



ANNUAL REPORT 2018



銀合控股有限公司  
YIN HE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)  
Stock Code: 8260

## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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## CORPORATE INFORMATION

### EXECUTIVE DIRECTORS

Zheng Zhong Qiang  
Li Ang (Appointed on 20 April 2017)

### NON-EXECUTIVE DIRECTOR

Chang, Tin Duk Victor  
Lam Tsz Chung

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Lam, Raymond Shiu Cheung  
Wang En Ping  
Cheung Wai Bun Charles, JP

### COMPLIANCE OFFICER

Lam Tsz Chung

### COMPANY SECRETARY

Yu Ho Fung

### AUDITOR

Asian Alliance (HK) CPA Limited  
*Certified Public Accountants*  
Suites 313-316, 3/F  
Shui On Centre  
6-8 Harbour Road  
Wanchai  
Hong Kong

### REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P. O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

### HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2418A  
Wing On Centre  
111 Connaught Road  
Central, Hong Kong

### PRINCIPAL BANKERS

Bank of China  
Bank of Communications Co., Ltd., Hong Kong Branch  
Citibank, N.A., Hong Kong Branch  
Dah Sing Bank, Limited  
DBS Bank (Hong Kong) Limited  
Ping An Bank Co. Ltd.  
The Hongkong and Shanghai Banking Corporation Limited

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited  
Cricket Square  
Hutchins Drive  
P. O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

### WEBSITE

[www.yinhe.com.hk](http://www.yinhe.com.hk)

### STOCK CODE

8260



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Group is principally engaged in (i) provision of staff outsourcing services, executive/staff search services and other human resources support services (“Human Resources Services”); (ii) provision of credit assessment and credit consultancy services in the People’s Republic of China (the “PRC”); (iii) operation of peer-to-peer (“P2P”) financing platform and provision of other loan facilitation business in the PRC; (iv) provision of asset management services business in the PRC; and (v) loan financing services.

Revenue recorded for the Human Resources Services segment included revenues generated from providing staff outsourcing services, executive/staff search services and other human resources support services. Revenue recorded for the Human Resources Services segment decreased by 21.0% to approximately HK\$154,579,000 for the year ended 31 March 2018 (FY2017: approximately HK\$195,649,000). The decrease was mainly attributable to the keen market competition in Hong Kong and the weakening market demand for human resource services in Hong Kong as a result of the customers’ relocation of their human resources functions to their regional quarters outside Hong Kong leading. However, the Group remained as a leading human resources services provider in Hong Kong. In FY2018, the revenue generated from the Human Resources Services segment represented 55.5% (FY2017: 69.6%) of the Group’s total revenue.

Revenue recorded for the Credit Consultancy Services segment increased by 105.4% to approximately HK\$27,198,000 for the year ended 31 March 2018 (FY2017: approximately HK\$13,243,000). The increase was mainly due to the increase in service income generated from the sub-group acquired in previous year to provide financing counselling and financing referral services to the institutional lenders with borrowers mainly in the PRC real estate property market as a result of the Group’s marketing efforts made during the year. In FY2018, the revenue generated from the Credit Consultancy Services segment represented 9.8% (FY2017: 4.7%) of the Group’s total revenue.

Revenue recorded for the Loan Facilitation Services increased by 38.4% to approximately HK\$67,153,000 for the year ended 31 March 2018 (FY2017: approximately HK\$48,520,000). The increase was mainly attributable to the strategic move of the Group’s focus to the loan facilitation business in recent years and the growth in the market demand. The revenue generated from the Loan Facilitation Services segment represented 24.1% (FY2017: 17.2%) of the Group’s total revenue during the year.

Revenue recorded for the Assets Management Services segment decreased by 48.1% to approximately HK\$4,774,000 for the year ended 31 March 2018 (FY2017: HK\$9,192,000). In FY2018, the revenue generated from the Assets Management Service segment represented 1.7% (FY2017: 3.3%) of the Group’s total revenue. Although the Asset Management Services segment was not the Group’s major revenue generating unit, it could benefit the Group’s Credit Consultancy Services segment and Loan Facilitation segment through its valuable network of funds and investors which allowed the Group to provide more value-added services to its all customers as a whole. As such, the underlying value of this business segment is not explicitly shown on its own financial performance but will implicitly benefit other business segments of the Group.

Revenue recorded for the Loan Financing Services increased by 69.7% to approximately HK\$24,780,000 for the year ended 31 March 2018 (FY2017: HK\$14,602,000). The increase was mainly attributable to the Group’s continuous marketing efforts to expand its customer base after the commencement of the Group’s loan financing service business through a wholly-owned subsidiary which holds a money lender license in previous year. The revenue generated from Loan Financing Services segment represented 8.9% (FY2017: 5.2%) of the Group’s total revenue. It is expected that the loan financing service business development can enhance the Group’s business diversification and financial services business spectrum.



# MANAGEMENT DISCUSSION AND ANALYSIS

## FINANCIAL REVIEW

Revenue slightly decreased by 1.0% to approximately HK\$278,484,000 (FY2017: HK\$281,206,000) for the year ended 31 March 2018.

Direct costs decreased by 21.5% to approximately HK\$144,567,000 for the year ended 31 March 2018 (FY2017: HK\$184,080,000). Direct costs represented mainly staff costs of which a significant portion was for sourcing and employing candidates for outsourcing services, direct wages for executive/staff search teams and direct wages for human resources support team. The decrease in direct costs was mainly due to the decrease in direct labour cost as the number of staff decreased from 706 in FY2017 to 572 in FY2018 during the year.

Gross profit increased by 37.9% to approximately HK\$133,917,000 (FY2017: approximately HK\$97,126,000) for the year ended 31 March 2018 mainly due to the decrease in labour costs during the year. The gross profit margin was 48.1% for the year ended 31 March 2018 (FY2017: approximately 34.5%).

Other income and other gains and losses, net increased by 429.9% to approximately HK\$11,680,000 for the year ended 31 March 2018 (FY2017: approximately HK\$2,204,000). The increase was mainly attributable to the dividends received from available-for-sale investments during the year.

The gain on disposal of available-for-sale investment was approximately HK\$3,119,000 (FY2017: loss of HK\$4,498,000) which represented the recognized gain on disposal of certain unlisted equity investment.

General and administrative expenses increased by 4.9% to approximately HK\$52,822,000 for the year ended 31 March 2018 (FY2017: HK\$50,357,000). General and administrative expenses represented mainly staff related costs including directors' emoluments, rental expenses and marketing expenses for loan facilitation services.

Finance costs increased to approximately HK\$15,531,000 for the year ended 31 March 2018 (FY2017: HK\$11,000) mainly due to the interest expenses incurred for the convertible bonds of approximately HK\$50,000,000 and the principal amount of bonds payable of approximately HK\$176,900,000, which were issued during year with interest rates ranging from 6-10%.

Profit for the year increased by 77.4% to approximately HK\$65,310,000 for the year ended 31 March 2018 (FY2017: HK\$36,817,000) as a result of the factors discussed above.

## FINANCIAL POSITION

Goodwill slightly increased to approximately HK\$589,741,000 as at 31 March 2018 (FY2017: HK\$574,556,000). The increase was mainly attributable to the exchange translation adjustment which offset the effect of an impairment loss recognised for the year and represented 38.0% (FY2017: 46.8%) of the Group's total assets. The balance included the goodwill arising on acquisition of Sheng Zhuo Group Limited, goodwill arising on acquisition of Radiant Expert, goodwill arising on acquisition of Best Moon and goodwill on acquisition of Beauty Sky. Independent professional valuations were performed for the goodwill to assess their fair values at each financial year end individually. The Directors determined that an impairment loss of approximately HK\$5,631,000 on goodwill was required to be recognized accordingly.



## MANAGEMENT DISCUSSION AND ANALYSIS

Loan and interest receivables increased to approximately HK\$743,980,000 as at 31 March 2018 (FY2017: HK\$401,229,000) and represented 47.8% (FY2017: 32.7%) of the Group's total assets. The increase was mainly attributable to the increase in loan and interest receivables in respect of the growing loan financing business. Approximately HK\$105,000,000 was subsequently settled up to the report date. In assessing the recoverability of the carrying amounts of the loan and interest receivables, the management had carried out the following procedures:

- i) included a detailed analysis of the entire loan portfolio, performed on a regular basis;
- ii) identified loans to be evaluated for impairment on an individual basis and segment the remainder of the portfolio into groups of loans with similar credit risk characteristics such as loan type, product type, market segment, credit risk grading and classification, collateral type, geographical location and past-due status for evaluation and analysis on a collective basis;
- iii) based on update reliable data, incorporate management's experienced judgements about the credit quality of the loan portfolio and consider all known relevant internal and external factors that may affect loan collectability such as industry, geographical, economic and political factors;
- iv) included a systematic and logical method to consolidate the loan loss estimates and ensure the loan loss provision balance is made in accordance with the applicable accounting standards and relevant prudential requirements if necessary; and
- v) Addressed the methods used to validate models used for credit risk assessment and credit risk management tools such as stress tests and back tests.

The following factors are considered in estimating loan losses for the loans under assessment:

- Any significant financial difficulty of the borrower;
- Possibility of bankruptcy or other financial reorganisation of the borrower;
- Any breach of contract, such as a default or delinquency in interest or principal payments; or
- Any concession granted by the lender, for economic or legal reasons relating to the borrower's financial difficulty, which would not otherwise be considered.

The management regularly performs the above procedures to assess potential loan losses and ensure the recorded balances of loans reflects their current collectability of the loan portfolio.

With a view to increase the liquid capital pool to provide loans to customers when opportunities may arise from time to time and the working capital of the Group, two tranches of bonds (Tranche A Bond and Tranche B Bond) of aggregate amount HK\$100,000,000 and several bonds of aggregate amount HK\$126,900,000 were issued during the year to various independent bond holders respectively. On 18 September 2017, Tranche B Bond of amount HK\$50,000,000 has been exchanged into convertible bonds of HK\$50,000,000. As a result, the total liabilities of the Group increased by approximately HK\$242,806,000 to approximately HK\$279,931,000 as at 31 March 2018 (FY2017: HK\$36,925,000).

Net current assets as at 31 March 2018 was approximately HK\$698,337,000 as compared to approximately HK\$487,582,000 in the previous year. The increase was mainly due to the increase in loan and interest receivable during the year.

Net assets value of the Group as at 31 March 2018 was approximately HK\$1,279,923,000 compared to approximately HK\$1,190,907,000 as at 31 March 2017. The increase was mainly attributable to the Group's internal growth during the year.



# MANAGEMENT DISCUSSION AND ANALYSIS

## LIQUIDITY AND FINANCIAL RESOURCES

The Group generally finances its operation by its own working capital and from equity fund raisings. Net cash used in operating activities for the year ended 31 March 2018 was approximately HK\$265,565,000 as compared to that in 2017 of approximately HK\$202,676,000 mainly for the loan financing service business. Net cash from financing activities was approximately HK\$219,147,000 for the year ended 31 March 2018 compared to approximately HK\$173,016,000 for the year ended 31 March 2017 mainly from the proceed from issue of new bonds.

The Group's cash and cash equivalent was approximately HK\$39,490,000 as at 31 March 2018 compared to approximately HK\$65,253,000 as at 31 March 2017. The cash and cash equivalents is expected to be adequate to support the working capital of the Group.

As at 31 March 2018, the Group had obligations under finance leases of approximately HK\$118,000 (FY2017: approximately HK\$292,000). Among the total outstanding amounts of obligations under finance leases as at 31 March 2018, approximately 100.0% (FY2017: approximately 59.6%) is repayable within the next year.

The current ratio of the Group was 5.65 as at 31 March 2018 compared to 14.66 as at 31 March 2017. The gearing ratio of the Group increased to 17.1% (FY2017: 0.02%) as at 31 March 2018 mainly due to the issue of bonds and convertible bonds during the year. The gearing ratio was based on the Group's total borrowings of approximately HK\$221,131,000 (FY2017: approximately HK\$292,000) and the Group's total equity of approximately HK\$1,297,923,000 (FY2017: approximately HK\$1,190,907,000).

## CAPITAL STRUCTURE OF THE GROUP

Details of the movements in the Company's share capital are set out in note 31.

## FINANCIAL MANAGEMENT AND FOREIGN EXCHANGE EXPOSURE

The Group's finance division works closely with the executive directors and manages the financial risks of the Group. The key objectives of the Group's treasury policies are to manage the Group's onshore and offshore fund to support and facilitate the Group's future business and investment plans; to manage its exposure to fluctuations in foreign currency exchange rates and to reach the goals of corporate cash management. As most of the Group's business transactions, assets and liabilities are principally denominated in Hong Kong dollars and Renminbi, the Group's exposure to exchange rate risk is limited. It is the Group's treasury policy to manage its foreign currency exposure only when its potential financial impact is material to the Group and not to engage in any speculative activities. The Group did not use any financial instrument to hedge against foreign currency risk.

## CHARGES ON GROUP'S ASSETS

The Group had motor vehicle acquired under finance lease with a carrying value of approximately HK\$260,000 (FY2017: approximately HK\$543,000).

## CONTINGENT LIABILITIES

As at 31 March 2018, the Group did not have any material contingent liabilities (FY2017: Nil).

## COMMITMENTS

As at 31 March 2018, the Group did not have any material capital commitments (FY2017: Nil). The Group had operating lease commitments amounted to approximately HK\$4,165,000 (FY2017: approximately HK\$5,456,000) which represented rentals payable for office premises and car park space.

## SIGNIFICANT INVESTMENT

During the year ended 31 March 2018, the Group did not have any significant investment (FY2017: Nil).





## MANAGEMENT DISCUSSION AND ANALYSIS

### MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 March 2018, the Group did not have any significant acquisition subsidiaries and affiliated companies (FY2017: HK\$87,500,000).

No material disposals of subsidiaries were made by the Group for the year ended 31 March 2018 (FY2017: Nil).

### MATERIAL TRANSACTIONS

During the year ended 31 March 2018, there was no material transactions entered by the Group.

### EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2017, the Group's staff costs, including director's remuneration, were approximately HK\$160 million (FY2017: approximately HK\$198.4 million). It is the Group's policy to review its employee's pay levels and performance bonus system regularly to ensure the remuneration policy is competitive within the industry.

### FINAL DIVIDENDS

The Directors do not recommend the payment of the final dividend for year ended 31 March 2018 (FY2017: Nil).

### PROSPECTS

With the growth of the fin-tech industry, the Group's financial services business will continue to be benefited from the fast online intermediary services business and also expansion of the customer network. The Group can develop its financial related service business wider and deeper in the future. Facing the increasing market competition, it is expected that the Group has the expertise and capital resources to provide quality finance service to the customers.

The commencement of peer-to-peer ("P2P") financing business was important to the Group's development of its Loan Facilitation business. The companies in the PRC P2P industry are required to obtain the official licenses under the recent PRC government requirement. The Group now is in the progress applying the license. It is expected the license will be granted within the calendar year and the Group does not note any factors that will lead to failure. The Group is confident that the development in this business segment can run at a faster pace after license granted.

The recent increasing interest rate will potentially increase the borrowing costs of the Group. It is possible that the increase will not be able to be absorbed by the customers completely or simultaneously. However, the Group has strict cost control policy to monitor its borrowing costs and prevent its profitability to be eroded.

The Group's human resources services business remained stable during the year. However, the increasingly intense market competition in the human resources services industry and the increasing salary level will hinder its continuing expansion. Therefore, the Group will closely monitor the market condition and take necessary actions to adjust the Group's overall business strategy and available resources such as reducing the number of staffs in the year. With a view to maximise the returns to the shareholders, the Group will keep seeking suitable investment opportunities and allocating its existing resources in the most value-added business operations.

# The English names of PRC nationals, enterprises, entities, departments, facilities, certificates, titles and the like are translations of their Chinese names and are for identification purpose only.



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS

**Mr. Zheng Zhong Qiang (鄭鍾強)**, aged 55, was appointed as an executive Director on 1 September 2014 and is responsible for overseeing the business operations in the PRC. He is also the member of nomination committee of the Company. Mr. Zheng obtained his Bachelor degree of Chemistry from 華南理工大學 (South China University of Technology<sup>#</sup>) in 1983 and a Master degree in Hotel and Tourism Management from The Hong Kong Polytechnic University in 2014. Mr. Zheng was appointed as a deputy general manager in 中山市中糖集團有限公司 (Zhongshan Zhongtang Group Co. Ltd.<sup>#</sup>) in 1997. In 2002, he was appointed as the head of business management in 中山市公有企業管理局 (Zhongshan Public Business Bureau<sup>#</sup>). During the period of 2003 to 2010, Mr. Zheng served as the vice chairman of 中山公用事業集團有限公司 (Zhongshan Public Utilities Group Co., Ltd.<sup>#</sup>), the chairman of 中山公用科技股份有限公司 (Zhongshan Public Utilities Science and Technology Co., Ltd.<sup>#</sup>), a director of 中山公用事業集團股份有限公司 (Zhongshan Public Utilities Group Co., Ltd.<sup>#</sup>) (SZ: 000685) and the general manager of its holding company, 中山中滙投資集團有限公司 (Zhongshan Zhonghui Investment Group Co., Ltd.<sup>#</sup>). Mr. Zheng was appointed as chairman of the board of 中山旅遊集團有限公司 (Zhongshan Tourism Group Co., Ltd.<sup>#</sup>) in October 2010. Since June 2014, he has been appointed as the associate professor in 華南理工大學經濟與貿易學院 (Economy and Trade College, South China University of Technology<sup>#</sup>).

**Mr. Li Ang**, aged 31, was appointed as executive Director on 20 April 2017. Mr. Li Ang graduated from University of Auckland in New Zealand with a Bachelor of Arts degree in Economics. He has extensive experience in lending business, credit assessment, investment advisory, corporate information advisory and corporate investment management. He worked at a senior position in a financial institution in the People's Republic of China and served as the general manager of 廣州銀達融資租賃有限公司 (Guangzhou Yinda Finance Leasing Company Limited<sup>#</sup>). He is currently the managing director and general manager of each of 廣州邦旭投資諮詢有限公司 (Guangzhou Bangxu Investment Consultancy Company Limited<sup>#</sup>) and 廣州市久德資訊諮詢服務有限公司 (Guangzhou Jiude Information Consultancy Services Company Limited<sup>#</sup>). He is the Executive Vice President of 廣州市工商業聯合會(廣州市總商會)青年企業家委員會 (Guangzhou Municipal Federation of Industry and Commerce (Guangzhou General Chamber of Commerce) Youth Entrepreneurs Committee<sup>#</sup>).

### NON-EXECUTIVE DIRECTORS

**Mr. Chang, Tin Duk Victor (張天德)**, aged 47, was first appointed as an executive Director on 24 February 2012 and re-designated as a non-executive director on 31 August 2015. He is a co-founder of the Group and is a director of Zebra Strategic Outsource Solution Limited ("Zebra SOS"). He is responsible for overseeing the business development and in-house operations and devising market strategies and business expansion plans of the Group. He has over 16 years of experience in recruitment process outsourcing, executive/staff search and private investment management. Before joining the Company, Mr. Chang started his career with Lippo Securities Limited and moved on to become director of Grand International Holdings Limited ("Grand International"), which was engaged in general investments. After leaving Grand International, he went on to be director and responsible officer for Astrum Capital Management Limited (a corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contract), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO")) and Murtsa Capital Partners Limited (a corporation licensed to carry out type 9 (asset management) regulated activity under the SFO) but subsequently resigned from both companies in order to focus and cope with the business expansion of the Group. Also, Mr. Chang resigned as a compliance consultant for Astrum Capital Management Limited in November 2013. Mr. Chang graduated with a Bachelor of Science degree in business administration from Boston University in January 1993.



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chang is now a director & responsible officer of each of Dakin Securities Limited and Dakin Asset Management Limited. Dakin Securities Limited is a corporation licensed to carry out type 1 (dealing in Securities) and Type 2 (dealing in futures contract) regulated activities under the SFO and Dakin Asset Management Limited is a corporation licensed to carry out type 9 (asset management) regulated activity under the SFO. Mr. Chang is also a director of Dakin Capital Limited (a corporation licensed to carry out type 6 (advising on corporate finance) regulated activities under the SFO).

**Mr. Lam Tsz Chung (林子聰)**, aged 45, was appointed as a non-executive Director on 1 September 2014 and re-designated as an executive director on 31 August 2015. Mr. Lam was subsequently re-designated as a non-executive Director on 1 September 2016. Mr. Lam is member of the remuneration committee of the Company. He is responsible for advising on business opportunities for investment, development and expansion of the Group. Having practised law in Hong Kong for more than 20 years, he was admitted as a solicitor of the High Court of Hong Kong and a solicitor of the Supreme Court of England and Wales with expertise in civil litigation and commercial matters. Mr. Lam obtained a Bachelor of Laws and a Postgraduate Certificate of Laws from the University of Hong Kong in 1995 and 1996 respectively. He also obtained a Master of Laws from City University of Hong Kong and a Master of Science (Financial Analysis) from the Hong Kong University of Science and Technology.

Mr. Lam is a consultant of Messrs. C. W. Lau & Co. holding a practicing certificate issued by the Law Society of Hong Kong.

Mr. Lam is a China-Appointed Attesting Officer appointed by Ministry of Justice of the PRC, an adjudicator of Immigration Tribunal, an adjudicator of Registration of Persons Tribunal and a member of Appeal Panel (Housing).

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Lam, Raymond Shiu Cheung (林兆昌)**, aged 52, was appointed as an independent non-executive Director on 2 April 2012 and is responsible for providing independent judgment on the issue of strategy, performance, resources and corporate governance and internal control of the Company. He is also the chairman of the remuneration committee and a member of the audit committee of the Company. Mr. Lam obtained a bachelor of business degree in banking and finance from the Victoria University of Technology (now known as Victoria University) and a master's degree in applied finance from Macquarie University.

