46) | (2.2) |
| Diluted | **0.84** | (1.24) | (4.58) | (0.46) | (2.2) |

| | As at 31 March | | | | |
|---|---|---|---|---|---|
| | **2017** | 2016 | 2015 | 2014 | 2013 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **ASSETS AND LIABILITIES** | | | | | |
| Total assets | **988,835** | 458,135 | 477,943 | 567,489 | 494,531 |
| Total liabilities | **(711,169)** | (350,595) | (324,096) | (258,197) | (195,541) |
| | **277,666** | 107,540 | 153,847 | 309,292 | 298,990 |
| Non-controlling interests | **–** | 1,125 | 781 | 361 | (4) |
| | **277,666** | 108,665 | 154,628 | 309,653 | 298,986 |