Other than his directorship in the Company, Mr. Lam is currently an executive director of Chinese Food and Beverage Group Limited (stock code: 8272) and an independent non-executive director of China Assurance Finance Group Limited (stock code: 8090), both of which are companies listed on GEM.

He was an independent non-executive director of China Chuanglian Education Group Limited (formerly known as China Oriental Culture Group Limited) (stock code: 2371) from January 2008 to September 2010 and The Hong Kong Building and Loan Agency Limited (stock code: 0145) from February 2012 to June 2014, both of which are companies listed on the Main Board. He was also an independent non-executive director of each of China Strategic Holdings Limited (formerly known as China Railway Logistics Limited and Proactive Technology Holdings Limited) (stock code: 8089) from December 2008 to June 2009; China Bio-Med Regeneration Technology Limited (formerly known as China Bio-Med Regeneration Technology Limited and B M Intelligence International Limited)(stock code: 8158) from June 2008 to June 2009; Chinese Food and Beverage Group Limited (stock code: 8272) from May 2010 to April 2013, all of which are companies listed on GEM. He was also the deputy chief executive officer of China Eco-Farming Limited (formerly known as Linefan Technology Holdings Limited)(stock code: 8166) from June 2009 to April 2013, a company listed on GEM.



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Wang En Ping (王恩平)**, aged 64, was appointed as an independent non-executive Director on 1 September 2014 and is responsible for providing independent judgement on the issue of strategy, performance, resources and corporate governance and internal control of the Company. He is also the chairman of the audit committee and a member of both the nomination committee and the remuneration committee of the Company. Mr. Wang obtained his Bachelor degree in Accounting from 安徽財貿學院 (Anhui University of Finance and Economics<sup>#</sup>) in 1988. He has been a member of the Chinese Institute of Certified Public Accountants since 1992 and awarded as senior accountant in 1997.

Mr. Wang worked for 冶金工業部華東地勘局 (East China Geological Prospecting Bureau, Ministry of Metallurgical Industry<sup>#</sup>), and became the partner of 廣東南方天元會計師事務所 (Guangdong South Tian Yuan Certified Public Accountants<sup>#</sup>).

**Dr. Cheung Wai Bun Charles, JP (張惠彬博士, JP)**, aged 82, was appointed as an independent non-executive Director on 1 September 2014 and is responsible for providing independent judgment on the issue of strategy, performance, resources and corporate governance and internal control of the Company. He is also the chairman of nomination committee and a member of the audit committee of the Company. Dr. Cheung is presently director and vice chairman of executive committee of the Metropolitan Bank (China) Ltd. PRC., Dr. Cheung is an independent non-executive director of each of China Financial International Investments Limited (Stock code: 721), Pioneer Global Group Limited (Stock code: 224), Universal Technologies Holdings Limited (Stock code: 1026), Modern Dental Group Limited (Stock code: 3600), Jiayuan International Group Limited (Stock Code: 2768), China Taifeng Bedding Holdings Limited (Stock code: 873) and Fullsun International Holdings Group Co., Limited (Stock code: 627) and a non-executive director of Galaxy Entertainment Group Limited (Stock code: 27), all of which are listed on the Main Board of the Stock Exchange. He was formerly an executive director and chairman of the board of directors of Roma Group Limited (Stock code: 8072), which is listed on the GEM. He was formerly an independent non-executive director and chairman, subsequently co-chairman of Grand TG Gold Holdings Limited (Stock code: 8299), which is listed on the GEM, during the period from July 2009 to March 2016. Dr. Cheung was also an independent non-executive director of Shanghai Electric Group Company Limited (Stock code: 2727 (Hong Kong) and (A Stock 601727 (Shanghai))), which is listed on the main board of the Stock Exchange and the Shanghai Stock Exchange from April 2005 to February 2014. He is also a council member of the Hong Kong Institute of Directors. He was formerly a visiting professor of School of Business of Nanjing University, PRC. He is also a member of Hospital Governing Committee of both Kowloon Hospital and Hong Kong Eye Hospital and a member of Regional Advisory Committee of Kowloon, Hospital Authority. Dr. Cheung was formerly group chief executive and executive deputy chairman of Mission Hills Group, Hong Kong, and a former director and advisor of the Tung Wah Group of Hospitals. He had held senior management positions in various companies of different industries and possessed extensive banking financial and commercial experiences. Dr. Cheung holds an honorary doctor's degree from John Dewey University of USA, a master degree in business administration and a Bachelor of Science degree in accounts and finance from New York University U.S.A. He was awarded Listed Company Non-executive Director Award by the Hong Kong Directors of the Years 2002. In December 2010, Dr. Cheung received 3 awards namely (1) Outstanding Management Award of The Chartered Management Association; (2) Outstanding Director Award of The Chartered Association of Directors; and (3) Outstanding CED Award of The Asia Pacific CEO Association.



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

### SENIOR MANAGEMENT

**Ms. Zhang, Jin (張瑾)**, aged 39, has joined the Group as chief financial officer in October 2014. Ms. Zhang oversees the overall accounting and financial function of the Group. She obtained a Bachelor degree in marketing from 北京工業大學經濟與管理學院 (Economics and Management School of Beijing University of Technology) in 2001 and a master degree of science in international consultancy and accounting from the University of Reading in 2002. She has extensive experience in accounting and financial management. She was previously employed as an auditor in Ernst & Young (Beijing and Guangzhou branches) and a senior auditor in Deloitte (Guangzhou branch) between 2003 and 2010.

**Ms. Ren, Yi (任怡)**, aged 47, joined the Group in December 2012. She is the general manager of the Group and is responsible for assisting in overseeing the management and daily operation of the Group and supervising the payroll team. She obtained a Bachelor of Arts degree in English language and linguistics from Beijing University of Aeronautics & Astronautics in July 1993. She has approximately 13 years of experience in business development as well as in sales and marketing. From 2000 to 2007, she worked for an international law firm, an executive search company, an international investment management company and an international investment bank. From September 2007 to February 2011, she held the senior management position of a company listed on the Main Board of the Stock Exchange, where she was primarily responsible for its business development and sales and marketing activities. From February 2011 to December 2012, she was first employed as a senior executive assistant to the chief executive officer of a Hong Kong subsidiary of one of the largest integrated energy companies in Canada, where her primary responsibilities included assisting the chief executive officer in establishing a new energy subsidiary and she last held the position of business and commercial coordinator with such Hong Kong subsidiary.

**Ms. Yeung, Ka Fung Queenie (楊家鳳)**, aged 47, is the head of the ESS-Banking Team of the executive/staff search department. She joined the Group in August 2009 and is responsible for leading the ESS-Banking Team to partner with the Group's clients in the banking and financial sector in delivering human capital solutions. Ms. Yeung obtained a Bachelor of Arts degree from the University of Toronto in June 1992 and has more than 17 years of experience in human resources operations management in the financial services industry. Prior to joining the Group, Ms. Yeung was employed by American International Assurance Company Limited as human resources officer in 1993 and was promoted to senior human resources officer in 1996. From 1997 to July 1999, Ms. Yeung was employed by Citibank N.A. and last held the position of compensation and benefits officer. She then worked for Societe Generale Hong Kong Branch before rejoining Citibank N.A. and moved on to Standard Chartered Bank (HK) Limited in 2008. Immediately before joining the Group, she was employed by The Hongkong and Shanghai Banking Corporation Limited and last held the position of senior human resources manager in personal financial services.

**Mr. Hui, Chun Sing (許振聲)**, aged 41, joined the Group in July 2006. He is the project manager for IT of the Group and is responsible for overseeing the Group's data security controls, and implementing, maintaining and enhancing the standard of information security control and the Group's eHRIS software. He obtained a Bachelor of Science degree in computing from University of North London in March 2002 and obtained an associate degree in business administration from The Open University of Hong Kong in December 2005. He has approximately 12 years of experience in system and software development. He was awarded the project management professional credential by the Project Management Institute in 2008. Prior to joining the Group, he had joined an IT service company in Hong Kong as a programmer from March 2000 to June 2002. From February 2003 to July 2006, he was employed by Hsin Chong Construction Group Limited and last held the position of analyst programmer.



# CORPORATE GOVERNANCE REPORT

Pursuant to rule 18.44(2) of the GEM Listing Rules, the Board is pleased to present the corporate governance report for the year ended 31 March 2018.

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to promoting good corporate governance, with the objectives:

- (i) the maintenance of responsible decision making;
- (ii) the improvement in transparency and disclosure of information to shareholders;
- (iii) the continuance of respect for the rights of shareholders and the recognition of the legitimate interests of the shareholders; and
- (iv) the improvement in management of risk and the enhancement of performance by the Group.

The Company will continue to monitor and review its corporate governance practices to ensure compliance with the regulatory requirements and to meet the expectations of the shareholders and investors.

The Board of Directors (the “Board”) is satisfied that the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report (the “CG Code”) as set out in Appendix 15 to the GEM Listing Rules to the extent applicable to the Company during the year ended 31 March 2018.

## DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct governing the securities transactions by the Directors. Following a specific enquiry made by the Company on each of the Directors, the Company was not aware of any non-compliance with the required standard set out in Chapter 5 of the GEM Listing Rules for the year ended 31 March 2018.

## BOARD OF DIRECTORS

The Board is entrusted with the overall responsibility for promoting the success of the Group by directing and supervising the Group’s business and affairs. The day-to-day management, administrative and operational matters of the Group are delegated to the executive Directors and the senior management. Any significant operational and financial matters of the Group have to be approved by the Board before entering into any significant transactions. The Board has obtained full support from the Directors and the senior management to discharge its responsibilities.

The Company is committed to the view that the Board should include a balance composition of executive and independent non-executive Directors (the “INEDs”) so that there is a strong independent element on the board, which can effectively exercise independent judgment. Non-executive directors are of sufficient caliber and number for their views to carry weight.

The Company has adopted the Board Diversity Policy in August 2013 and will strive to select the most appropriate candidate to be appointed as a member of the Board. When identifying suitable candidates for directorship, the Nomination Committee will carry out the selection process by making reference to not only the skills, experience, education background, professional knowledge, personal integrity and time commitments but also the gender, age, cultural background and ethnicity of the proposed candidates, and also the Company’s needs and other relevant statutory requirements and regulations required for the positions. The decision will be made in accordance with the strength of the contribution to the Board by the candidate. All candidates must be able to meet the standards as set for in Rules 5.01 and 5.02 of the GEM Listing Rules. A candidate who is to be appointed as an independent non-executive Director should also meet the independence criteria as set out in Rule 5.09 of the GEM Listing Rules. Qualified candidates will then be recommended to the Board for approval.



## CORPORATE GOVERNANCE REPORT

As at the date of this report, the Board comprises seven Directors, including two executive Directors, namely Mr. Zheng Zhong Qiang and Mr. Li Ang, two non-executive Directors namely Mr. Chang, Tin Duk Victor and Mr. Lam Tsz Chung, and three independent INEDs, namely Mr. Lam, Raymond Shiu Cheung, Mr. Wang En Ping and Dr. Cheung Wai Bun Charles, JP. There is no relationship, including financial, business, family or other material relationship among the Directors.

The INEDs have brought in a wide range of business and financial expertise, experiences and independent judgement to the Board. Through actively participation in the Board meetings and serving on various Board committees, all INEDs will continue to make various contributions to the Company.

Throughout the year ended 31 March 2018, the Company had three INEDs which has exceeded the requirements of the GEM Listing Rules that the number of INEDs must represent at least one-third of the Board and has met the requirement that at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received an annual written confirmation of independence from each of the INEDs pursuant to Rule 5.09 of the GEM Listing Rules for the year ended 31 March 2018. Accordingly, the Company considers that all the INEDs are independent and have met the independence guidelines as set out in Rule 5.09 of the GEM Listing Rules for the year ended 31 March 2018.

The biographical details of each Director and relationships between the members of the Board are disclosed in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

### BOARD MEETINGS

The Board is scheduled to meet regularly, at least four times a year at approximately quarterly intervals, to discuss the overall strategy as well as the operational and financial performance of the Company. Other Board meetings will be held when necessary. Such Board meetings involve the active participation, either in person or through other electronic means of communication, of a majority of Directors.

If any Directors and their associates with a material interest in the transactions to be discussed at the Board meetings will abstain from voting on resolutions, approving such transactions and are not counted in the quorum of the meetings.

During the year ended 31 March 2018, 12 Board meetings were held, at which the works performed are summarized as follows:

- Discussed and approved the results of the Group for the year ended 31 March 2018, the three months ended 30 June 2017, the six months ended 30 September 2017 and the nine months ended 31 December 2017;
- The appointment of service providers for the year ended 31 March 2018 relating to (i) review and assessment of the risk management and internal control of the Group; and (ii) the evaluation and drafting of the environmental, social and governance report;
- Approved the issuance of bonds;
- Approved the changes in Directors and Company Secretary; and
- Discussed the possible acquisition of a company specialized in financial big data business and possible disposal of the existing Human Resources Services business.

# CORPORATE GOVERNANCE REPORT



The attendance records of individuals Directors are as follows:

	<b>Number of Meetings Attended/Held</b>
<b>Executive Directors</b>	
Zheng Zhong Qiang	12/12
Li Ang (Appointed on 20 April 2017)	12/12
Li Si Cong (Resigned on 20 April 2017)	1/12
<b>Non-Executive Directors</b>	
Chang, Tin Duk Victor	12/12
Lam Tsz Chung	12/12
<b>Independent Non-Executive Directors</b>	
Lam, Raymond Shiu Cheung	12/12
Wang En Ping	12/12
Cheung Wai Bun Charles, JP	12/12

Appropriate notices were given to all Directors in advance for attending regular and other Board meetings. Meeting agendas and other relevant information were provided to the Directors in advance of Board meetings. All Directors were consulted to include additional matters in the agenda for Board meetings.

All Directors should have access to the advice and services of the Company Secretary with a view to ensuring that the Board procedures and all applicable rules or regulations are followed. The Company Secretary is responsible for keeping all Board meeting minutes. The minutes will be circulated to the Directors for comments and recorded within a reasonable time after each meeting and the minutes are open for Directors' inspection.

Meeting minutes were reviewed by the Directors and are kept by the Company Secretary and such minutes are open for inspection at any reasonable time on reasonable prior notice by any Directors.

## GENERAL MEETINGS

Annual general meeting of the Company was held on 4 August 2017. All Directors including INEDs and other non-executive directors attended the annual general meeting.

## RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

The executive Directors and senior management meet regularly to review the Company's business matters and escalate the matters to the Board meeting for further discussion if necessary. The Board and the Directors can seek independent professional advice whenever necessary at the Company's expenses. Furthermore, they can have access to the company secretary who is responsible for ensuring that the Board procedures are duly complied with and advising the Board on corporate governance and compliance matters.

The functions of non-executive Directors include, but not limited to:

- taking part in board meetings to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
- taking the lead where potential conflicts of interests arise;
- serving on the Audit, Remuneration and Nomination Committees when invited; and
- scrutinizing the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.





# CORPORATE GOVERNANCE REPORT

In accordance with the Board's current practice and code provision A.1.7 of the CG Code, any material transaction involving a conflict of interests for a substantial shareholder or a Director will be considered and dealt with by the Board by a duly convened Board meeting. It also requires the directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Particulars of the Directors' remunerations for the Year are set out in Note 10 to the consolidated financial statements.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management (other than the Directors) whose particulars are contained in the section headed "Directors and Senior Management" in this annual report for the Year by band is set out below:

Remuneration band (in HK\$)	Number of individual
Nil to 1,000,000	11
1,000,001 to 1,500,000	1
1,500,001 to 2,000,000	–
2,000,001 to 2,500,000	–
2,500,001 to 3,000,000	–
3,000,001 to 3,500,000	–
3,500,001 to 4,000,000	–
4,000,001 to 4,500,000	–
5,000,001 to 5,500,000	–

## CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors should keep abreast of their collective responsibilities as Directors and of the business and activities of the Group. Directors receive regular updates and presentations on changes and developments to the Group's business and to environments in which the Group operates, as well as their responsibilities under the relevant statutes, laws, rules and regulations to ensure compliance and enhance their awareness of good corporate governance practices. Directors are also encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 March 2018, the Directors participated in the continuous professional developments in relation to regulatory updates, the duties and responsibilities of the Directors and the business of the Group in the following manner:

	Type of training
<b>Executive Directors</b>	
Zheng Zhong Qiang	A, B
Li Ang (Appointed on 20 April 2017)	A, B
Li Si Cong (Resigned on 20 April 2017)	A, B
<b>Non-Executive Directors</b>	
Chang, Tin Duk Victor	A, B
Lam Tsz Chung	A, B
<b>Independent Non-Executive Directors</b>	
Lam, Raymond Shiu Cheung	A, B
Wang En Ping	A, B
Cheung Wai Bun Charles, JP	A, B

A: attending seminars and/or conferences

B: reading materials relevant to the business of the Group or to the Director's duties and responsibilities



# CORPORATE GOVERNANCE REPORT

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company. Either party has the right to give not less than three months' written notice to terminate the respective service contract.

Each of the non-executive Directors and the independent non-executive Directors has entered into an appointment letter with the Company on an initial term of three years from his appointment date. Please refer to the section headed "Biographical details of Directors and senior management" of this annual report for their respective appointment dates. Either party has the right to give not less than three months' written notice to terminate the respective appointment.

In compliance with the code provision A.4.2 of the CG Code, all Directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after their appointment. By virtue of Article 83(3) of the articles of association of the Company (the "Articles of Association"), the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In compliance with the code provision A.4.2 of the CG Code, all Directors are subject to retirement by rotation at least once every three years. Furthermore, pursuant to Article 84(1) of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not 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 shall be subject to retirement at an annual general meeting at least once every three years.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

In compliance with Rules 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules, the Company has appointed three independent non-executive Directors, representing more than one-third of the Board and with at least one of whom having appropriate professional qualifications, or accounting or related financial management expertise.

## BOARD COMMITTEES

The Board has established, with written terms of reference, three board committees, namely audit committee, remuneration committee and nomination committee, to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

The written terms of reference for each Board committee are in line with the GEM Listing Rules and are available on the websites of the Stock Exchange and the Company, respectively.

## AUDIT COMMITTEE

The Audit Committee was established on 19 March 2013 with written terms of reference in compliance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules and paragraphs C.3.3 and C.3.7 of the CG Code. The Audit Committee comprises three independent non-executive Directors, namely, Mr. Lam, Raymond Shiu Cheung, Mr. Wang En Ping and Mr. Cheung Wai Bun Charles, JP. Mr. Wang En Ping is the chairman of the Audit Committee.

The principal functions of the Audit Committee include, but are not limited to:

### Relationship with the Company's auditors

- making recommendations to the Board on the appointment, reappointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors, and any questions of their resignation or dismissal;
- reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; discussing with the auditors the nature and scope of the audit and reporting obligations before the audit commences; and



## CORPORATE GOVERNANCE REPORT

- developing and implementing a policy on engaging external auditors to supply non-audit services (for this purpose, “external auditors” 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); and reporting to the Board, identifying and making recommendations on any matters where action or improvement is needed.

### **Review of the Company’s financial information**

- monitoring integrity of the Company’s financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgements contained in them before submission to the Board with particular focus on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgmental areas;
  - (iii) significant adjustments resulting from audit;
  - (iv) the going concern assumptions and any qualifications;
  - (v) compliance with accounting standards; and
  - (vi) compliance with the GEM Listing Rules and legal requirements in relation to financial reporting;
- regarding the above paragraph:
  - (i) liaising with the Board and senior management and meeting, at least twice a year, with the Company’s external auditors; and
  - (ii) considering any significant or unusual items that are, or may need to be, reflected in the report and financial statements; giving 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 auditors.

### **Oversight of the Company’s financial reporting system, Risk Management and Internal Control Systems**

- reviewing the Company’s financial controls and the Risk Management and Internal Control Systems;
- discussing the Risk Management and Internal Control Systems with management to ensure that management has performed its duty to have effective systems including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company’s accounting and financial reporting function;
- considering 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;
- where an internal audit function exists, ensuring co-ordination between the internal and external auditors, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring its effectiveness;
- reviewing the financial and accounting policies and practices of the Group;
- reviewing the external auditors’ management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management’s response;
- ensuring that the Board will provide a timely response to the issues raised in the external auditors’ management letter;



- reporting to the Board on the matters in relation to its principal functions;
- considering other topics, as defined by the Board;
- making recommendations to the Board as it deems appropriate on any area within its scope of duties where an action or improvement is needed;
- acting as the key representative body for overseeing the Company's relations with the external auditors; and
- discuss any whistleblowing matters, including but not limited to possible improprieties in financial reporting and internal controls, raised by employees and those who deal with the Group (e.g. customers and suppliers) if there is any.

The Board, through the Audit Committee, assesses the effectiveness of the Group's risk management and internal control systems, which covers the significant controls, including financial, operational and compliance controls for the year under review, on an annual basis. Besides, the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function are also considered in the review.

The Company has an internal audit function ensuring the Group's business operating units' functions are in order. There are risk management policies, regulations and guidelines issued for operating units to identify, access, manage, and control across the Group. Exposure to these risks is continuously monitored by the Board on an on-going basis.

The internal control system of the Group includes a defined management structure with specified limits of authority. The Board has clearly defined the authorities and key responsibilities of each division to ensure adequate counter-checking and balance of responsibilities. The internal control system has been designed to safeguard the Group's assets against unauthorized use or disposition; to ensure the maintenance of proper accounting records for producing reliable financial information; and to ensure compliance with applicable laws, regulations and industry standard.

During the Year, 4 Audit Committee meetings were held. The works performed are as follows:

- reviewed the Group's consolidated results for the year ended 31 March 2018, the three months ended 30 June 2017 and the six months ended 30 September 2017 and nine months ended 31 December 2017;
- reviewed the accounting principles and practices adopted by the Group and other financial reporting matters;
- discussed the effectiveness of the internal controls system throughout the Group, including financial, operational and compliance controls, and risk management. During the year under review, no major issue was identified by the Board but minor improvement procedures were raised by the external auditors and subsequently adopted by the management. The Board is of the view that the risk management and internal control systems in place is effective and adequate for the year ended 31 March 2018. The Audit Committee monitors the Group's internal governance and strives to provide objective assurance to the Board that appropriate, adequate and effective risk management and internal control systems are maintained and operated by the management in compliance with agreed processes and standards by performing periodic reviews;
- confirmed that an external professional company, which will report directly to the Audit Committee, was engaged to perform the internal audit functions to review and monitor the adequacy as well as effectiveness of the Group's risk management and internal control during the year; and
- met with the Company's external auditors as to discuss and to resolve key matters, if any, raised by the auditors.



## CORPORATE GOVERNANCE REPORT

The individual attendance record of the Audit Committee members as follows:

	<b>Number of Meetings Attended/Held</b>
Wang En Ping (Chairman)	4/4
Lam, Raymond Shiu Cheung	4/4
Cheung Wai Bun Charles, JP	4/4

### REMUNERATION COMMITTEE

The Company established a remuneration committee (“Remuneration Committee”) on 19 March 2013 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and paragraph B.1.2 of the CG Code. The Remuneration Committee comprises one non-executive Director, namely Mr. Lam Tsz Chung and two independent non-executive Directors, namely Mr. Lam, Raymond Shiu Cheung and Mr. Wang En Ping. Mr. Lam, Raymond Shiu Cheung is the chairman of the Remuneration Committee.

The principal functions of the Remuneration Committee include, but not are limited to:

- making recommendations to the Board on the Company’s policy and structure for all Directors and Senior Management (as defined below) remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
- reviewing and approving the management’s remuneration proposals with reference to the Board’s corporate goals and objectives from time to time;
- to reviewing and approving compensation payable to Executive Directors and Senior Management (as defined below) 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;
- reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;
- any other works things to enable the Remuneration Committee to discharge its powers and functions conferred on it by the Board;
- with delegated responsibility from the Board:
  - (i) determining the remuneration packages of individual Executive Directors and Senior Management (including benefits in kind, pension rights and compensation payments such as compensation payable for loss or termination of their office or appointment);
  - (ii) making recommendations to the Board on the remuneration packages of individual Executive Directors and senior management; and
  - (iii) making recommendations to the Board on the remuneration of Non-executive Directors.
- ensuring that no Director or any of his associates is involved in deciding his own remuneration;
- determining the criteria for assessing employee performance, which should reflect the Company’s business objectives and targets;



# CORPORATE GOVERNANCE REPORT

- to considering the performance bonus for Executive Directors, Senior Management and the general staff, having regard to their achievements against the performance criteria and by reference to market norms;
- reviewing the service agreements of the Directors and senior management from time to time. The Remuneration Committee is empowered to seek advice from external professional advisers whenever the Remuneration Committee considers necessary.

During the year ended 31 March 2018, 6 Remuneration Committee meetings were held, at which the works performed are summarized as follows:

- evaluated the performance of the Directors and senior management for the year ended 31 March 2018;
- reviewed the remuneration policies and appraisal system
- recommended to the Board the Directors' fee for the year; and
- considered and approved the remuneration of the Directors and senior management.

The individual attendance records of the Remuneration Committee members are as follows:

	<b>Number of Meetings Attended/Held</b>
Lam, Raymond Shiu Cheung (Chairman)	6/6
Lam Tsz Chung	6/6
Wang En Ping	6/6

Details of the remuneration of each Director for the year ended 31 March 2018 are set out in note 10 to the financial statements contained in this annual report.

## NOMINATION COMMITTEE

The Company established a nomination committee (“Nomination Committee”) on 19 March 2013 with written terms of reference in compliance with paragraphs A.5.1 and A.5.2 of the CG Code. The Nomination Committee comprises one executive Director, namely Mr. Zheng Zhong Qiang; and two independent non-executive Directors, namely Mr. Wang En Ping and Dr. Cheung Wai Bun Charles, JP. Dr. Cheung Wai Bun Charles, JP is the chairman of the Nomination Committee.

The principal functions of the Nomination Committee include, but are not limited to:

- reviewing the structure, size and composition (including the skills, knowledge and experience and diversity of perspectives) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- identifying individuals suitably qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships;
- assessing the independence of the INEDs; and
- making recommendations to the Board on the appointment or re-appointment of Directors and the succession planning for the Directors, in particular, the Chairman and the chief executive.



## CORPORATE GOVERNANCE REPORT

During the year ended 31 March 2018, 5 Nomination Committee meetings were held, at which the works performed are summarized as follows:

- reviewed the structure, size and diversity of the Board;
- assessed the independence of the INEDs;
- reviewed the Board Diversity Policy; and
- recommended to the Board for consideration the re-election of all the retiring Directors at the forthcoming AGM.

	<b>Number of Meetings Attended/Held</b>
Cheung Wai Bun Charles, <i>JP</i> (Chairman)	5/5
Zheng Zhong Qiang	5/5
Wang En Ping	5/5

### CORPORATE GOVERNANCE FUNCTION

The Company's corporate governance function is carried out by the Board pursuant to a set written terms of reference adopted by the Board, which include, but not limited to:

- developing and reviewing the Company's policies and practices on corporate governance and make recommendations to the Board;
- reviewing and monitoring the training and continuous professional development of the Directors and senior management of the Group;
- reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees of the Group and the Directors; and
- reviewing the Company's compliance with the CG Code and disclosures in the corporate governance report.

During the year ended 31 March 2018, the Board has reviewed and performed the above corporate governance functions.

### DIRECTORS' AND AUDITOR'S RESPONSIBILITY STATEMENTS

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements which give a true and fair view of the financial position of the Group. The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Company's ability to continue as a going concern.

The auditors' financial reporting responsibilities on the Company's consolidated financial statements are set out in the "Independent Auditor's Report" of this annual report.



# CORPORATE GOVERNANCE REPORT

## AUDITOR'S REMUNERATION

The consolidated financial statements of the Company and its subsidiaries for the year were audited by Asian Alliance (HK) CPA Limited whose term of office will expire upon the forthcoming annual general meeting. The Audit Committee has recommended to the Board that Asian Alliance (HK) CPA Limited be re-appointed as auditor of the Company for approval by the shareholders of the Company at the forthcoming annual general meeting.

The aggregate remuneration paid and payable to the Company's auditor for the year ended 31 March 2018 is as follows:

Services	Fee paid/payable HK\$'000
Audit services	615
Other audit services	45

## COMPANY SECRETARY

Mr. Yu Ho Fung ("Mr. Yu") was appointed as the Company Secretary of the Company with effect from 16 March 2018.

Mr. Yu is a member of the Hong Kong Institute of Certified Public Accountants and fellow member of Association of Certified Chartered Accountants and obtained a Bachelor degree in Accountancy from Hong Kong Polytechnic University. He has extensive experiences in company secretary, financial accounting and corporate governance compliance for listed company. Mr. Yu has complied with the training requirement for the year ended 31 March 2018 under Rule 5.15 of the GEM Listing Rules.

All members of the Board have access to the advice and services of the Company Secretary. The appointment and removal of the Company Secretary are subject to the Board's approval.

## SHAREHOLDERS' RIGHTS

Pursuant to Article 58 of the Articles of Association, the Board may whenever it thinks fit call extraordinary general meetings. Anyone or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Pursuant to Article 85 of the Articles of Association, no person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a written notice (unless otherwise specifically stated and as further defined in the Articles of Association) (the "Notice") signed by a shareholder of the Company (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office of the Company or at the Hong Kong branch share registrar of the Company provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the despatch of the notice of the general meeting appointed for such election) the period for lodgment of such Notice(s) shall commence on the day after the despatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

### Procedures for directing shareholder' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Company, for the attention of the Board of Director, by email: [info@yinhe.com.hk](mailto:info@yinhe.com.hk), or mail to Room 2418A, Wing On Centre, 111 Connaught Road Central, Hong Kong. Shareholders may also make enquiries with the Board at the general meetings of the Company.





# CORPORATE GOVERNANCE REPORT

## Investor Relations

The Board recognises the importance of good communications with all shareholders. The Company believes that maintaining a high level of transparency is a key to enhance investor relations. The Company is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public.

Information will be communicated to its shareholders through the Company's financial reports, circulars and announcements, AGMs and other general meetings that may be convened, as well as the disclosures submitted to the Stock Exchange for publication. The latest corporate information and updates are also available on the Company's website ([www.yinhe.com.hk](http://www.yinhe.com.hk)) for public interest.

During the year ended 31 March 2018, there was no significant changes to the Company's memorandum and the Articles of Association. The Memorandum of Association is available on the respective websites of the Stock Exchange and the Company.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Board has responsibility for maintaining appropriate and effective risk management and internal control systems (the "RM and IC Systems") of the Group and reviewing its effectiveness through the Audit Committee. The Board has delegated its audit committee to review the Group's risk management and internal control matters. The RM and IC Systems are designed to manage rather than eliminate risks of failure in operational systems so that the Company's objective can be achieved, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Group has an effective financial reporting system including the adequacy of resources, qualified and experienced of staff and its training programmes and budget of the Group's accounting and financial reporting function.

The system of the internal control is designed to ensure that the financial and operational function, compliance control system, material control, asset management and risk management function are in place and functioning effectively to achieve business objective of the Group and prevent damage to the public image.

The Group has adopted a set of internal control procedures and policies for safeguarding assets against unauthorised use or disposition, controlling over capital expenditure, maintaining proper accounting records and ensuring the reliability of financial reporting used for business and publication, and ensuring the compliance with the relevant legislation and regulations.

The Board, through the Audit Committee, has conducted the risk management and internal control review. Risk Management Policy has been established to formalise the risk management of the Group. The Board sets the risk management objectives through board meetings from time to time. The Group has adopted a series of internal control measures including the strengthening of reporting lines of senior management. As a routine procedure and part of the RM and IC Systems, Executive Directors and the senior management would meet regularly to review the financial and operating performance of the Group.

To further strengthen the risk management and internal control of the Group, the Company has engaged an independent professional adviser (the "Internal Control Adviser") to carry out the internal audit functions by performing independent appraisal of the adequacy and effectiveness of certain subsidiaries' RM and IC systems. The Internal Control Adviser has conducted a review of and made recommendations to improve the effectiveness of the Group's risk management and internal controls systems (the "RM and IC Review").

The Board has also established policy and internal control procedures for the handling and dissemination of insider information in compliance with the requirements under Part XIVA of the Securities and Future Ordinance and the Listing Rules to ensure that disclosures are made on a timely and accurate manner. Every Director and senior management must take all reasonable measures from time to time to ensure that proper safeguards exist to prevent a breach of disclosure requirement. The Chief Financial Officer works closely with Directors and senior management in identifying potential inside information and assessing the materiality thereof, and if appropriate, will escalate to the attention of the Board to take appropriate action promptly to ensure compliance of the applicable laws and regulations.

The Company has also taken all reasonable measures from time to time to ensure proper preservation of confidentiality of inside information until disclosure to general public, including restrictive access to inside information to a limited number of employees on a need-to-know basis, ensure the relevant employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality and ensure appropriate confidentiality agreements are in place when the Group enters into significant negotiations.



During the year ended 31 March 2018, the Audit Committee, with the assistance of the Internal Control Adviser, reviewed the effectiveness of the loan facilitation business' RM and IC Systems in various aspects including revenue cycle, expenditure cycle and property, plant and equipment cycle.

The Internal Control Adviser carried out the RM and IC Review on the above cycles and executed the RM and IC Review which involves the following tasks:

1. Conducting interviews with relevant management and staff members relating to the risk management and internal controls
2. Conducting walk-through relating to the RM and IC Review
3. Reviewing relevant documentation on site relating to the RM and IC Review
4. Identifying significant deficiencies in the design of the risk management and internal controls
5. Communicate the significant findings with the management so as to confirm the factual accuracy of the findings

After the RM and IC Review, the management will provide an action plan so as to mitigate those identified deficiencies in a timely manner. The Company will engage Internal Control Adviser to conduct the follow-up so as to ensure that the action plan is implemented accordingly.

During the year ended 31 March 2018, the Board was satisfied that the Group's risk management and internal control processes are adequate to meet the needs of the Group in its current business environment and that nothing has come to its attention to cause the Board to believe the Group's RM and IC Systems are inadequate. Moreover, the existing RM and IC Systems are effective and adequate, and will continue to be reviewed, added on or updated to provide for changes in the operating environment.

## COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Board considers that maintaining continuous and effective communication with shareholders is crucial to and is a key element of establishing shareholders' confidence and attracting new investors. These includes (i) the publication of quarterly, interim and annual reports; (ii) the annual general meeting or extraordinary general meeting providing a forum for shareholders of the Company to raise comments and exchanging views with the Board; (iii) latest updates and key information of the Company are available on the website of the Company, that offers a communication channel between the Company and its shareholders and investors; and (iv) the Company's share registrar in Hong Kong serves the shareholders regarding all share registration matters.

The forthcoming annual general meeting of the Company will be held on 3 August 2018.



# REPORT OF THE DIRECTORS

The Directors have pleasure in presenting their annual report together with the audited consolidated financial statements of the Group for the year ended 31 March 2018.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Group are the provision of staff outsourcing services, executive/staff search services and other human resources support services, provision of credit assessment and consultancy services, loan facilitation services and asset management services and loan financing services and the operation of the peer-to-peer (“P2P”) financing platform.

## SEGMENT INFORMATION

An analysis of the Group’s performance for the year by operating segments is set out in note 5 to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2018 and the state of its affairs as at that date are set out in the consolidated financial statements on pages 44 to 115 of this annual report. The Directors did not recommend the payment of any final dividend for the year ended 31 March 2018.

## BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2018 is set out in “Management Discussion and Analysis” on pages 4 to 8 respectively of this annual report.

## SHARE CAPITAL

Details of movements in share capital of the Company during the year ended 31 March 2018 are set out in note 31 to the consolidated financial statements.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 March 2018 are set out in note 43 to the consolidated financial statements and in the consolidated statement of changes in equity on pages 42 in this annual report, respectively.

## DISTRIBUTABLE RESERVES

As at 31 March 2018, the Company’s reserves available for distribution amounted to approximately HK\$1,130,952,000. The amount includes the Company’s share premium and contributed surplus, add retained earnings which may be distributable provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year ended 31 March 2018 are set out in note 14 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

There is no provision for the 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.

## SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group, as extracted from the consolidated financial statements for the last five financial years, is set out on page 116 of this report. This summary does not form part of the audited financial statements.

## PURCHASE, SALE OR REDEMPTION OF THE SECURITIES

During the year ended 31 March 2018, the Company did not redeem any of its listed securities, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company’s listed securities.



# REPORT OF THE DIRECTORS

## MAJOR CUSTOMERS

Sales to the Group's five largest customers accounted for approximately 62% of the total sales for the year ended 31 March 2018 and sales to the largest customer included therein amounted to approximately 35%.

Due to the nature of the Group's business, the Group has no major suppliers.

To the best knowledge of the Directors, neither the Directors, their associates, nor any shareholders (which to the knowledge of the Directors own more than 5% of the Company's issued share capital), had any beneficial interest in any of the Group's five largest customers or suppliers during the year ended 31 March 2018.

## DIRECTORS

The Directors of the Company who hold office during the year ended 31 March 2018 and up to the date of this report are:

### Executive Directors:

Mr. Zheng Zhong Qiang  
Mr. Li Ang (Appointed on 20 April 2017)  
Mr. Li Si Cong (Resigned on 20 April 2017)

### Non-Executive Directors:

Mr. Chang, Tin Duk Victor  
Mr. Lam Tsz Chung

### Independent Non-Executive Directors:

Mr. Lam, Raymond Shiu Cheung  
Mr. Wang En Ping  
Dr. Cheung Wai Bun Charles, JP

Mr. Zheng Zhong Qiang shall retire from office at the forthcoming annual general meeting pursuant to Article 83(3) of the Articles, whereas pursuant to Articles 84(1) and 84(2) of the Articles, Mr. Lam Tsz Chung and Dr Cheung Wai Bun JP shall retire from office by rotation at the forthcoming annual general meeting. Being eligible, Mr. Zheng Zhong Qiang, Mr. Lam Tsz Chung and Dr Cheung Wai Bun JP will offer themselves for re-election as executive/non-executive/independent non-executive Director (as the case may be) at the forthcoming general meeting.

All other existing Directors shall continue in office.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 9 to 12 of this report.

## INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received written annual confirmation from each of its independent non-executive Directors in respect of their independence in accordance with the requirements of the Rule 5.09 of the GEM Listing Rules and all independent non-executive Directors are considered to be independent.

## DIRECTORS' SERVICE CONTRACTS

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as aforesaid and disclosed in note 41 to the consolidated financial statement, there was no other contract of significance to which the Company or its holding company or any of its subsidiaries was a party and in which a Director had a material interest subsisted at 31 March 2018 or at any time during the year ended 31 March 2018.



# REPORT OF THE DIRECTORS

## EMOLUMENT POLICY

In order to attract and retain high quality staff and to enable smooth operation within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis.

The emoluments of the Directors are decided by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement.

## CORPORATE GOVERNANCE

The Company is committed to achieving and maintaining a high standard of corporate governance and a detailed corporate governance report is set out on pages 13 to 25 of this annual report.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company is committed to the sustainable development of the environment and our society. The Group has endeavoured to comply with laws and regulations regarding environmental protection and adopted effective environmental practices to ensure our business meet the required standards and ethics in respect of environmental protection.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

An environmental, social and governance report which explains how the Company complies with the environmental, social and governance reporting guide in Appendix 20 to the GEM Listing Rules will be issued separately by the Company.

## PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, every Director shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he or she shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of his or her duty or otherwise in relation thereto.

## MANAGEMENT CONTRACTS

No management and administration contracts in respect of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2018.

## INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 March 2018, interests and 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) held by the Directors and chief executives of the Company which have been 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 were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

### Long position in the Shares

Name of Director	Nature of interests	Number of Shares held	Approximate percentage of Issued share capital
Li Ang (note 1)	Interest in controlled corporation	141,764,039	9.70%
Li Si Cong (note 2)	Beneficial owner	66,500,000	4.54%



Note:

1. Mr. Li Ang was appointed as an executive Director with effect from 20 April 2017. His interest in shares duplicates his interest in shares as substantial shareholder as disclosed in the section headed “Interests and short positions disclosable under the SFO and substantial shareholders”.
2. Mr. Li Si Cong was resigned on 20 April 2017.

Save as disclosed above, as at 31 March 2018, none of the Directors and Chief Executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been 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 were taken or deemed to have under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

## INTERESTS AND SHORT POSITIONS DISCLOSEABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 March 2018, the persons/entities (other than directors and chief executive of the Company) have an interest or a short position in the shares or the underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be recorded in the register of the Company required to be kept under section 336 of the SFO, or who will be, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other members of the Group are as follows:

### Long position in the Shares

Name	Nature of interests	Number of Shares held	Approximate percentage of Issued share capital
Central Huijin Investment Ltd. ("CHI")	Person having a security interest in shares (Note 1)	208,264,039	14.23%
	Interest in controlled corporation (Note 1)	115,342,126	7.88%
China Construction Bank Corporation ("CCB")	Person having a security interest in shares (Note 1)	208,264,039	14.23%
	Interest in controlled corporation (Note 1)	115,342,126	7.88%
Upmost Corporation Limited ("Upmost")	Beneficial owner (Note 2)	207,200,000	14.16%
Zhang Jian	Interest in controlled corporation (Note 2)	207,200,000	14.16%
Li Ang	Interest in controlled corporation (Note 3)	141,764,039	9.69%
Elate Star Limited ("Elate Star")	Beneficial owner (Note 3)	71,764,039	4.9%
Gao Tong Limited ("Gao Tong")	Beneficial owner (Note 3)	70,000,000	4.78%
Lv Xiang-yang	Beneficial owner	109,050,000	7.45%



# REPORT OF THE DIRECTORS

## Notes:

- (1) According to the Corporate Substantial Shareholder Notices filed by CHI and CCB on 29 December 2016 (the “Notices”), each of CHI and CCB, as person having a security in shares, is interested in 208,264,039 Shares and also, having interest in controlled corporation, interested in 115,342,126 Shares. As set out in the Notices, Chance Talent Management Limited (“Chance Talent”) has a direct interest in 323,606,165 Shares. Since Chance Talent is wholly-owned by CCBI Investments Limited (“CCBII”) who in turn is wholly-owned by CCB International (Holdings) Limited (“CCBIH”) who in turn is wholly-owned by CCB Financial Holdings Limited (“CCBF”) who in turn is wholly-owned by CCB International Group Holdings Limited (“CCBIG”) who in turn is wholly-owned by CCB who in turn is owned as to 57.31% by CHI, CCBII, CCBIH, CCBF, CCBIG CCB and CHI are deemed to be interested in 323,606,165 Shares.
- (2) Upmost is a company owned as to 100% by Mr. Zhang Jian. By virtue of the SFO, Mr. Zhang Jian is deemed to be interested in the same block of shares in which Upmost is interested.
- (3) Both Elate Star and Gao Tong are owned as to 100% by Mr. Li Ang. By virtue of the SFO, Mr. Li Ang is deemed to be interested in the same blocks of shares in which Elate Star and Gao Tong are interested.

Save as disclosed above, no other parties (other than Directors and chief executive of the Company) has disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of SFO or were recorded in the register kept by the Company under section 336 of the SFO as having an interest or a short position in the shares or underlying shares of the Company as at 31 March 2018.

## DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 March 2018 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective associates, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

## SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operation. Since the Scheme has become effective on 10 April 2013 and up to 31 March 2018, no share options were granted, exercised or cancelled by the Company under the Scheme and there were no outstanding share options under the Scheme as at 31 March 2018.

## MATERIAL RELATED PARTIES TRANSACTIONS

During the year, the Group has entered into certain transactions with related parties in the ordinary course of business. Certain transactions with related parties fall within the definition of “connected transactions” or “continuing connected transactions” as defined in Chapter 20 of the GEM Listing Rules as the case may be. Details of these transactions, which are exempted from reporting, announcement and independent shareholders’ approval, are set out in note 41 to the consolidated financial statements in this annual report.

The material related party transactions in relation to the key management personnel remuneration as disclosed in note 41 to the consolidated financial statements in this annual report are connected transactions exempt from reporting, announcement and independent shareholders’ approval requirements pursuant to Rule 20.93 of the GEM Listing Rules.

Save as disclosed above, the Directors consider that those material related party transactions disclosed in note 41 to the consolidated financial statements in this annual report did not fall under the definition of “connected transactions” or “continuing connected transactions” (as the case may be) in Chapter 20 of the GEM Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders’ approval requirements under the GEM Listing Rules.



## CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

Save as disclosed in this annual report, during the year ended 31 March 2018, the Group has not entered into any connected transactions and/or continuing connected transactions that are not exempted under Rule 20.71 of the GEM Listing Rules.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

As far as the Directors are aware of, none of the Directors or any of their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or may compete with the business of the Group or has any other conflict of interest with the Group during the year ended 31 March 2018.

## NON-COMPETITION UNDERTAKING

All the independent non-executive Directors were delegated with the authority to review on an annual basis the non-competition undertaking given by Ms. Yeung Ka Fung, Queenie ("Ms. Yeung"), in the respective non-competition undertaking (the "Undertaking") entered into by Ms. Yeung and Zebra Strategic Outsource Solution Limited dated 1 March 2013 and the deed of non-competition (the "Deed of Non-competition") dated 19 March 2013 (an extract of the respective material terms of Undertaking and the Deed of Non-competition had been set out in the Prospectus). Ms. Yeung confirmed that (a) she has provided all information necessary for the enforcement of the Undertaking and the Deed of Non-competition, as requested by all independent non-executive directors from time to time; and (b) from the effective date of respective Undertaking and the Deed of Non-competition and up to 26 June 2018, Ms. Yeung had complied with the Undertaking and the Deed of Non-competition. All independent non-executive Directors also confirmed that they were not aware of any non-compliance with the Undertaking by Ms. Yeung or the Deed of Non-competition during the same period.

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms which are the same as the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, all of them have complied with the required standards of dealings regarding securities transactions throughout the year ended 31 March 2018.

## SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the GEM Listing Rules since the Listing Date up to the date of this annual report.

## SUBSEQUENT EVENTS

Details of significant events occurring after 31 March 2018 are set out in note 40 to the financial statements.

## AUDITOR

Asian Alliance (HK) CPA Limited has been appointed as the new auditor of the Group with effect from 11 April 2016 to fill the vacancy following the resignation of BDO Limited who have acted as auditor of the Group for the preceding three financial years before its resignation. Asian Alliance (HK) CPA Limited offered themselves for re-appointment as auditor of the Company at the annual general meeting of the Company held on 4 August 2017 and such re-appointment was approved by the Shareholders at that meeting.

The financial statements for the year ended 31 March 2018 have been audited by Asian Alliance (HK) CPA Limited, the external auditor of the Company. A resolution for the re-appointment of Asian Alliance (HK) CPA Limited as the independent auditor of the Company for the ensuing year will be proposed at the forthcoming annual general meeting of the Company.





# REPORT OF THE DIRECTORS

## REVIEW OF ANNUAL REPORT

This annual report for the year ended 31 March 2018 has been reviewed by the Audit Committee of the Company, which was of the opinion that the information contained therein had complied with the disclosure requirements of the GEM Listing Rules, and that adequate disclosures had been made.

By order of the Board  
**Yin He Holdings Limited**

**Zheng Zhong Qiang**  
*Director*

Hong Kong, 26 June 2018



華融(香港)會計師事務所有限公司  
*Asian Alliance (HK) CPA Limited*

To the members of  
**YIN HE HOLDINGS LIMITED**  
銀合控股有限公司  
(incorporated in the Cayman Islands with limited liability)

## OPINION

We have audited the consolidated financial statements of Yin He Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 38 to 115, which comprise the consolidated statement of financial position as at 31 March 2018, 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 2018, 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 (“HKSA”) 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 judgement, were of most significance in our audit of the consolidated financial statements of the current year. 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.

### Impairment assessment of goodwill

The carrying amount of goodwill amounted to approximately HK\$589,741,000 as at 31 March 2018, which arose through various business combinations over the recent years of the following businesses which are also the underlying cash-generating units adopted for impairment testing: (i) credit consultancy services; (ii) loan facilitation services; and (iii) asset management services.

For the year ended 31 March 2018, impairment loss approximately HK\$5,631,000 had been provided for the goodwill on the asset management services unit.

The recoverable amounts of these cash-generating units have been determined based on value-in-use calculations using discounted cash flow projections based on financial budgets approved by the management of the Company. The preparation of the financial budgets and other key inputs requires exercise of significant judgement by management of the Company and high level of estimation uncertainty, and are subjective. Accordingly, we have identified the impairment assessment of the Group’s goodwill as a key audit matter.



# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (Continued)

### How our audit addressed the key audit matter

Our major audit procedures to address this key audit matter included:

- We have evaluated the relevance and reasonableness of the management's cash flow forecasts for the periods covered by the financial projections by comparing the assumptions adopted by management with our understanding of the operations of the cash-generating units.
- We have also compared the actual results of the cash-generating units for the current year with management's forecasts made in the previous year's impairment assessment in order to assess the historical accuracy and reliability of the management's forecasting process.
- Further, we have evaluated the objectivity, independence and competency of the external valuer engaged by the Company and we have engaged of another external valuation specialist to assist us in assessing the methodologies and evaluating the relevance and reasonableness of the bases and assumptions adopted in the value-in-use valuation of the cash-generating units. We performed sensitivity analysis on the key assumptions of the growth rates and pre-tax discount rates against the value-in-use calculations.

### Impairment assessment of loan and interest receivables

The Group engaged in loan financing business in Hong Kong and People's Republic of China (the "PRC"). As disclosed in Note 21 to the consolidated financial statements, as at 31 March 2018, the Group's outstanding loan and interest receivables, amounted to approximately HK\$743,980,000.

For the year ended 31 March 2018, no impairment loss had been recognised on a loan and interest receivable that had been due and outstanding for a certain period of time.

The impairment assessment of the loan and interest receivables requires exercise of significant judgement by the management of the Company and involve high level of estimate uncertainty, and is subjective. In particular, it needs to take into account various factors such as, the financial position of the borrowers, the fair value of collaterals, if any. Accordingly, we have identified the management's impairment assessment on the Group's loan and interest receivables as a key audit matter.

### How our audit addressed the key audit matter

Our major audit procedures to address this key audit matter included:

- We discussed with the management of the Company the procedures it would take before it advanced loans to customers.
- Further, we have discussed with the management of the Company its impairment policy (i.e. when and how impairment was determined) and assessed whether it would result in sufficient impairment losses being recognised, taking into account the specific facts and circumstances provided to us.
- With regards to loan and interest receivables as at 31 March 2018, we had discussed with the management of the Company regarding the financial position of the borrowers, the fair value of collaterals, if any, the financial position of the guarantor, if any, as well as subsequent settlements.
- We challenged the management of the Company about their assessment of the sufficiency of impairment loss, if any, and appropriateness of recognition of interest income on past due loan balances based on the specific facts and circumstances.
- We also compared the recoverable amounts of the loan and interest receivables estimated by the management of the Company with the carrying amounts recognised in the Group's consolidated statement of financial position.



## KEY AUDIT MATTERS (Continued)

### Valuation of available-for-sale investments

As disclosed in Note 18 to the consolidated financial statements, as at 31 March 2018, the Group had unlisted equity investments recognised as available-for-sale investments with carrying amounts of approximately HK\$101,407,000, including approximately HK\$78,362,000 has been stated at its fair value and was classified under level three in the fair value hierarchy.

The Group engaged an external professional valuer in determining the fair value of the unlisted available-for-sale investments. The valuation methodologies and assumptions used, which are based mainly on unobservable inputs, are disclosed in Note 34(c) to the consolidated financial statements.

We focused on this area because the determination of the fair value of the unlisted available-for-sale investments based on unobservable inputs involved significant judgements and estimates.

### How our audit addressed the key audit matter

Our major audit procedures to address this key audit matter included:

- We have evaluated the objectivity, independence and competency of the external valuer engaged by the Company.
- We read the valuation report, discussed with the external professional valuer on its scope of work, and assessed the appropriateness of the valuation methodologies used in determining the fair value of the unlisted available-for-sale investments based on our industry knowledge and market practices.
- We assessed the reasonableness of the key assumptions used by the external professional valuer by comparing these assumptions against relevant market data and industry research.
- We tested the arithmetical accuracy on the calculation of the fair value of the unlisted available-for-sale investments in the valuation report.
- We have engaged another external valuation specialist to assist us in assessing the methodologies and evaluating the relevance and reasonableness of the bases and assumptions used in determining the fair value.

Based on the procedures performed, we found the assumptions used in the valuation are supportable by available evidence.

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, 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.



## INDEPENDENT AUDITOR'S REPORT

### RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, 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 HKSA's 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 HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, 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.

### **Asian Alliance (HK) CPA Limited**

*Certified Public Accountants (Practising)*

### **Lam Chik Tong**

Practising Certificate Number: P05612

Suites 313-316  
3/F., Shui On Centre  
6-8 Harbour Road  
WanChai  
Hong Kong

26 June 2018



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 HK\$'000	2017 HK\$'000
<b>Revenue</b>	6	<b>278,484</b>	281,206
Direct costs		<b>(144,567)</b>	(184,080)
<b>Gross profit</b>		<b>133,917</b>	97,126
Other income, gains and losses	6	<b>11,680</b>	2,204
General and administrative expenses		<b>(52,822)</b>	(50,357)
Change in fair value of contingent consideration	36	<b>(1,306)</b>	485
Impairment loss recognised in respect of goodwill	15	<b>(5,631)</b>	–
Gain (loss) on disposal of available-for-sale investments	18	<b>3,119</b>	(4,498)
<b>Operating profit</b>		<b>88,957</b>	44,960
Finance costs	7	<b>(15,531)</b>	(11)
<b>Profit before tax</b>		<b>73,426</b>	44,949
Income tax expense	8	<b>(8,116)</b>	(8,132)
<b>Profit for the year</b>	9	<b>65,310</b>	36,817
<b>Other comprehensive income (expense)</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Fair value (loss) gain on available-for-sale investments		<b>(12,665)</b>	7,171
Release of investment revaluation reserve upon disposal of available-for-sale investment		<b>(3,119)</b>	–
Exchange differences arising on translation of foreign operations		<b>57,339</b>	(12,874)
Other comprehensive income (expense) for the year, net of income tax		<b>41,555</b>	(5,703)
<b>Total comprehensive income for the year</b>		<b>106,865</b>	31,114
<b>Profit (loss) for the year attributable to</b>			
Owners of the Company		<b>65,418</b>	37,005
Non-controlling interest		<b>(108)</b>	(188)
		<b>65,310</b>	36,817
<b>Total comprehensive income (expense) attributable to:</b>			
Owners of the Company		<b>106,727</b>	31,326
Non-controlling interest		<b>138</b>	(212)
		<b>106,865</b>	31,114
<b>Earnings per share</b>	13		
Basic (HK cents)		<b>4.5</b>	2.9
Diluted (HK cents)		<b>4.4</b>	2.7



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2018

	Notes	2018 HK\$'000	2017 HK\$'000
<b>Non-current assets</b>			
Plant and equipment	14	1,328	1,771
Goodwill	15	589,741	574,556
Contingent consideration receivable – non-current portion	36	1,272	3,018
Loan and interest receivables – non-current portion	21	6,430	11,913
Intangible assets	16	4,834	5,291
Interests in associates	17	–	–
Available-for-sale investments	18	101,407	108,195
		<b>705,012</b>	<b>704,744</b>
<b>Current assets</b>			
Held for trading investments	19	2,716	286
Trade and other receivables	20	50,661	64,413
Loan and interest receivables – current portion	21	737,550	389,316
Contingent consideration receivable – current portion	36	991	280
Tax recoverable		101	–
Amounts due from related parties	22	16,496	3,740
Bank balances and cash	24	39,490	65,253
		<b>848,005</b>	<b>523,288</b>
<b>Current liabilities</b>			
Other payables and accrued expenses	25	30,208	31,787
Obligation under a finance lease	26	118	174
Amount due to an associate	23	3	3
Convertible bond	27	49,945	–
Bond payables – current portion	28	58,057	–
Other borrowing	30	8,759	–
Tax payable		2,578	3,742
		<b>149,668</b>	<b>35,706</b>
<b>Net current assets</b>		<b>698,337</b>	<b>487,582</b>
<b>Total assets less current liabilities</b>		<b>1,403,349</b>	<b>1,192,326</b>





# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2018

	Notes	2018 HK\$'000	2017 HK\$'000
<b>Non-current liabilities</b>			
Bond payables – non-current portion	28	104,252	–
Obligation under a finance lease	26	–	118
Deferred tax liabilities	29	1,174	1,301
		<b>105,426</b>	<b>1,419</b>
<b>Net assets</b>			
		<b>1,297,923</b>	<b>1,190,907</b>
<b>Capital and reserves</b>			
Share capital	31	14,635	14,616
Reserves		1,278,636	1,171,777
Equity attributable to owners of the Company		1,293,271	1,186,393
Non-controlling interest	42	4,652	4,514
<b>Total equity</b>		<b>1,297,923</b>	<b>1,190,907</b>

The consolidated financial statements on pages 38 to 115 were approved and authorised for issue by the board of directors on 26 June 2018 and are signed on its behalf by:

**Lam Tsz Chung**  
Director

**Zheng Zhong Qiang**  
Director



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 2018

	Attributable to owners of the Company							Total	Non-controlling interest	Total	
	Share capital	Share premium	Convertible preference shares	Merger reserve	Investment revaluation reserve	Statutory reserve	Translation reserve				Retained earnings
	HK\$'000 (Note 31)	HK\$'000	HK\$'000 (Note 32)	HK\$'000 (Note (a))	HK\$'000	HK\$'000 (Note (b))	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2016	11,521	718,316	100,575	(213)	-	5,030	(3,379)	41,934	873,784	4,726	878,510
Profit for the year	-	-	-	-	-	-	-	37,005	37,005	(188)	36,817
Other comprehensive income (expense) <i>Items that may be subsequently reclassified to profit or loss:</i>											
Fair value gain on available-for-sale investments	-	-	-	-	7,171	-	-	-	7,171	-	7,171
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(12,850)	-	(12,850)	(24)	(12,874)
Other comprehensive income (expense) for the year, net of income tax	-	-	-	-	7,171	-	(12,850)	-	(5,679)	(24)	(5,703)
Total comprehensive income (expense) for the year	-	-	-	-	7,171	-	(12,850)	37,005	31,326	(212)	31,114
Issue of ordinary shares upon placing (Note 31)	2,056	173,409	-	-	-	-	-	-	175,465	-	175,465
Transaction costs attributable to issue of ordinary shares upon placing	-	(2,270)	-	-	-	-	-	-	(2,270)	-	(2,270)
Issue of ordinary shares upon acquisition of subsidiaries (Note 35)	1,029	107,059	-	-	-	-	-	-	108,088	-	108,088
Issue of ordinary shares upon conversion of convertible preference shares (Note 32)	10	1,480	(1,490)	-	-	-	-	-	-	-	-
Statutory reserve appropriation	-	-	-	-	-	5,906	-	(5,906)	-	-	-
At 31 March 2017	14,616	997,994	99,085	(213)	7,171	10,936	(16,229)	73,033	1,186,393	4,514	1,190,907



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

## Attributable to owners of the Company

	Share capital	Share premium	Convertible preference shares	Convertible bond reserve	Merger reserve	Investment revaluation reserve	Statutory reserve	Translation reserve	Retained earnings	Total	Non-controlling interest	Total
	HK\$'000 (Note 31)	HK\$'000	HK\$'000 (Note 32)	HK\$'000 (Note 27)	HK\$'000 (Note (a))	HK\$'000	HK\$'000 (Note (b))	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2017	14,616	997,994	99,085	-	(213)	7,171	10,936	(16,229)	73,033	1,186,393	4,514	1,190,907
Profit for the year	-	-	-	-	-	-	-	-	65,418	65,418	(108)	65,310
Other comprehensive (expense) income for the year												
<i>Items that may be subsequently reclassified to profit or loss:</i>												
Fair value loss on available-for-sale investments	-	-	-	-	-	(12,665)	-	-	-	(12,665)	-	(12,665)
Release of revaluation reserve upon disposal of available-for-sale investments	-	-	-	-	-	(3,119)	-	-	-	(3,119)	-	(3,119)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	57,093	-	57,093	246	57,339
Other comprehensive (expense) income for the year, net of income tax	-	-	-	-	-	(15,784)	-	57,093	-	41,039	246	41,555
Total comprehensive (expense) income for the year	-	-	-	-	-	(15,784)	-	57,093	65,418	106,727	138	106,865
Issue of ordinary shares upon conversion of convertible preference shares (Note 32)	19	2,832	(2,851)	-	-	-	-	-	-	-	-	-
Exchange of bond into convertible bond	-	-	-	151	-	-	-	-	-	151	-	151
Statutory reserve appropriation	-	-	-	-	-	-	8,325	-	(8,325)	-	-	-
At 31 March 2018	14,635	1,000,826	96,234	151	(213)	(8,613)	19,261	40,864	130,126	1,293,271	4,652	1,297,923

### Notes:

#### (a) Merger reserve

Merger reserve represents the difference between the nominal value of the share capital of a subsidiary held by the Yin He Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") and the nominal value of the share capital of the Company.

#### (b) Statutory reserve

According to the relevant rules and regulations in the People's Republic of China (the "PRC"), subsidiaries of the Company established in the PRC are required to transfer 10% of their net profit, as determined in accordance with the PRC accounting standards and regulations, to the statutory reserve until the balance of the reserve reaches 50% of their respective registered capital. The transfer to this reserve must be made before distribution of dividends to owners of these subsidiaries. Statutory reserve can be used to set-off previous years' losses, if any, and may be converted into capital in proportion to existing equity owners' equity percentage, provided that the balance after such issuance is not less than 25% of their registered capital.



# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2018

	2018 HK\$'000	2017 HK\$'000
<b>OPERATING ACTIVITIES</b>		
Profit before tax	73,426	44,949
Adjustments for:		
Bank interest income	(19)	(46)
Dividend income	(9,177)	–
Interest expenses	15,531	11
Depreciation of property, plant and equipment	915	809
Amortisation of intangible assets	921	896
(Gain) loss on disposals of available-for-sale investments	(3,119)	4,498
Gain on disposals of held for trading investments	(72)	–
Changes in fair values of held for trading investments	720	(24)
Change in fair value of contingent consideration receivable	1,306	(485)
Impairment of goodwill	5,631	–
	<hr/>	<hr/>
<b>Operating cash flows before movements in working capital</b>	<b>86,063</b>	<b>50,608</b>
Decrease in trade and other receivables	16,239	28,681
Increase in loan and interest receivables	(342,751)	(260,611)
Increase (decrease) in other payables and accrued expenses	2,445	(9,250)
	<hr/>	<hr/>
<b>Cash used in operations</b>	<b>(238,004)</b>	<b>(190,572)</b>
Income tax paid	(9,580)	(12,104)
	<hr/>	<hr/>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(247,584)</b>	<b>(202,676)</b>
	<hr/>	<hr/>
<b>INVESTING ACTIVITIES</b>		
Interest received	19	46
Purchase of property, plant and equipment	(447)	(840)
Purchase of intangible assets	(9)	–
Net cash inflow from acquisition of subsidiaries	–	139
Proceeds from disposals of available-for-sale investments	4,170	10,173
Dividends received from available-for-sale investments	6,690	–
Proceeds from disposals of held for trading investments	4,271	–
Purchase of held for trading investments	(7,493)	(262)
Increase in amount due from related parties	(12,756)	(3,690)
	<hr/>	<hr/>
<b>NET CASH (USED IN) FROM INVESTING ACTIVITIES</b>	<b>(5,555)</b>	<b>5,566</b>
	<hr/>	<hr/>
<b>FINANCING ACTIVITIES</b>		
Proceeds from issue of new bonds, net of issuance costs	209,188	–
Proceeds from issue of ordinary shares, net of issuance costs	–	173,195
Interest paid on finance lease	(5)	(11)
Bond interest paid	(6,784)	–
Convertible interest paid	(790)	–
Repayment of obligations under finance lease	(174)	(168)
	<hr/>	<hr/>
<b>NET CASH FROM FINANCING ACTIVITIES</b>	<b>201,435</b>	<b>173,016</b>
	<hr/>	<hr/>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(51,704)</b>	<b>(24,094)</b>
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>65,253</b>	<b>94,152</b>
Effect of foreign exchange rate changes	25,941	(4,805)
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash</b>	<b>39,490</b>	<b>65,253</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 1. GENERAL

Yin He Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 24 February 2012 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company’s shares are listed on GEM of The Stock Exchange of Hong Kong Limited (the “Exchange”) on 10 April 2013. The Company’s registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company’s principal place of business is located at Room 2418A, Wing On Centre, 111 Connaught Road Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries (together with the Company collectively referred to as the “Group”) are set out in Note 42 to the consolidated financial statements.

The functional currency of the Company is Hong Kong dollars (“HK\$”). The functional currencies of the Group are HK\$ and Renminbi (“RMB”). The consolidated financial statements are presented in HK\$ for the convenience of the investors as its shares are listed on GEM of the Exchange.

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### **Amendments to HKFRSs that are mandatorily effective for the current year**

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

Amendments to Hong Kong Accounting Standard (“HKAS”) 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### **Amendments to HKAS 7 Disclosure Initiative**

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in Note 38 to the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in Note 38 to the consolidated financial statements, the application of these amendments has had no impact on the Group’s consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised to HKFRSs that have been issued but are not yet effective:

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

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

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

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to HKFRSs and interpretations mentioned below, the directors of the Company (the “Director”) anticipate that the application of all other new and amendments to HKFRSs and interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

### HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (“FVTOCI”). All other financial assets are measured at their fair value at subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### New and revised HKFRSs in issue but not yet effective (Continued)

#### HKFRS 9 *Financial Instruments* (Continued)

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability’s credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability’s credit risk are not subsequently reclassified to profit or loss. Under HKAS 39 *Financial Instruments: Recognition and Measurement*, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss;
- for non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows and discounted at the financial liabilities’ original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification. Currently, the Group revises the effective interest rates for non-substantial modification of financial liabilities with no gain/loss being recognised in profit or loss;
- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group’s financial instruments and risk management policies as at 31 March 2018, the Directors anticipate the following potential impact on initial application of HKFRS 9:

#### *Classification and measurement*

- Equity securities classified as available-for-sale investments carried at fair value as disclosed in Note 18: these securities qualified for designation as measured at FVTOCI under HKFRS 9, however, the Group plans not to elect the option for the designation and will measure these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of HKFRS 9, investments revaluation reserve of HK\$8,613,000 related to these available-for-sale investments will be transferred to retained profits at 1 April 2018;
- Equity securities classified as available-for-sale investments carried at cost less impairment as disclosed in Note 18: these securities qualified for designation as measured at FVTOCI under HKFRS 9, however, the Group plans not to elect the option for designating these securities to be measured at FVTOCI and will measure these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss. Upon initial application of HKFRS 9, fair value gains of HK\$32,162,000 related to these securities, representing the differences between cost less impairment and fair value would be adjusted to retained profits as at 1 April 2018;

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### New and revised HKFRSs in issue but not yet effective (Continued)

#### Classification and measurement (Continued)

- Debt instruments classified as loan receivables carried at amortised cost as disclosed in Note 21: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9.
- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

#### Impairment

In general, the Directors anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group’s financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the Directors, if the expected credit loss model were to be applied by the Group, the accumulated amount of impairment loss to be recognised by the Group as at 1 April 2018 would be increased as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on trade and other receivables and loan and interest receivables. Such further impairment recognised under expected credit loss model would increase the opening accumulated losses as at 1 April 2018.

#### HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

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

The Directors anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the Directors do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### **New and revised HKFRSs in issued but not yet effective (Continued)**

#### *HKFRS 16 Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 **Leases** and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of approximately HK\$4,165,000 as disclosed in Note 37 to the consolidated financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

### **New and revised HKFRSs in issued but not yet effective (Continued)**

#### *HK(IFRIC)-Int 22 Foreign Currency Transactions and Advance Consideration*

HK(IFRIC)-Int 22 addresses how to determine the “date of transaction” for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example a non-refundable deposit or deferred revenue).

The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

The Directors do not anticipate that the application of this amendment will have a material impact on the Group’s consolidated financial statements.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Exchange (the “GEM Listing Rules”) and by the Hong Kong Companies Ordinance (the “CO”).

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value-in-use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, rather directly or indirectly; and
- Level 3 are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Basis of consolidation**

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

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

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

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

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

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

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

### **Business combinations**

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Business combinations (Continued)**

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

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

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

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

### **Goodwill**

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

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

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments in associates

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

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interests held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value-in-use fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from staff outsourcing services represents the amounts billed for the services of outsourcing staff. This is recognised on a monthly basis when the services have been provided. The Group reports gross revenue and the related direct costs of staff outsourcing services as the Group acts as a principal in the arrangements and has the risk and rewards of ownership (such as the obligation to pay outsourcing staff and the risk of loss for collection of the related trade receivables).

Revenue from executive/staff search services, based on a percentage of the candidate's remuneration package in the first year of the individual's employment, is recognised when the services are rendered pursuant to the terms of the agreement which usually coincides with the employment commencement date. A provision is made by the management, based on past experience, for the possible cancellation of placements shortly after the commencement of employment.

The Group presents revenues and the related direct costs of services in accordance with HKAS 18 *Revenue*. For arrangements in which the Group acts as a principal in the transaction and has risks and rewards of ownership (such as the obligation to pay outsourcing staff and the risk of loss for collection), the Group reports gross revenues and gross direct costs. Under arrangements where the Group acts as an agent, revenues are reported on a net basis.

Revenue from other human resources support services are recognised as follows:

- Revenue from payroll outsourcing services represents the amounts billed for the payroll processing services provided to customers. This is recognised on a monthly basis when the services have been provided.
- Revenue from sales of eHRIS software represents the amounts billed for the transfer of rights to use information technology system and related services. This is recognised when the system has been installed and the services have been provided respectively.

Revenue from credit consultancy services represents the amounts billed for the credit consultancy services. This is recognised when the services are provided.

Revenue from loan facilitation services and asset management services are recognised when the services are provided.

Interest income from loan financing services is recognised and accrued using the effective interest method.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leasing

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

#### *The Group as lessee*

Assets held under finance leases are recognised as assets of the Group at their fair values at the inception of the leases, or, if lower, the present value of the minimum lease payments. The corresponding liabilities to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments, are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing 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.

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

### Borrowing costs

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Retirement benefit costs and termination benefits

Payments to state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

### Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

### Taxation

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

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

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

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

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

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

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





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Taxation (Continued)

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### Plant and equipment

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

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

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

### Intangible assets

#### *Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any change in estimate being accounted for on a prospective basis.

#### *Intangible assets acquired in a business combination*

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

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

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### **Impairment on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)**

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

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

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

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

### **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments

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

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

#### *Financial assets*

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (“FVTPL”), available-for-sale (“AFS”) financial assets and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### *Effective interest method*

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

Interest income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL, of which interest income is included in net gains or losses.

#### *Financial assets at FVTPL*

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

A financial asset is classified as held for trading if:

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

#### Financial assets at FVTPL (Continued)

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the "Changes in fair values of investments held for trading" and "Change in fair value of contingent consideration" line items. Fair value is determined in the manner described in Note 34 to the consolidated financial statements.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, loan and interest receivables, amounts due from related parties and bank balances and cash are measured at amortised cost using the effective interest method, less any impairment.

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

#### AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables or (b) financial assets at FVTPL. The Group designated unlisted equity investments as AFS financial assets on initial recognition of those investments.

Equity securities held by the Group that are classified as AFS financial assets and are measured at fair value at the end of each reporting period except for unquoted equity investments whose fair value cannot be reliably measured. Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### Financial assets (Continued)

#### AFS financial assets (Continued)

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

#### Impairment of financial assets

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

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- disappearance of an active market for that financial asset because of financial difficulties.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial assets (Continued)*

#### Impairment of financial assets (Continued)

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

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

#### *Financial liabilities and equity instruments*

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

#### Equity instruments

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

#### Non-redeemable convertible preference shares contains equity components

Non-redeemable convertible preference shares issued by the Group that contain the conversion option components are classified as equity on initial recognition in accordance with the substance of the contractual arrangements and the definitions of an equity instrument. Conversion options allows the holder of non-redeemable convertible preference shares to convert the convertible preference shares into a fixed number of the Company's own ordinary shares is classified as an equity instrument.

The equity component, representing the option to convert preference shares into ordinary shares of the Company, will remain in equity until the conversion options are exercised and will be transferred to share capital and share premium of the Company.

#### Effective interest method

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Financial liabilities and equity instruments (Continued)*

##### Other financial liabilities

Other financial liabilities including other payables and accrued expenses, other borrowing, bond payables, obligation under finance lease are subsequently measured at amortised cost, using the effective interest method.

##### Convertible bonds

##### Convertible bonds contain equity component

The component parts of convertible bonds are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to accumulated loss. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

##### Convertible bonds contain debt and derivative components

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative components are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial instruments (Continued)

#### *Derecognition*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

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

In the application of the Group's accounting policies, which are described in Note 3 to the consolidated financial statements, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and 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 on-going 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.

### **Critical judgement in applying accounting policies**

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

#### *Revenue recognition*

The Group recognises revenue when the services are rendered. In respect of the executive/staff search services, the management made judgement in considering the timing of fulfilling the detailed criteria for the recognition of revenue when the services are rendered pursuant to the terms of the agreements which usually coincides with the employment commencement date. A provision is made by the management, based on estimation with reference to historical experience, for the proportion of those placements where the candidate is expected to reverse their acceptance shortly after the commencement date.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

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

### Critical judgements in applying accounting policies (Continued)

#### *Revenue recognition (Continued)*

In respect of the staff outsourcing services, the management made judgement in considering if the Group acts as a principal from the accounting perspective, and hence recognises the gross revenue and the related direct costs, with reference to all relevant facts and circumstances of the service arrangements. The Group is the primary obligor in the arrangements and is responsible for the acceptability of the services provided by the outsourcing staff to the customers during the service period. The Group also maintains an employer/employee relationship with and has the obligation to pay the outsourcing staff and bears the credit risk of not collecting the related trade receivables from the customers. After taking into consideration of these factors, the management considers that the Group is acting as a principal from the accounting perspective since it has exposure to the significant risks and rewards associated with the rendering of the staff outsourcing services.

#### **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 period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### *Estimated impairment of trade receivables*

The policy for the impairment of trade receivables of the Group is based on the evaluation of collectability and ageing analysis of trade receivables and on the management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer/debtor, further details of which are set out in Note 20 to the consolidated financial statements.

#### *Estimated impairment of loan and interest receivables*

In determining collective impairment allowances, management uses estimates based on historical experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio.

The methodology and assumptions used for estimated both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experienced.

Further details of which are set out in Note 21 to the consolidated financial statements.

#### *Depreciation of property, plant and equipment*

The Group depreciated the property, plant and equipment on a straight-line basis over the estimated useful lives, starting from the date on which the assets are placed into productive use. The estimated useful lives reflect the Directors' best estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment, further details of which are set out in Note 14 to the consolidated financial statements.

#### *Estimated current tax and deferred tax*

The Group is subject to taxes in different jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax based on estimates. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax provisions in the period in which such final tax liabilities determination is made.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



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

### Key sources of estimation uncertainty (Continued)

#### *Estimated impairment of goodwill*

Determining whether goodwill are impaired requires an estimation of the value-in-use of the cash-generating units to which goodwill have been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit 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. During the year ended 31 March 2018, the Group has recognised an impairment loss of approximately HK\$5,631,000 (2017: Nil), respectively. Details of the value-in-use calculation are disclosed in Note 15 to the consolidated financial statements.

#### *Fair value of contingent consideration receivable arising from business combination*

The Directors use their judgement in selecting appropriate valuation techniques for contingent consideration receivable. Income approach, which is commonly used by market practitioners, has been applied for estimating the fair value of contingent consideration receivable. The estimation of fair value of the contingent consideration receivable are derived after taking into account the input and parameters, such as the range of profits shortfall, discount rate and settlement date etc. Further details of which are set out in Notes 34(c) and 36 to the consolidated financial statements.

#### *Amortisation of intangible assets*

The Group amortised the intangible assets on a straight-line basis over the estimated useful lives, starting from the date on which the assets are acquired upon business combination or acquired separately. The estimated useful lives reflect the Directors' best estimate of the periods that the Group intends to derive future economic benefits from the use of the Group's intangible assets, further details of which are set out in Note 16 to the consolidated financial statements.

#### *Fair value of available-for-sale financial assets and financial assets at fair value through profit or loss*

The fair value of financial instruments traded in active markets (such as trading securities) is based on quoted market prices at the end of the reporting period.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Details of these estimates are disclosed in Note 34(c) to the consolidation financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 5. SEGMENT INFORMATION

Information reported to the board of directors of the Company, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided.

Specifically, the Group’s reportable segments under HKFRS 8 are as follows:

Human resources services	–	provision of staff outsourcing services, executive/staff search services and other human resources support services
Credit consultancy services	–	provision of credit assessment and credit consultancy services
Loan facilitation services	–	operation of peer-to-peer (“P2P”) financing platform and other loan facilitation services
Asset management services	–	provision of financial advisory services for corporate, asset management firms and private equity funds and minority investments in private companies
Loan financing services	–	provision of loan financing services

No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

### Segment revenue and results

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

	Human resources services HK\$’000	Credit consultancy services HK\$’000	Loan facilitation services HK\$’000	Asset management services HK\$’000	Loan financing services HK\$’000	Consolidated HK\$’000
<b>For the year ended 31 March 2018</b>						
Segment revenue	154,579	27,198	67,153	4,774	24,780	278,484
Segment profit	262	15,531	52,563	7,412	4,815	80,583
Bank interest income						19
Impairment loss recognised in respect of goodwill						(5,631)
Change in fair value of contingent consideration						(1,306)
Unallocated corporate expenses						(239)
<b>Profit before tax</b>						<b>73,426</b>
<b>For the year ended 31 March 2017</b>						
Segment revenue	195,649	13,243	48,520	9,192	14,602	281,206
Segment profit (loss)	943	3,079	36,461	(800)	11,612	51,295
Bank interest income						46
Change in fair value of contingent consideration						485
Unallocated corporate expenses						(6,877)
<b>Profit before tax</b>						<b>44,949</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 5. SEGMENT INFORMATION (Continued)

### Segment revenue and results (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3 to the consolidated financial statements. Segment profit represents the profit earned by each segment without allocation of impairment loss in respect of goodwill, change in fair value of contingent consideration, central administration costs, directors' emoluments and bank interest income. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

There has been no inter-segment sale between different business segments during the year or prior year.

### Segment assets and liabilities

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

	Human resources services HK\$'000	Credit consultancy services HK\$'000	Loan facilitation services HK\$'000	Asset management services HK\$'000	Loan financing services HK\$'000	Consolidated HK\$'000
<b>As at 31 March 2018</b>						
Segment assets	<u>30,976</u>	<u>25,609</u>	<u>6,804</u>	<u>113,410</u>	<u>744,004</u>	920,803
Goodwill						589,741
Contingent consideration receivable						2,263
Bank balances and cash						39,490
Tax recoverable						101
Unallocated assets						<u>619</u>
Consolidated assets						<u>1,553,017</u>
Segment liabilities	<u>11,505</u>	<u>8,263</u>	<u>2,623</u>	<u>11,236</u>	<u>212,257</u>	245,884
Tax payable						2,578
Deferred tax liabilities						1,174
Unallocated liabilities						<u>5,458</u>
Consolidated liabilities						<u>255,094</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 5. SEGMENT INFORMATION (Continued)

### Segment assets and liabilities (Continued)

	Human resources services HK\$'000	Credit consultancy services HK\$'000	Loan facilitation services HK\$'000	Asset management services HK\$'000	Loan financing services HK\$'000	Consolidated HK\$'000
As at 31 March 2017						
Segment assets	30,363	12,636	12,303	127,192	401,229	583,723
Goodwill						574,556
Contingent consideration receivable						3,298
Bank balances and cash						65,253
Unallocated assets						1,202
Consolidated assets						<u>1,228,032</u>
Segment liabilities	16,256	5,040	1,088	8,975	29	31,388
Tax payable						3,742
Deferred tax liabilities						1,301
Unallocated liabilities						694
Consolidated liabilities						<u>37,125</u>

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

- all assets are allocated to operating segments other than goodwill, contingent consideration receivable, tax recoverable, bank balances and cash, certain other receivables and certain plant and equipment; and
- all liabilities are allocated to operating segments other than certain accrued expenses, amount due to an associate, tax payable and deferred tax liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 5. SEGMENT INFORMATION (Continued)

### Other segment information

	Human resources services HK\$'000	Credit consultancy services HK\$'000	Loan facilitation services HK\$'000	Asset management services HK\$'000	Loan financing services HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
<b>For the year ended 31 March 2018</b>							
Amounts included in the measure of segment profit or loss or segment assets:							
Addition to plant and equipment	99	312	36	-	-	-	447
Depreciation of plant and equipment	410	48	170	101	-	186	915
Addition to intangible asset	-	-	9	-	-	-	9
Amortisation of intangible assets	-	626	295	-	-	-	921
Finance costs	5	-	-	837	14,689	-	15,531
Amounts regularly provided to the CODM but not included in the measure of segment profit or loss or segment assets:							
Bank interest income	-	(6)	(9)	(3)	-	(1)	(19)
<b>For the year ended 31 March 2017</b>							
Amounts included in the measure of segment profit or loss or segment assets:							
Addition to plant and equipment	15	-	56	24	-	745	840
Acquisition of plant and equipment through acquisition of subsidiaries	-	16	-	-	-	-	16
Addition of goodwill from acquisition of subsidiaries	-	70,065	-	-	-	-	70,065
Depreciation of plant and equipment	426	128	147	108	-	-	809
Amortisation of intangible assets	-	605	291	-	-	-	896
Finance costs	11	-	-	-	-	-	11
Amounts regularly provided to the CODM operating decision marker but not included in the measure of segment profit or loss or segment assets:							
Bank interest income	(1)	(4)	(6)	(33)	-	(2)	(46)



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 5. SEGMENT INFORMATION (Continued)

### Geographical information

The Group's operations are located in Hong Kong and the People's Republic of China ("PRC").

Information about the Group's revenue from external customers is presented based on the location of the services provided. Information about the Group's non-current assets, excluded financial instruments, is presented based on the geographical location of the assets.

	Revenue from external customers		Non-current assets	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Hong Kong	176,485	195,649	882	1,379
PRC	101,999	85,557	595,021	580,239
	<b>278,484</b>	<b>281,206</b>	<b>595,903</b>	<b>581,618</b>

### Information about major customers

Revenue from customers of the corresponding years contributing over 10% of total revenue of the Group, of which were is all contributed from human resources services in Hong Kong, are as follows:

	2018 HK\$'000	2017 HK\$'000
Customer A	48,012	98,884
Customer B	58,261	44,452

## 6. REVENUE AND OTHER INCOME, GAINS AND LOSSES, NET

An analysis of the Group's revenue and other income, gains and losses, net for the years are as follows:

	2018 HK\$'000	2017 HK\$'000
<b>Revenue</b>		
Staff outsourcing services	144,063	185,394
Executive/staff search services	5,498	5,874
Other human resources support services	5,018	4,381
Credit consultancy services	27,198	13,243
Loan facilitation services	67,153	48,520
Assets management services	4,774	9,192
Interest income from loan financing services	24,780	14,602
	<b>278,484</b>	<b>281,206</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 6. REVENUE AND OTHER INCOME, GAINS AND LOSSES, NET (Continued)

An analysis of the Group's revenue and other income, gains and losses, net for the years are as follows: (Continued)

	2018 HK\$'000	2017 HK\$'000
<b>Other income, gains and losses, net</b>		
Bank Interest income:	19	46
Sundry income	327	1,181
Change in fair values of held for trading investments	(720)	24
Dividends from available-for-sale investments	9,177	–
Exchange gains	2,805	–
Gain on disposal of held for trading investments	72	953
	<b>11,680</b>	<b>2,204</b>

## 7. FINANCE COSTS

	2018 HK\$'000	2017 HK\$'000
Interest charges on:		
Obligation under finance lease	5	11
Other borrowing	837	–
Bond payables	12,467	–
Convertible bond	2,222	–
	<b>15,531</b>	<b>11</b>

## 8. INCOME TAX EXPENSE

	2018 HK\$'000	2017 HK\$'000
Current tax:		
– Hong Kong Profits Tax		
– Current year	3,447	232
– Over provision in prior years	(20)	–
	<b>3,427</b>	<b>232</b>
– PRC Enterprise Income Tax (“EIT”)		
– Current year	4,453	8,092
– Under provision in prior years	435	–
	<b>4,888</b>	<b>8,092</b>
Deferred taxation (Note 29)	8,315	8,324
	(199)	(192)
	<b>8,116</b>	<b>8,132</b>

Hong Kong Profits Tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits for both years.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 8. INCOME TAX EXPENSE (Continued)

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the subsidiaries operating in the PRC is 25% for both years. The tax rates of 9% and 15% are specifically for the PRC subsidiaries which are operated in Tibet Autonomous Region and Khorgas Special Economic Zone respectively.

Based on the tax ruling announced by the PRC central tax authorities, the corporate income tax rate of Lhasa, which is located within Tibet Autonomous Region, is 9% for years 2015 to 2017 and from 2018 onwards, the corporate income tax rate will resume to 15% if no further announcement of preferential tax treatment is made. The relevant deferred tax balances had been measured based on the expected tax rates applicable in the future.

The Group's subsidiaries operating in the PRC are eligible for certain tax holidays and concessions and were exempted from PRC income taxes for the year. Based on the tax ruling announced by the PRC central tax authorities, the corporate income tax of Horgos is exempted for consecutive five years after the first assessable profits is made.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	2018 HK\$'000	2017 HK\$'000
<b>Profit before tax</b>	<b>73,426</b>	<b>44,949</b>
Tax at the domestic income tax rate of 16.5% (2017: 16.5%)	12,115	7,416
Tax effect of expenses not deductible for tax purpose	4,543	2,855
Tax effect of income not taxable for tax purpose	(2,309)	(86)
Tax effect of temporary differences not recognised	20	25
Tax effect of tax loss not recognised	449	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	(7,117)	(2,078)
Under provision in respect of prior years	415	–
<b>Income tax expense for the year</b>	<b>8,116</b>	<b>8,132</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 9. PROFIT FOR THE YEAR

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Profit for the year has been arrived at after charging (crediting):		
Employee benefits expenses (including directors' and chief executive's emoluments: (Note))		
– salaries, allowances and benefits in kind	<b>153,758</b>	191,228
– retirement benefit scheme contributions	<b>6,330</b>	7,215
	<b>160,088</b>	198,443
Auditor's remuneration		
– Annual audit service	<b>615</b>	425
– Other audit service	<b>45</b>	62
	<b>660</b>	487
Depreciation of property, plant and equipment:		
– Owned assets	<b>632</b>	526
– Leased assets	<b>283</b>	283
	<b>915</b>	809
Amortisation of intangible assets	<b>921</b>	896
Exchange (gain) losses, net	<b>(2,805)</b>	2,620
Operating leases rentals in respect of rented premises	<b>3,366</b>	2,733

Note: During the year ended 31 March 2018, employee benefits expenses of approximately HK\$140,448,000 and HK\$19,640,000 (2017: HK\$182,161,000 and HK\$16,282,000) are recognised as direct costs and general and administrative expenses respectively.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' and chief executive's remuneration for the years, disclosed pursuant to the applicable GEM Listing Rules and CO, are as follows:

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Retirement benefit scheme contributions HK\$'000	Total HK\$'000
<b>For the year ended 31 March 2018</b>				
<i>Executive directors:</i>				
Mr. Li Ang (Note(a))	175	–	–	175
Mr. Li Si Cong (Note (b))	20	–	–	20
Mr. Zheng Zhong Qiang	240	–	–	240
<i>Non-executive directors:</i>				
Mr. Chang Tin Duk Victor	240	1,200	18	1,458
Mr. Lam Tsz Chung (Note (c))	360	–	18	378
<i>Independent non-executive directors:</i>				
Mr. Lam Raymond Shiu Cheung	120	–	–	120
Mr. Wang En Ping	120	–	–	120
Dr. Cheung Wai Bun Charles JP	240	–	–	240
	<u>1,515</u>	<u>1,200</u>	<u>36</u>	<u>2,751</u>
<b>For the year ended 31 March 2017</b>				
<i>Executive directors:</i>				
Mr. Lam Tsz Chung (Note (c))	150	–	7	157
Mr. Li Si Cong (Note (b))	360	–	–	360
Mr. Zheng Zhong Qiang	240	–	–	240
<i>Non-executive directors:</i>				
Mr. Chang Tin Duk Victor	240	2,000	18	2,258
Mr. Lam Tsz Chung (Note (c))	210	–	11	221
<i>Independent non-executive directors:</i>				
Mr. Lam Raymond Shiu Cheung	120	–	–	120
Mr. Wang En Ping	120	–	–	120
Dr. Cheung Wai Bun Charles JP	240	–	–	240
	<u>1,680</u>	<u>2,000</u>	<u>36</u>	<u>3,716</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 10. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (Continued)

Notes:

- a) Mr. Li Ang was appointed as executive director on 20 April 2017.
- b) Mr. Li Si Cong ("Mr. Li") resigned on 20 April 2017.
- c) Mr. Lam Tsz Chung was re-designated as non-executive director on 1 September 2016.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group. The non-executive directors' emoluments shown above were mainly for their services as directors of the Company or its subsidiaries. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

## 11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included one (2017: one) director of the Company, details of whose remuneration are set out in Note 10 to the consolidated financial statements. Details of the remuneration of the remaining four (2017: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2018 HK\$'000	2017 HK\$'000
Salaries, allowances and benefits in kind	5,864	3,676
Retirement benefits scheme contributions	68	72
<b>Total</b>	<b>5,932</b>	<b>3,748</b>

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2018	2017
Nil – HK\$1,000,000	–	2
HK\$1,000,001 – HK\$1,500,000	3	2
HK\$1,500,001 – HK\$2,000,000	1	–

## 12. DIVIDENDS

No dividend was paid or proposed for ordinary and convertible preference shareholders of the Company during the year ended 31 March 2018, nor has any dividend been proposed since the end of the reporting period (2017: Nil).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 13. EARNINGS PER SHARE

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

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
<b>Earnings</b>		
Profit for the year attributable to owners of the Company for the purposes of basic earnings per share	<b>65,418</b>	37,005
Effect of dilutive potential ordinary shares:		
Interest charge on convertible bond	<b>2,222</b>	–
Profit for the year attributable to owners of the Company for the purposes of dilutive earnings per share	<b>67,640</b>	37,005
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>1,461,673</b>	1,282,057
Effect of dilutive potential ordinary shares:		
– Convertible preference shares	<b>66,395</b>	67,089
– Convertible bond	<b>23,836</b>	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>1,551,904</b>	1,349,146

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 14. PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
<b>At 1 April 2016</b>					
Cost	903	172	1,121	2,847	5,043
Accumulated depreciation	(630)	(145)	(715)	(1,803)	(3,293)
Net carrying values	<u>273</u>	<u>27</u>	<u>406</u>	<u>1,044</u>	<u>1,750</u>
<b>Year ended 31 March 2017</b>					
Opening net carrying amount	273	27	406	1,044	1,750
Acquisition of subsidiaries (Note 35)	–	–	16	–	16
Additions	–	–	95	745	840
Depreciation	(120)	(20)	(181)	(488)	(809)
Exchange adjustments	(11)	(1)	(2)	(12)	(26)
Closing net carrying values	<u>142</u>	<u>6</u>	<u>334</u>	<u>1,289</u>	<u>1,771</u>
<b>At 31 March 2017</b>					
Cost	892	171	1,230	3,580	5,873
Accumulated depreciation	(750)	(165)	(896)	(2,291)	(4,102)
Net carrying values	<u>142</u>	<u>6</u>	<u>334</u>	<u>1,289</u>	<u>1,771</u>
<b>Year ended 31 March 2018</b>					
Opening net carrying amount	142	6	334	1,289	1,771
Additions	182	63	202	–	447
Depreciation	(140)	(13)	(209)	(553)	(915)
Exchange adjustments	8	–	8	9	25
Closing net carrying values	<u>192</u>	<u>56</u>	<u>335</u>	<u>745</u>	<u>1,328</u>
<b>At 31 March 2018</b>					
Cost	1,208	306	1,517	3,809	6,840
Accumulated depreciation	(1,016)	(250)	(1,182)	(3,064)	(5,512)
Net carrying values	<u>192</u>	<u>56</u>	<u>335</u>	<u>745</u>	<u>1,328</u>

The above items of plant and equipment are depreciated on a straight-line basis over the estimated useful lives at the following rates per annum:

Leasehold improvements	Over the shorter of the lease term or 20%
Furniture and fixtures	20%
Office equipment	20% – 33%
Motor vehicles	20% – 33%

At 31 March 2018, the net carrying amount of property, plant and equipment included the amount of a motor vehicle of approximately HK\$260,000 (2017: HK\$543,000) in respect of asset held under a finance lease.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 15. GOODWILL

	Total HK\$'000
At 1 April 2016	504,852
Arising on acquisition of Beauty Sky Group Limited (“Beauty Sky”) (Note 35)	70,065
Exchange adjustments	(361)
	<hr/>
At 31 March 2017	574,556
Impairment	(5,631)
Exchange adjustments	20,816
	<hr/>
At 31 March 2018	<u>589,741</u>

### Notes:

For the purpose of the impairment testing, goodwill has been allocated to four individual cash generation units (“CGUs”), comprising two subsidiaries in the credit consultancy services segments, one subsidiary in the loan facilitation services segment and one subsidiary in the asset management service segment. The carrying amount of goodwill as at 31 March 2018 and 31 March 2017 allocated to these CGUs are as follow:

	2018 HK\$'000	2017 HK\$'000
Credit consultancy services segment – Sheng Zhou Group Limited (note (i))	7,101	6,449
Loan facilitation services segment – Radiant Expert Global Limited (note (ii))	503,376	491,347
Asset management services segment – Best Moon Holdings Limited (note (iii))	1,327	6,694
Credit consultancy services segment – Beauty Sky (note (iv))	77,937	70,066
	<hr/>	<hr/>
	<u>589,741</u>	<u>574,556</u>

### (i) Goodwill arising on acquisition of Sheng Zhuo Group Limited (“Sheng Zhuo”)

For the purpose of impairment testing, the goodwill arising on acquisition of Sheng Zhuo is allocated to the credit consultancy services cash-generating unit (the “CGU I of Credit Consultancy Services”).

The recoverable amount of the CGU I of Credit Consultancy Services has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by the Directors covering a five-year period, and a pre-tax discount rate of 20.9% (2017: 25.2%). Cash flows beyond the five-year period are extrapolated using a steady 3% (2017: 3%) growth rate, which does not exceed the long-term growth rate for the credit consultancy services industry in the PRC. The Directors believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU I of Credit Consultancy Services to exceed its aggregate recoverable amount.

### (ii) Goodwill arising on acquisition of Radiant Expert Global Limited (“Radiant Expert”)

For the purpose of impairment testing, the goodwill arising on acquisition of Radiant Expert is allocated to the loan facilitation services cash-generating unit (the “CGU of Loan Facilitation Services”).

The recoverable amount of the CGU of Loan Facilitation Services has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by the Directors covering a five-year period, and a pre-tax discount rate of 17.1% (2017: 19.1%). Cash flows beyond the five-year period are extrapolated using a steady 3% (2017: 3%) growth rate, which does not exceed the long-term growth rate for the loan facilitation services industry in the PRC. The Directors believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU of Loan Facilitation Services to exceed its aggregate recoverable amount.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 15. GOODWILL (Continued)

Notes: (Continued)

### (iii) Goodwill arising on acquisition of Best Moon Holding Limited (“Best Moon”)

For the purpose of impairment testing, the goodwill arising on acquisition of Best Moon is allocated to the asset management services cash-generating unit (the “CGU of Asset Management Services”).

The recoverable amount of the CGU of Asset Management Services has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by the Directors covering a five-year period, and a pre-tax discount rate of 17.35% (2017: 22.5%). Cash flows beyond the five-year period are extrapolated using a steady 3% (2017: 3%) growth rate, which does not exceed the long-term growth rate for the asset management services industry in the PRC. The Directors believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU of Asset Management Services to exceed its aggregate recoverable amount.

### (iv) Goodwill arising on acquisition of Beauty Sky

For the purpose of impairment testing, the goodwill arising on acquisition of Beauty Sky is allocated to the credit consultancy service cash-generating unit (the “CGU 2 of Credit Consultancy Services”).

The recoverable amount of the CGU 2 of Credit Consultancy Services has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by the Directors covering a five-year period, and a pre-tax discount rate of 15.4% (2017: 17.4%). Cash flows beyond the five-year period are extrapolated using a steady 3% (2017: 3%) growth rate, which does not exceed the long-term growth rate for the asset management services industry in the PRC. The Directors believe that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of the CGU 2 of Loan Consultancy Services to exceed its aggregate recoverable amount.

Based on the above basis and assumptions, impairment loss of approximately HK\$5,631,000 had been recognised in respect of the CGU of Asset Management Services to the extent that the carrying amount exceeded its recoverable amount based on the best estimate by the Directors, with reference to the valuation report issued by Colliers International (Hong Kong) Limited (“Colliers”), an independent professional valuer and thus, and impairment loss had been recognised in profit or loss for the year ended 31 March 2018 (2017: Nil).





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 16. INTANGIBLE ASSETS

	Software HK\$'000	Online platform HK\$'000	Customer relationships and customer contracts HK\$'000	Total HK\$'000
<b>COST</b>				
At 1 April 2016	257	838	6,287	7,382
Exchange adjustments	(14)	(8)	(333)	(355)
At 31 March 2017	243	830	5,954	7,027
Additions	9	–	–	9
Exchange adjustments	24	15	602	641
<b>At 31 March 2018</b>	<b>276</b>	<b>845</b>	<b>6,556</b>	<b>7,677</b>
<b>ACCUMULATED AMORTISATION</b>				
At 1 April 2016	22	87	787	896
Charge for the year	82	210	604	896
Exchange adjustments	(2)	(3)	(51)	(56)
At 31 March 2017	102	294	1,340	1,736
Charge for the year	85	210	626	921
Exchange adjustments	14	8	164	186
<b>At 31 March 2018</b>	<b>201</b>	<b>512</b>	<b>2,130</b>	<b>2,843</b>
<b>CARRYING VALUES</b>				
<b>At 31 March 2018</b>	<b>75</b>	<b>333</b>	<b>4,426</b>	<b>4,834</b>
At 31 March 2017	141	536	4,614	5,291

Intangible assets represented (i) software acquired for the loan facilitation services business; (ii) online platform recognised by the Group upon the acquisition of the loan facilitation services business; and (iii) customer relationships and customer contracts recognised by the Group upon the acquisition of the credit consultancy services business. The above intangible assets are amortised on a straight-line basis and have finite useful lives as follows.

Software	3 years
Online platform	5 years
Customer relationships and customer contracts	10 years

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 17. INTERESTS IN ASSOCIATES

	2018 HK\$'000	2017 HK\$'000
Cost of investments in associates	3	3
Share of post-acquisition losses and other comprehensive expense	(3)	(3)
	<u>—</u>	<u>—</u>

Details of the Group's associates at the end of the reporting period are as follow:

Name	Country of incorporation	Principal place of business	Particulars of issued and fully paid share capital	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
				2018	2017	2018	2017	
Zebra China Holding Limited (Note)	British Virgin Island ("BVI")	Hong Kong	US\$1,000	40%	40%	40%	40%	Investment holding
Zebra Strategic Solution (China) Limited (Note)	BVI	Hong Kong	US\$1,000	40%	40%	40%	40%	Investment holding

Note: The associates were inactive during the years ended 31 March 2018 and 31 March 2017.

The Group had only recognised portion of its share of losses of associates and discontinued further recognition of its share of losses of associates. The amounts of unrecognised share of losses of those associates, extracted from the financial information of associates, both for the year and cumulatively, are as follows:

	2018 HK\$'000	2017 HK\$'000
Unrecognised share of losses of associates for the year	<u>—</u>	<u>—</u>
Cumulative unrecognised share of losses of associates	<u>(41)</u>	<u>(41)</u>

Summarised financial information in respect of the Group's associates are set out below. The summarised financial information below represents amounts shown in the associates' financial statements presented in accordance with HKFRSs.

	2018 HK\$'000	2017 HK\$'000
Loss for the year	—	—
Other comprehensive income	—	—
Total comprehensive expense	<u>—</u>	<u>—</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 18. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Unlisted equity investments		
– At cost (Note (a))	<b>23,045</b>	20,929
– At fair value (Note (b))	<b>78,362</b>	87,266
	<b>101,407</b>	108,195

The above unlisted equity investments represent investments in unlisted equity securities issued by private entities incorporated in the PRC.

Notes:

- (a) They are measured at cost less accumulated impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the Directors are of the opinion that the fair value cannot be measured reliably. No impairment loss was recognised in the profit or loss during the years ended 31 March 2018 and 31 March 2017.
- (b) They are measured at fair value as at 31 March 2018 and 31 March 2017 based on the valuation report issued by Colliers.

During the year ended 31 March 2018, the Group disposed of certain unlisted equity investments, which had been measured at fair value before the disposal. A gain on disposal of approximately HK\$3,119,000 (2017: loss of approximately HK\$4,498,000) has been recognised in profit or loss for the year.

## 19. HELD FOR TRADING INVESTMENTS

Held for trading investments include:

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Listed securities		
– Equity securities listed in the PRC	<b>2,716</b>	286

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 20. TRADE AND OTHER RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Trade receivables (Note a)	36,637	39,781
Other receivables:		
Deposits	569	571
Prepayments	2,646	4,057
Dividend receivables	2,487	–
Other receivables	8,882	20,564
	14,584	25,192
Less: Accumulated impairment loss (Note b)	(560)	(560)
Other receivables, net	14,024	24,632
Total trade and other receivables	50,661	64,413

Notes:

- (a) The Group normally allows credit periods of 30 days (2017: 30 days) to its major customers and the Group did not hold any collateral over the trade receivables.

The following is an aged analysis of trade receivables presented based on invoice date.

	2018 HK\$'000	2017 HK\$'000
0-30 days	18,249	22,148
31-60 days	9,792	8,791
61-90 days	6,160	4,212
91-180 days	468	3,612
181-365 days	938	1,018
Over 365 days	1,030	–
	36,637	39,781

Ageing analysis of trade receivables which are past due but not impaired:

	2018 HK\$'000	2017 HK\$'000
1-90 days	16,107	14,058
91-180 days	469	2,699
181-365 days	782	876
Over 365 days	1,030	–
	18,388	17,633



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 20. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

(a) continued

All of the customers had good track record of credit with the Group and based on past credit history, 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 to be fully recoverable.

At each reporting date, the Group reviews receivables for evidence of impairment on both individual and collective basis. None of the trade receivables as at 31 March 2018 and 31 March 2017 has been identified by the Group to be impaired.

(b) There was no provision of impairment loss for other receivables recognised during the years ended 31 March 2018 and 2017.

## 21. LOAN AND INTEREST RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Fixed rate loan and interest receivables:		
– Secured by corporate guarantee		
Loan receivables	322,375	344,959
Interest payables	6,370	6,897
	<b>328,745</b>	351,856
– Unsecured		
Loan receivables	406,239	47,159
Interest payables	8,996	2,214
	<b>415,235</b>	49,373
	<b>743,980</b>	401,229
Analysed for reporting purpose as:		
– Current assets	737,550	389,316
– Non-current assets	6,430	11,913
	<b>743,980</b>	401,229

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 21. LOAN AND INTEREST RECEIVABLES (Continued)

As at 31 March 2018, the loan and interest receivables secured by corporate guarantee bear interest at fixed interest rates ranging from 4% to 6% (2017: 4% to 10%) per annum.

As at 31 March 2018, the unsecured loan and interest receivables bear interest rate at fixed interest rate ranging 4% to 5% (2017: 4% to 10%) per annum.

The Group's loan financing customers included in the loan and interest receivables are due for settlement at the dates specified in the respective loan agreements.

The exposure of the Group's fixed-rate loan receivables to interest rate risks and their contractual maturity dates at the reporting date are as follows:

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Within 3 months	<b>152,098</b>	72,784
More than 3 months but less than 6 months	<b>259,785</b>	88,068
More than 6 months but less than 12 months	<b>310,475</b>	212,027
In more than 1 year but not more than 3 years	<b>6,256</b>	19,239
	<b><u>728,614</u></b>	<u>392,118</u>

The Group's loan and interest receivables that are denominated in currencies other than the functional currencies of the relevant group entities are set out below.

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Amounts denominated in:		
HK\$	–	53,720
RMB	<b><u>328,687</u></b>	<u>–</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 22. AMOUNTS DUE FROM RELATED PARTIES

The particulars of amounts due from related parties are as follows:

	2018 HK\$'000	2017 HK\$'000
廣東銀達典當有限公司(“銀達典當”) (Note 41(a)(ii) and 41(a)(vii))	–	59
廣東良策按揭服務有限公司(“良策按揭”) (Note 41(iii))	250	261
廣東良策融資擔保有限公司(“良策融資擔保”) (Note) (Note 41(a)(iv))	16,196	3,370
Zebra Strategic Investments Limited (Note 41(vi) and (vii))	50	50
	<b>16,496</b>	<b>3,740</b>

The amounts due from related parties are unsecured, interest-free and repayable on demand.

Details of the above balances with related parties are set out in Note 41 to the consolidated financial statements.

Note: The amount due from 良策融資擔保 is an advance payment associated with the credit facilitation business under normal operation practice. The management regularly monitor and assess the balance to ensure the settlement of the balance. During the year ended 31 March 2018 and 31 March 2017, no impairment loss was recognised for the amount due from 良策融資擔保.

## 23. AMOUNT DUE TO AN ASSOCIATE

The amount due to an associate is non-trade in nature, unsecured, interest-free and repayable on demand.

## 24. BANK BALANCES AND CASH

Bank balances carry interest at prevailing market rates ranging from 0% to 0.35% (2017: 0% to 0.35%) per annum at 31 March 2018.

Included in bank balances and cash are the following amounts which are subject to PRC foreign exchange control regulations or not freely transferable:

	2018 HK\$'000	2017 HK\$'000
Amounts denominated in: RMB	<b>25,155</b>	<b>18,994</b>

Other than bank balances and cash denominated in HK\$ and RMB, the bank balance and cash denominated in other currencies are not significant.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 25. OTHER PAYABLES AND ACCRUED EXPENSES

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Other payables (Note a)	<b>10,034</b>	14,394
Receipt in advance	<b>2,040</b>	831
Accrued expenses (Note b)	<b>13,401</b>	16,562
Interest payable	<b>4,733</b>	–
	<b>30,208</b>	<b>31,787</b>

### Notes:

- (a) Included in other payables as at 31 March 2017 was an amount of approximately HK\$7,954,500 (equivalent to RMB7,000,000) due to a private entity incorporated in the PRC. The amount was non-interest bearing, unsecured and repayable on demand. On 18 July 2017, an agreement was entered with the private entity, to reclassify the entire amount to other borrowing with a fixed interest rate of 10% per annum. Details of the other borrowing is disclosed in Note 30 to the consolidated financial statements.
- (b) As at 31 March 2018, accrued expenses mainly included accrued salaries amounted to approximately HK\$11,443,000 (2017: HK\$11,412,000).





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 26. OBLIGATION UNDER A FINANCE LEASE

During the years ended 31 March 2018 and 31 March 2017, the Company leased a motor vehicle under a finance lease. The lease term is 0.6 years (2017: 1.6 years). The interest rate underlying the obligation under a finance lease is fixed at the respective contract dates at 1.18% (2017: 1.18%) per annum. The Company has option to purchase the motor vehicle at the end of the lease. No arrangement has been entered into for contingent rental payments.

Analysed for reporting purposes as:

Current liabilities

Non-current liabilities

<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
118	174
-	118
<b>118</b>	<b>292</b>

At the end of the reporting period, the total future minimum lease payments under a finance lease and the present values are as follows:

	Minimum lease payment		Present value of minimum lease payment	
	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Within one year	120	179	118	174
In more than one year but not more than two years	-	120	-	118
	<b>120</b>	299	<b>118</b>	292
Less: Future finance charges	<b>(2)</b>	(7)	<b>N/A</b>	N/A
Present value of lease obligations	<b>118</b>	292	<b>118</b>	292
Less: Amount due for settlement within one year (shown under current liabilities)			<b>(118)</b>	(174)
Amount due for settlement after one year			-	118

As at 31 March 2018 and 31 March 2017, the Company's obligation under a finance lease is secured by the leased asset.

The obligation under a finance lease are denominated in HK\$.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 27. CONVERTIBLE BONDS

### Tranche B Convertible Bond (the “CB”)

On 20 July 2017, two one-year secured bonds, with referred to as the “Tranche A Bond” and “Tranche B Bond” with principal amount of HK\$50,000,000 each, were subscribed by Harvest Progress International Limited (the “Subscriber”), with the deed of guarantee given by Mr. Li Si Cong, Mr. Li Ang (collectively, the “Individual Guarantors”) and 廣東銀達融資擔保投資集團有限公司 (the “Corporate Guarantor”, and together with the Individual Guarantors, the “Guarantors”). Detail are disclosed in Note 28 to the consolidated financial statements.

On 18 September 2017, the Subscriber and the Company agreed to change the terms of the Tranche B Bond, to the CB with the principal amount of HK\$50,000,000 in which the Subscriber is entitled to convert the CB into the ordinary shares of the Company. The CB is denominated in HK\$.

At initial recognition, the equity component of the CB was separately from debt component. The equity element is presented in equity heading “convertible bond reserve”. The debt component was recognised at fair value, calculated based on the present value of the redemption amount at maturity. In subsequent periods, the debt component is carried at amortised cost using the effective interest method. The effective interest rate of the debt component is 8.39% per annum.

The principal terms of the CB are as follows:

Principal amount:	HK\$50,000,000
Coupon rate:	8% per annum
Conversion price (Note):	HK\$0.954 per conversion share (per bond instrument), subject to certain customary anti-dilutive adjustments
Maturity date:	20 July 2018, or if the bondholders and the Company mutually agree in writing to extend the maturity of the CB by six months, on 20 January 2019
Conversion period:	At any time on or after the closing date to the close of business on the date falling ten days prior to the abovementioned maturity date (both days inclusive) or, if such CB shall have been called for redemption by the Company before the abovementioned maturity date, then up to the close of business on a date no later than ten days prior to the date fixed for redemption thereof
Transferability:	Bonds may be transferred, without the consent of the Company, (i) to any affiliate of existing Subscriber and/or (ii) to any third party if an event of default listed in the bond instrument has occurred and is continuing, in whole or in part
Guarantee:	The due payment of all sums are jointly and severally to be pay by Guarantors
Repayment terms:	The interest is payable on quarterly on the 20th of April, July, October, and January of each year and the last interest payment date on the maturity date.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 27. CONVERTIBLE BONDS (Continued)

### Tranche B Convertible Bond (the “CB”) (Continued)

The valuation of the CB was performed by Colliers. Discounted cashflow Model is used for valuation of the CB.

The movements of the convertible bond for the year ended 31 March 2018 are set out below.

	<b>Liability</b> HK\$'000	<b>Equity</b> HK\$'000	<b>Total</b> HK\$'000
At 1 April 2017	–	–	–
Conversion of Tranche B Bond into CB	49,849	151	50,000
Interest charges	2,222	–	2,222
Interest paid	(790)	–	(790)
Interest payable	(1,336)	–	(1,336)
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2018</b>	<b>49,945</b>	<b>151</b>	<b>50,096</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 28. BOND PAYABLES

	2018 HK\$'000	2017 HK\$'000
Bonds (Note a)	112,309	–
Tranche A Bond (Note b)	50,000	–
	<b>162,309</b>	–
Analysed for reporting purposes as:		
Non-current liabilities	104,252	–
Current liabilities	58,057	–
	<b>162,309</b>	–

### Notes:

- a) During the year ended 31 March 2018, the Company issued several bonds with aggregate principal amount of HK\$126,900,000, to various independent bond holders. All of the bonds are unsecured and with the fixed interest rate ranged from 6% – 10%. These bonds will be matured within one to eight years.
- b) As mentioned in Note 27 to the consolidated financial statements, on 20 July 2017, the Company issued Tranche A Bond and Tranche B Bond, with principal amount of HK\$50,000,000 each at 10% per annum due in 2018. On 18 September 2017, the Group entered an agreement with the Subscriber to exchange Tranche B Bond into the CB (detail are disclosed in Note 27 to the consolidated financial statement). The principal terms of the remaining non-convertible Tranche A Bond are as follows:

Principal amount:	HK\$50,000,000
Coupon rate:	10% per annum
Maturity date:	20 July 2018
Redemption:	The Company may redeem all or some of the non-convertible bonds from issue date to maturity date, at 100% of their principal amount



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 29. DEFERRED TAX LIABILITIES

The followings are the deferred tax liabilities recognised and movements thereon during current and prior years:

	<b>Intangible assets HK\$'000</b>
At 1 April 2016	1,569
Credit to profit or loss (Note 8)	(192)
Exchange adjustment	(76)
	<hr/>
At 31 March 2017	1,301
Credit to profit or loss (Note 8)	(199)
Exchange adjustment	72
	<hr/>
<b>At 31 March 2018</b>	<b><u>1,174</u></b>

Pursuant to the PRC EIT Law which became effective on 1 January 2008, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC effective from 1 January 2008. On 22 February 2008, Caishui (2008) No.1 was promulgated by the tax authorities to specify that dividends declared and remitted out of the PRC from the retained profits as at 31 December 2007 are exempted from withholding tax. Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to accumulated profits of the PRC subsidiaries amounted to approximated RMB160,512,381 (2017: RMB104,467,671) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

As at 31 March 2018, the Group has unused tax losses of approximately RMB2,278,000 (2017: Nil) available for offsetting against future profits.

No deferred tax assets have been recognised due to the unpredictability of future profit streams. Unrecognised tax losses of approximately RMB2,278,000 (2017: Nil) will be expired in 2022.

## 30. OTHER BORROWING

Unsecured:  
Repayable within one year

<b>2018 HK\$'000</b>
<b><u>8,759</u></b>

The Group's other borrowing is denominated in RMB. The loan bears interest at fixed rate of 10% per annum. The balance is repayable on 18 December 2018.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 31. SHARE CAPITAL

### Ordinary shares

	Par value per share HK\$	Number of ordinary shares	Nominal value HK\$'000
<b>Authorised:</b>			
At 1 April 2016, and 31 March 2017 and 31 March 2018	0.01	<u>5,000,000,000</u>	<u>50,000</u>
<b>Issued and fully paid:</b>			
At 1 April 2016	0.01	1,152,076,923	11,521
Issue of ordinary shares upon placing (Note (a))	0.01	25,000,000	250
Issue of ordinary shares upon placing (Note (b))	0.01	30,000,000	300
Issue of ordinary shares upon placing (Note (c))	0.01	11,500,000	115
Issue of ordinary shares upon placing (Note (d))	0.01	30,000,000	300
Issue of ordinary shares upon conversion of convertible preference shares (Note 32)	0.01	1,000,000	10
Issue of ordinary shares upon placing (Note (e))	0.01	109,050,000	1,091
Issue of ordinary shares upon acquisition of subsidiaries (Note (f))	0.01	<u>102,941,177</u>	<u>1,029</u>
At 31 March 2017	0.01	1,461,568,100	14,616
Issue of ordinary shares upon conversion of convertible preference shares (Note 32)	0.01	<u>1,913,481</u>	<u>19</u>
<b>At 31 March 2018</b>	<b>0.01</b>	<b><u>1,463,481,581</u></b>	<b><u>14,635</u></b>

#### Notes:

- (a) On 6 May 2016, the Company entered into a placing agreement (the "First Placing Agreement") with China Industrial Securities International Brokerage Limited (the "Placing Agent"). Pursuant to the First Placing Agreement, the Company appointed the Placing Agent, on a best effort basis, to procure not less than six placees who are independent third parties to subscribe for up to 25,000,000 placing shares at a price of HK\$0.640 per placing share (the "First Placing"). The First Placing was completed on 20 May 2016 where 25,000,000 placing shares were subscribed for in full by one placee pursuant to the terms and conditions of the First Placing Agreement. The net proceeds arising from the First Placing were HK\$15,679,000. The purpose of use of the proceeds were mainly for its loan financing services business.
- (b) On 27 May 2016, the Company entered into a placing agreement (the "Second Placing Agreement") with the Placing Agent. Pursuant to the Second Placing Agreement, the Company appointed the Placing Agent, on a best effort basis, to procure not less than six placees who are independent third parties to subscribe for up to 30,000,000 placing shares at a price of HK\$0.685 per placing share (the "Second Placing"). The Second Placing was completed on 13 June 2016 where 30,000,000 placing shares were subscribed for in full by one placee pursuant to the terms and conditions of the Second Placing Agreement. The net proceeds arising from the Second Placing were HK\$20,137,000. The purpose of use of the proceeds were mainly for its loan financing services business.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 31. SHARE CAPITAL (Continued)

Notes: (Continued)

- (c) On 20 June 2016, the Company entered into a placing agreement (the “Third Placing Agreement”) with the Placing Agent. Pursuant to the Third Placing Agreement, the Company appointed the Placing Agent, on a best effort basis to procure not less than six placees who are independent third parties to subscribe for up to 11,500,000 placing shares at a price of HK\$0.671 per placing share (the “Third Placing”). The Third Placing was completed on 5 July 2016 where 11,500,000 placing shares were subscribed for by one placee in full pursuant to the terms and conditions of the Third Placing Agreement. The net proceeds arising from the Third Placing were HK\$7,562,000. The purpose of use of the proceeds were mainly for its loan financing business.
- (d) On 26 August 2016, the Company entered into a placing agreement (the “Other Placing Agreement”) with Cinda International Securities Limited (the “Other Placing Agent”). Pursuant to the Other Placing Agreement, the Company appointed the Other Placing Agent, on a best effort basis, to procure not less than six placees who are independent third parties to subscribe for up to 30,000,000 placing shares at a price of HK\$1.040 per placing share (the “Other Placing”). The Other Placing was completed on 19 September 2016 where 30,000,000 placing shares were subscribed for in full pursuant to the terms and conditions of the Other Placing Agreement. The net proceeds arising from the Other Placing were HK\$30,576,000. The purpose of use of the proceeds were mainly for its loan financing services business.
- (e) On 12 December 2016, the Company entered into a placing agreement (the “Fourth Placing Agreement”) with the Placing Agent. Pursuant to the Fourth Placing Agreement, the Company appointed the Placing Agent, on a best effort basis, to procure not less than six placees who are independent third parties to subscribe for up to 109,050,000 placing shares at a price of HK\$0.917 per placing share (the “Fourth Placing”). The Fourth Placing was completed on 23 December 2016 where 109,050,000 placing shares were subscribed for by one placee in full pursuant to the terms and conditions of the Fourth Placing Agreement. The net proceeds arising from the Fourth Placing were HK\$99,241,000. The purpose of use of the proceeds were mainly for its loan financing services business.
- (f) On 16 December 2016, the Company allotted and issued an aggregate of 102,941,177 new ordinary shares with par value of HK\$0.01 each to the vendor in relation to the acquisition of the entire issued share capital of Beauty Sky (Note 35).
- (g) All the shares issued during the years ended 31 March 2018 and 31 March 2017 rank pari passu with the then existing shares in all respects.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 32. CONVERTIBLE PREFERENCE SHARES

During the year ended 31 March 2016, for the acquisition of Radiant Expert Global Limited (“Radiant Expert”), the Company allotted and issued 340,000,000 convertible preference shares (“CPS”) with a fair value of HK\$506,600,000 on 5 November 2015 as the consideration.

The CPS recognised in the consolidated statement of financial position is calculated as follows:

	Number of CPS	Equity component HK\$'000
At 1 April 2016	67,500,000	100,575
Issue of ordinary shares upon conversion (Note 31)	<u>(1,000,000)</u>	<u>(1,490)</u>
At 31 March 2017	66,500,000	99,085
Issue of ordinary shares upon conversion (Note 31)	<u>(1,913,481)</u>	<u>(2,851)</u>
<b>At 31 March 2018</b>	<b><u>64,586,519</u></b>	<b><u>96,234</u></b>

The CPS was recognised as equity and was presented in equity heading “convertible preference shares”.

The principal terms of the CPS are set out below:

- (a) Holder of each CPS shall have entitlement to a non-cumulative preferred dividend, which will be in priority to the dividend entitlement of the holder of the ordinary shares, calculated on a yearly basis at a rate of 1% of the principal amount of the CPS, which shall be paid in cash annually in arrears within 30 days after the conclusion of each annual general meeting of the Company.
- (b) The CPS does not carry any voting right.
- (c) The CPS is not redeemable.
- (d) The holders of the CPS shall have the right to convert the CPS into ordinary shares at the conversion ratio of one CPS into one ordinary share of the Company.
- (e) On return of capital on liquidation, winding up or dissolution of the Company, the CPS shall confer on their holders the right to be paid, in priority to any return of assets in respect of the ordinary shares of the Company or any other class of shares in the share capital of the Company, pari passu as between themselves.
- (f) The CPS is freely transferable.

The entitlement of the preferred dividend by CPS holders is non-cumulative, the payment of 1% dividend yield is at the Company’s discretion but not an obligation of the Company; and the CPS holders shall have the right to convert CPS into ordinary shares at the conversion ratio of one CPS into one ordinary share of the Company at any time commencing from the business day immediately after the date of issue of the CPS, with no maturity date. As such, based on the best estimate by the Directors and with reference to the advice from an independent professional valuer, the fair value of CPS is determined using the closing market price of the Company’s shares at the date of the completion of the acquisition of Radiant Expert, amounting to approximately HK\$506,600,000.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 33. CAPITAL RISK MANAGEMENT

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

The Group sets the amount of capital in proportion to its overall financing structure. The Group manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debts.

The gearing ratio of the Group is as follows:

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Other borrowing (Note 30)	<b>8,759</b>	–
Obligation under a finance lease (Note 26)	<b>118</b>	292
Bond payables (Note 28)	<b>162,309</b>	
Convertible bond (Note 27)	<b>49,945</b>	–
	<hr/>	<hr/>
Debt	<b>221,131</b>	292
Total equity attributable to the owners of the Company	<b>1,293,271</b>	1,186,393
	<hr/>	<hr/>
Gearing ratio (Debt to total equity attributable to owners of the Company)	<b>17.10%</b>	0.02%
	<hr/>	<hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 34. FINANCIAL INSTRUMENTS

### a. Categories of financial instruments

	2018 HK\$'000	2017 HK\$'000
<b>Financial assets</b>		
Available-for-sale investments	<b>101,407</b>	108,195
Financial assets at FVTPL:		
Held for trading investments	<b>2,716</b>	286
Contingent consideration receivable	<b>2,263</b>	3,298
	<b>4,979</b>	3,584
Loans and receivables:		
Trade and other receivables	<b>48,015</b>	60,356
Loan and interest receivables	<b>743,980</b>	401,229
Amounts due from related parties	<b>16,496</b>	3,740
Bank balances and cash	<b>39,490</b>	65,253
	<b>847,981</b>	530,578
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost:		
Other payables and accrued expenses	<b>28,168</b>	30,956
Obligation under a finance lease	<b>118</b>	292
Amount due to an associate	<b>3</b>	3
Bonds payable	<b>162,309</b>	–
Convertible bonds	<b>49,945</b>	–
Other borrowing	<b>8,759</b>	–
	<b>249,302</b>	31,251



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 34. FINANCIAL INSTRUMENTS (Continued)

### b. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, held for trading investments, contingent consideration receivable, trade and other receivables, loan and interest receivables, bank balances and cash, amounts due from (to) related parties/an associate, other payables and accrued expenses, obligation under a finance lease, bonds payable, convertible bonds and other borrowing. Details of the financial instruments are disclosed in respective notes to the consolidated financial statements. The risks associated with these financial instruments include market risk (currency risk and interest rate risk and other price risk), credit risk and liquidity risk. 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.

#### Market risk

##### (i) Currency risk

The Group mainly operates in Hong Kong and PRC with most of the transactions denominated and settled in HK\$ and RMB.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date, that are denominated in currencies other than the functional currency of the relevant group entities were mainly denominated in RMB.

	Assets		Liabilities	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
HK\$	-	53,720	-	-
RMB	<b>328,694</b>	-	-	-

#### Sensitivity analysis

The Group is mainly exposed the currency of RMB for the year ended 31 March 2018 (2017: HK\$).

The following table details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in HK\$ against RMB. The 5% are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% (2017: 5%) change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency of the lenders.

A positive number below indicates an increase in post-tax profit where HK\$ weakening 5% against the relevant currency. For a 5% strengthen of HK\$ against the relevant currency, there would be an equal and opposite impact on the post-tax profit, and the balances below would be negative.

	RMB Impact	
	2018 HK\$'000	2017 HK\$'000
Profit or loss	<b>13,723</b>	-

  

	HK\$ Impact	
	2018 HK\$'000	2017 HK\$'000
Profit or loss	-	(2,015)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 34. FINANCIAL INSTRUMENTS (Continued)

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

#### Market risk (Continued)

##### (ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan and interest receivables obligation under a finance lease, other borrowing, bond payables and convertible bond.

The Group's cash flow interest rate risk relates primarily to variable-rate interest bearing bank balances. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk section of this note.

The Group currently does not have an interest rate hedging policy. However, the Directors monitor interest rate exposure and will consider hedging significant interest rate risk should the need arise.

The Directors considered the Group's exposed to interest rate risk is not material. Hence, no interest rate sensitivity analysis is presented.

##### (iii) Credit risk

As at 31 March 2018, 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 Directors review the recoverable amount of each individual trade receivables, loan and interest receivables and amounts due from related parties at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

In respect of loan and interest receivables, representing financing advances to customers under the Group's loan financing business, individual credit evaluations are performed on all customers. These evaluations focus on the customer's financial background and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry in which customers operate also has an influence on credit risk but to a lesser extent.

In respect of the loan and interest receivables arising from the Group's loan financing business, 26% (2017: 39%) of the total gross loan and interest receivables as at 31 March 2018 was due from the Group's five largest customers for the Group's loan financing business.

The five largest customers for the Group's loan financing business include individuals resided in the PRC. Four (2017: Four) loans are secured by corporate guarantee provided by two private entities which are engaged in providing corporate guarantee services.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

In respect of trade receivables arising from the Group's human resources services business, the credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. The Group has concentration of credit risk as 46% (2017: 84%) of the total trade receivables was due from the Group's two (2017: two) customers within the human resources services business segment.

The Directors consider the credit risk under control since the management exercise due care in granting credit and check the financial background of these customers on a regular basis.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 34. FINANCIAL INSTRUMENTS (Continued)

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

#### Market risk (Continued)

##### (iv) Other price risk

The Group is exposed to equity price risk through its investments in listed equity securities. The Group's equity price risk is mainly concentrate on equity instruments issued by five entities listed in ShenZhen Stock Exchange and China Neeq Market for the year ended 31 March 2018 (2017: two entities listed in ShenZhen Stock Exchange and China Neeq Market). In addition, the Group will monitor the price risk and will consider hedging the risk exposure should the need arise.

##### (v) 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 non-derivative 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. The maturity dates for non-derivative financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows.

#### Liquidity tables

	Weighted average interest rate %	On demand or less than 1 year HK\$'000	1 - 2 years HK\$'000	2 - 5 Years HK\$'000	More than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amounts HK\$'000
<b>2018</b>							
Other payables and accrued expenses	N/A	28,168	-	-	-	28,168	28,168
Obligation under a finance lease	1.18	120	-	-	-	120	118
Amount due to an associate	N/A	3	-	-	-	3	3
Bond payables	8.98	71,591	29,564	83,255	26,942	211,352	162,309
Convertible bond	8	52,000	-	-	-	52,000	49,945
Other borrowing	10	9,416	-	-	-	9,416	8,759
		<u>161,298</u>	<u>29,564</u>	<u>83,255</u>	<u>26,942</u>	<u>301,059</u>	<u>249,302</u>
<b>2017</b>							
Other payables and accrued expenses	N/A	30,956	-	-	-	30,956	30,956
Obligation under a finance lease	1.18	179	120	-	-	299	292
Amount due to an associate	N/A	3	-	-	-	3	3
		<u>31,138</u>	<u>120</u>	<u>-</u>	<u>-</u>	<u>31,258</u>	<u>31,251</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 34. FINANCIAL INSTRUMENTS (Continued)

### c. Fair value measurements of the financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuers to perform the valuation. The Directors work closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

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

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
	31 March 2018	31 March 2017			
Listed securities classified as held for trading investments	Assets- approximately HK\$2,716,000	Assets- approximately HK\$286,000	Level 1	Quoted bid prices in an active market	N/A
Unlisted equity investments classified as AFS investments (Note 2)	N/A	Assets- approximately HK\$2,518,000	Level 2	Determined based on public information of the latest trading price	N/A
Unlisted equity investments classified as AFS investments	Assets approximately HK\$13,666,000	Assets approximately HK\$11,939,000	Level 3	Net asset value (Note 1)	N/A
Unlisted equity investments classified as AFS investments (Note 4)	Assets- approximately HK\$64,696,000	Assets- approximately HK\$72,809,000	Level 3	Market approach The price to earnings ratio of the comparable companies are considered in the valuation to reflect the condition that there may be premium or discount on its carrying value	Earnings multiple
				Discount for lack of marketability, determined by Black Scholes model with reference to the volatility of listed entities in similar industries.	Discount for lack of marketability
Contingent consideration receivable (Note 4)	Assets- approximately HK\$2,263,000	Assets- approximately HK\$3,298,000	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration, based on an appropriate discount rate.	Discount rate

Notes:

- The entity has determined that the reported net asset value represents fair value at the end of the reporting period.
- As at 31 March 2016, the fair value of the unlisted equity investment classified as AFS investments was measured using a valuation technique with significant unobservable inputs and hence was classified as Level 3 of the fair value hierarchy. As at 31 March 2017, more representative market information was available to be used. Therefore the fair value of the unlisted equity investments was determined based on public information of the latest trading price and was classified as Level 2 of the fair value hierarchy. During the year ended 31 March 2018, the unlisted equity investment had been fully disposed.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 34. FINANCIAL INSTRUMENTS (Continued)

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

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

Notes: (Continued)

3. An increase in earnings multiple used in isolation would result in an increase in fair value measurement of the unlisted equity investments classified as AFS investments, and vice versa. For the year ended 31 March 2018, a 10% (2017: 10%) increase/decrease in earnings multiple and holding all other variables constant would increase/decrease the carrying amount of the unlisted equity investments classified as AFS investments by HK\$6,526,000/HK\$6,526,000 respectively (2017: HK\$6,293,000/HK\$6,293,000 respectively).

An increase in discount of lack of marketability used in isolation would result in a decrease in fair value measurement of the unlisted equity investments classified as AFS investments, and vice versa. For the year ended 31 March 2018, a 10% (2017: 10%) increase/decrease the carrying amount of the unlisted equity investments classified as AFS investments by HK\$1,797,000/HK\$1,797,000 respectively (2017: HK\$1,779,000/HK\$1,779,000 respectively).

4. An increase in the discount rate in isolation would result in a decrease in the fair value measurement of the contingent consideration receivable and vice versa. For the year ended 31 March 2018, a 1% (2017: 1%) increase/decrease in the discount rate holding all other variables constant would decrease/increase the fair value of contingent consideration receivable by HK\$20,000/HK\$21,000 (2017: HK\$20,000/HK\$21,000 respectively).

#### Fair value hierarchy as at 31 March 2018

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>2018</b>				
<b>Financial assets</b>				
– Listed securities classified as held for trading investments	2,716	–	–	2,716
– Unlisted equity investments classified as AFS investments	–	–	78,362	78,362
– Contingent consideration receivable	–	–	2,263	2,263
	<b>2,716</b>	<b>–</b>	<b>80,625</b>	<b>83,341</b>

#### Fair value hierarchy as at 31 March 2017

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
<b>2017</b>				
<b>Financial assets</b>				
– Listed securities classified as held for trading investments	286	–	–	286
– Unlisted equity investments classified as AFS investments	–	2,518	84,748	87,266
– Contingent consideration receivable	–	–	3,298	3,298
	<b>286</b>	<b>2,518</b>	<b>88,046</b>	<b>90,850</b>

There was no transfer between Level 1, 2 and 3 during the year ended 31 March 2018.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 34. FINANCIAL INSTRUMENTS (Continued)

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

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

#### Reconciliation of Level 3 fair value measurements

	Contingent consideration receivable HK\$'000	Unlisted equity investments classified as AFS investment HK\$'000	Total HK\$'000
At 1 April 2016	–	100,702	100,702
Addition in relation to acquisition of the Beauty Sky Group	2,813	–	2,813
Transfer out of Level 3	–	(18,795)	(18,795)
Fair value change	485	7,909	8,394
Exchange adjustment	–	(5,068)	(5,068)
	<hr/>	<hr/>	<hr/>
At 31 March 2017	3,298	84,748	88,046
Fair value change			
Disposal	–	(3,119)	(3,119)
Fair value change	(1,306)	(12,665)	(13,971)
Exchange adjustment	271	9,398	9,669
	<hr/>	<hr/>	<hr/>
<b>At 31 March 2018</b>	<b>2,263</b>	<b>78,362</b>	<b>80,625</b>

Of the total gains or losses for the year included in the profit before tax, approximately HK\$1,306,000 (2017: HK\$485,000) relates to the contingent consideration receivable held at the end of the current reporting period.

Included in the other comprehensive expenses is a loss of approximately HK\$12,665,000 (2017: gain of HK\$7,909,000) relating to the unlisted equity investments classified as AFS investment held at the end of the current reporting period and is reported as change of "investment revaluation reserve".

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





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 35. BUSINESS COMBINATION

### For the year ended 31 March 2017

#### Acquisition of Beauty Sky

On 7 December 2016, Wise Astute Limited (“Wise Astute”), a wholly-owned subsidiary of the Company, and Fast Sonic Investments Limited (“Fast Sonic”), an independent third party, entered into a conditional sales and purchase agreement (the “Conditional Agreement”) in which Fast Sonic has conditionally agreed to sell the entire issued share capital of Beauty Sky to Wise Astute at a consideration of RMB70,000,000 (equivalent to approximately to HK\$87,500,000) by way of allotment and issuance of 102,941,177 new ordinary shares of the Company (the “Consideration Shares”) to Fast Sonic at the issued price of HK\$0.850 each. The acquisition was completed on 13 December 2016.

The acquisition has been accounted for using the purchase method. The Directors considered that Beauty Sky and its subsidiaries (the “Beauty Sky Group”) became the indirect wholly-owned subsidiaries of the Company and the financial performance of the Beauty Sky Group would be consolidated into the consolidated financial statements of the Group after the completion of the acquisition.

The Beauty Sky Group is engaged in the business of loan consultancy services. The Beauty Sky Group was acquired so as to enhance the Group’s competitive edge and to synergise with the development strategy of the Group.

#### Consideration transferred

	HK\$'000
Consideration Shares at fair value	108,088
Contingent consideration receivable (Note 36)	<u>(2,813)</u>
Total	<u>105,275</u>

As the consideration for the acquisition of Beauty Sky, 102,941,177 Consideration Shares with par value of HK\$0.01 each were issue. The fair value of the Consideration Shares was determined using the closing market price available at the completion date of the acquisition, amounted to HK\$108,088,000.

Acquisition-related costs amounting to approximately HK\$280,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the administrative expense line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK\$'000
Property, plant and equipment	16
Other receivables	12,171
Loan and interest receivables	23,622
Bank balances and cash	139
Other payables and accrued expenses	(418)
Tax payables	<u>(320)</u>
	<u>35,210</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 35. BUSINESS COMBINATION (Continued) For the year ended 31 March 2017 (Continued)

*Acquisition of Beauty Sky (Continued)*

### Goodwill arising on the acquisition

	HK\$'000
Consideration transferred	105,275
Less: Net assets acquired	<u>(35,210)</u>
Goodwill arising on the acquisition (Note 15)	<u>70,065</u>

Goodwill arose in the acquisition of the Beauty Sky Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of the Beauty Sky Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. The goodwill arising from this acquisition is not expected to be deductible for tax purposes.

Analysis of net cash inflow on acquisition of Beauty Sky:

	HK\$'000
Cash consideration paid	–
Add: bank balances and cash acquired	<u>139</u>
	<u>139</u>

Included in the profit for the year is approximately HK\$963,000 attributable to the additional business generated by the Beauty Sky Group. Revenue for the year includes approximately HK\$3,276,000 generated from the Beauty Sky Group.

Had the acquisition been completed on 1 April 2016, total group revenue for the year would have been approximately HK\$286,844,000, and profit for the year would have been approximately HK\$39,455,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2016, nor is it intended to be a projection of future results.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 36. CONTINGENT CONSIDERATION RECEIVABLE

Analysis of contingent consideration receivable in relation to acquisition of Beauty Sky are as follow:

	HK\$'000
<b>Profit guarantees at fair value:</b>	
At the acquisition date of 13 December 2016	2,813
Change in fair value	485
	3,298
At 31 March 2017	3,298
Change in fair value	(1,306)
Exchange adjustment	271
	2,263
<b>At 31 March 2018</b>	<b>2,263</b>
	2017 HK\$'000
Analysed as:	
Non-current portion	3,018
Current portion	280
	3,298

<b>2018</b> HK\$'000	
<b>1,272</b>	
<b>991</b>	
<b>2,263</b>	

Pursuant to the Conditional Agreement and the supplemental agreement entered by Fast Sonic and the Group on 25 May 2017, Mr. Pan Jian Ming (the “Guarantor” or “Mr. Pan”), an independent third party of the Company, irrevocably and unconditionally guarantees and undertakes to Wise Astute as set out below:

- (a) The net profit after tax of 廣東良策助房投資有限公司 and its subsidiaries (if any) (collectively referred to as “廣東良策”), an indirect wholly-owned subsidiary of the Company after the completion of the acquisition of the Beauty Sky Group, for the period from 1 October 2016 to 30 September 2017 (the “First Relevant Period”) shall be no less than RMB4,000,000 (the “2017 Target Profit”) as to be shown in the audited accounts of 廣東良策 for the First Relevant Period prepared in accordance with HKFRSs (the “2017 Accounts”);
- (b) The net profit after tax of 廣東良策 for the period from 1 October 2017 to 30 September 2018 (the “Second Relevant Period”) shall be no less than RMB7,000,000 (“2018 Target Profit”) as to be shown in the audited accounts of 廣東良策 for the Second Relevant Period prepared in accordance with HKFRSs (the “2018 Accounts”); and
- (c) The net profit after tax of 廣東良策 for the period from 1 October 2018 to 30 September 2019 (the “Third Relevant Period”) shall be no less than RMB8,000,000 (“2019 Target Profit”) as to be shown in the audited accounts of 廣東良策 for the Third Relevant Period prepared in accordance with HKFRSs (the “2019 Accounts”).

In the event that the actual audited net profit after tax of 廣東良策 for each of the First Relevant Period, Second Relevant Period and Third Relevant Period (collectively referred as the “Relevant Periods”) is less than the 2017 Target Profit, 2018 Target Profit and/or 2019 Target Profit (the “Target Sum”) respectively, the Guarantor undertakes to pay to Wise Astute an amount of the shortfall, which is calculated as each Target Sum minus the net profit of each Relevant Period (the “Shortfall Amount”), within 21 days after the delivery to Wise Astute of a copy of the respective 2017 Accounts, 2018 Accounts and 2019 Accounts.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 36. CONTINGENT CONSIDERATION RECEIVABLE (Continued)

The fair value of contingent consideration receivable, which is related to the acquisition of Beauty Sky (Note 35), at the acquisition date of 13 December 2016 and as at 31 March 2017 are based on the valuation report issued by Ample Valuation Advisory and Asset Consultancy Services Company Limited (“Ample”), an independent professional valuer, by using a discounted cash flow model.

As at 31 March 2017, the Directors expected that Beauty Sky Group would not be able to meet the Target Sum for the First Relevant Period, the Second Relevant Period and the Third Relevant Period. According to the valuation report issued by Ample, the fair value of contingent consideration receivable arising from the failure to meet the Target Sum for the Relevant Periods as at 31 March 2017 is amounting to approximately HK\$3,298,000 and change in fair value of contingent consideration of approximately HK\$485,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2017.

The fair value of contingent consideration receivable as at 31 March 2018 are based on the valuation report issued by Colliers by using a discounted cash flow model.

During the year ended 31 March 2018, the management reviewed the unaudited consolidated financial statements of 廣東良策 in respect of the First Relevant Period and were of opinion that 2017 Target Profit had been met.

As at 31 March 2018, the Directors expected that Beauty Sky Group would not be able to meet the Target Sum for the Second Relevant Period and the Third Relevant Period. According to the valuation report issued by Collier, the fair value of the contingent consideration receivable arising from the failure to meet the Target Sum for the Second Relevant Period and the Third Relevant Period as at 31 March 2018 is amounting to approximately HK\$2,263,000 and change in fair value of contingent consideration of approximately HK\$1,306,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2018.

## 37. OPERATING LEASE COMMITMENTS

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

	<b>2018</b> <b>HK\$'000</b>	2017 HK\$'000
Within one year	<b>2,278</b>	2,875
In the second to fifth years	<b>1,887</b>	2,581
	<b>4,165</b>	5,456

Operating lease payments represent rentals payable by the Group for its office premises and car parking space. Leases are negotiated for an initial period of 2 to 5 years (2017: 2 to 5 years). The above lease commitments only include commitments for basic rental and none of the lease includes any contingent rental.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flow were, or future cashflows will be classified in the Group's consolidated statement of cash flows from financing activities.

	Other borrowing HK\$'000	Obligation under finance lease HK\$'000	Bonds payable HK\$'000	Convertible bonds HK\$'000	Interest payable (included in other payables) HK\$'000	Total HK\$'000
At 1 April 2017	–	292	–	–	–	292
<i>Change from cash flows:</i>						
Proceeds from interest-bearing bonds	–	–	226,900	–	–	226,900
Transaction cost associated with issue of bonds	–	–	(17,712)	–	–	(17,712)
Interest paid on bond payables	–	–	–	–	(6,784)	(6,784)
Interest paid on convertible bond	–	–	–	(790)	–	(790)
Payment of finance lease	–	(179)	–	–	–	(179)
	<u>–</u>	<u>(179)</u>	<u>209,188</u>	<u>(790)</u>	<u>(6,784)</u>	<u>201,435</u>
<i>Non-cash changes</i>						
– Interest expenses	–	–	3,121	2,222	10,183	15,526
– Interest payable on convertible bond	–	–	–	(1,336)	1,336	–
– Finance charges on obligation under a finance leases	–	5	–	–	–	5
– Exchange of bond into convertible bond	–	–	(50,000)	49,849	–	(151)
– Transfer of other borrowing	8,759	–	–	–	–	8,759
	<u>8,759</u>	<u>118</u>	<u>162,309</u>	<u>49,945</u>	<u>4,735</u>	<u>225,866</u>
At 31 March 2018	<u>8,759</u>	<u>118</u>	<u>162,309</u>	<u>49,945</u>	<u>4,735</u>	<u>225,866</u>

## 39. RETIREMENT BENEFITS SCHEMES

The Group maintains various retirement schemes for its employees. The retirement scheme for employees of the PRC office is a mandatory central pension scheme organised by the PRC government, the assets of which are held separately from those of the Group. Contributions made are based on a percentage of the eligible employees' salaries and charged as expenses when the employees have rendered services entitling them to the contribution. The employer contributions vest fully once they are made. The Group's Hong Kong employees are covered by the Mandatory Provident Fund, which is managed by an independent trustee. The Group and its Hong Kong employees each make monthly contributions to the scheme at 5% of the employees' income with the maximum contribution by each of the Group and the employees limited to HK\$1,500.

During the year, the aggregate contributions made by the Group to the retirement schemes were approximately HK\$6,330,000 (2017: HK\$7,215,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 40. EVENT AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following event after the reporting period.

### Issuance of ordinary shares upon placing

On 4 May 2018, the Company entered into a placing agreement (the “Placing Agreement”) with China Industrial Securities International Capital Limited (the “Placing Agent”). Pursuant to the Placing Agreement, the Company appointed the Placing Agent, on a best effort basis, to procure not less than six placees who are independent third parties to subscribe for up to 80,000,000 placing shares at a price of HK\$0.41 per placing share (the “Placing”). The Placing was completed on 24 May 2018 where 80,000,000 placing shares were subscribed for in full pursuant to the terms and conditions of the Placing Agreement. The net proceeds arising from the Placing were approximately HK\$32,500,000. The purpose of use of the proceeds were mainly for general working capital and loan financing services business of the Group.

## 41. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following significant transactions and balances with related parties during the years as follows:

(a) Details of transactions with related parties are follows:-

	2018 HK\$'000	2017 HK\$'000
Loan facilitation services income received from 銀達典當 (Note (ii) and (viii))	204	1,057
Loan facilitation services income received from 良策金融服務 有限公司良策金融 (Note (iii) and (viii))	85	–
Asset management services income received from 廣東銀業發展集團 有限公司(“銀業發展”) (Note (ii) and (viii))	–	303
Asset management services income received from 廣東合銀創新投資 合夥企業(有限合夥) (“合銀創新”) (Note (v))	1,478	941
Asset management services income received from 廣東銀達融資擔保 投資集團有限公司(“銀達融資擔保”) (Note (i))	–	171
Loan financing services income received from 良策融資擔保 (Note (iv))	465	266
Loan financing services income received from 良策按揭 (Note (iii))	2,161	1,031
Credit consultancy services income received from 銀達融資擔保 (Note (i))	1,471	475
Credit consultancy services income received from 廣州銀達科技融資 擔保投資有限公司(“銀達科技”) (Note (i))	23	288
Credit consultancy services income received from 銀達典當 (Note (ii) and (viii))	45	127
Credit consultancy services income received from 中山銀達融資擔保 投資有限公司(“中山銀達”) (Note (i))	126	105
Credit consultancy services income received from 銀業發展 (Note (ii) and (viii))	20	–
	<b>6,078</b>	<b>4,764</b>
Loan financing expense paid to 良策融資擔保 (Note (iv))	817	–
Loan financing expense paid to 良策網絡技術有限公司(“良策網絡”) (Note (iv))	32	–
	<b>849</b>	<b>–</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 41. RELATED PARTY TRANSACTIONS (Continued)

- (a) Details of transactions with related parties are follows:- (Continued)

Notes:

- (i) Mr. Li father of Mr. Li Ang, resigned as the executive director of the Company on 20 April 2017 is also the common director of 銀達融資擔保, 銀達科技 and 中山銀達.
  - (ii) Mr. Li is the shareholder of 銀達典當 and 銀業發展. The amounts due are unsecured, interest-free and repayable on demand.
  - (iii) Mr. Pan is the common director of 良策按揭 and 良策金融, a wholly-owned subsidiary of the Company. The amount due is unsecured, interest-free and repayable on demand.
  - (iv) Mr. Pan is the executive director of 良策融資擔保 and 良策網絡. The amount due is unsecured, interest-free and repayable on demand.
  - (v) The legal representative of 合銀創新 is 廣東合銀投資管理諮詢有限公司 (“合銀投資”) which is a wholly owned subsidiary of the Company.
  - (vi) Mr. Chang Tin Duk Victor, the executive director of the Company, also is the shareholder of Zebra Strategic Investments Limited. The amount due is unsecured, interest-free and repayable on demand.
  - (vii) The transactions are connected transactions (as defined in GEM Listing Rules) which were exempted from reporting, announcement and independent shareholders' approval requirements under GEM Listing Rules.
  - (viii) The transactions are continuing connected transactions (as defined in GEM Listing Rules) which were exempted from reporting, announcement and independent shareholders' approval requirements under GEM Listing Rules.
- (b) Loan and interest receivables amounting to approximately HK\$Nil (2017: HK\$107,585,000) are secured by corporate guarantee provided by 銀達融資擔保 in which Mr. Li is the common director (Note 21).

Tranche A Bond and Convertible Bond with principal amounts of approximately HK\$50,000,000 and HK\$50,000,000 respectively together with the interest accrued are secured by the jointly and several guarantee produced by Mr. Li, Mr. Li Ang and Upmost Corporation Limited.

- (c) Compensation of key management personnel

The key management of the Group comprises all the Directors, details of their remuneration are disclosed in Note 10 to the consolidated financial statements. The remuneration of the Directors is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

The Directors are of the view that the terms of the above related party transactions are fair and reasonable, based on normal commercial terms where no charge over assets of the Group is created in respect of the above transactions.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

### General information of subsidiaries

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

Name of subsidiaries	Class of shares held	Place of incorporation/ operations	Paid up issued share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2018	2017	2018	2017	2018	2017	2018	2017	
Orient Apex Investments Limited	Ordinary	BVI/Hong Kong	US\$11,000	100%	100%	-	-	100%	100%	-	-	Investment holding
Wise Astute Limited	Ordinary	BVI/Hong Kong	US\$1	100%	100%	-	-	100%	100%	-	-	Investment holding
Top Ruby Limited	Ordinary	Hong Kong	HK\$1	100%	100%	-	-	100%	100%	-	-	Investment holding
Zebra Strategic Outsource Solution Limited	Ordinary	Hong Kong	HK\$100,000	-	-	100%	100%	-	-	100%	100%	Provision of staff outsourcing services, executive/staff search services and other human resources support services
Sheng Zhuo Group Limited	Ordinary	BVI/Hong Kong	US\$1	-	-	100%	100%	-	-	100%	100%	Investment holding
Win Team Holdings Limited	Ordinary	Hong Kong	HK\$1	-	-	100%	100%	-	-	100%	100%	Investment holding
廣東弘博信用管理服務有限公司	Registered	PRC	RMB10,000,000	-	-	100%	100%	-	-	100%	100%	Provision of credit consultancy services in the PRC
施博人力(上海)有限公司	Registered	PRC	-	-	-	100%	100%	-	-	100%	100%	Inactive
Radiant Expert	Ordinary	BVI	US\$1	-	-	100%	100%	-	-	100%	100%	Investment holding
Hong Kong Youhe Limited	Ordinary	Hong Kong	HK\$10,000	-	-	100%	100%	-	-	100%	100%	Investment holding
廣州大唐普惠互聯網金融資訊服務有限公司	Registered	PRC	RMB10,000,000	-	-	100%	100%	-	-	100%	100%	Provision of peer-to-peer (P2P) financial intermediary services (on the online platform) and other relevant consultation services
廣州順心貸諮詢服務有限公司	Registered	PRC	RMB2,000,000	-	-	100%	100%	-	-	100%	100%	Provision of loan facilitation services
Best Moon Holdings Limited	Ordinary	BVI	US\$100	-	-	100%	100%	-	-	100%	100%	Investment holding
Max High Enterprise Limited	Ordinary	Hong Kong	HK\$100	-	-	100%	100%	-	-	100%	100%	Investment holding
廣東合銀投資管理諮詢有限公司	Registered	PRC	RMB50,000,000	-	-	100%	100%	-	-	100%	100%	Provision of financial advisory services
廣州合銀寶凱基金管理有限公司 ("Bao Kai")	Registered	PRC	RMB10,000,000	-	-	64%	64%	-	-	64%	64%	Provision of financial advisory services





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

### General information of subsidiaries (Continued)

Details of the Group's subsidiaries at the end of the reporting period are set out below:- (Continued)

Name of subsidiaries	Class of shares held	Place of incorporation/ operations	Paid up issued share capital	Proportion of ownership interest held by the Company				Proportion of voting power held by the Company				Principal activities
				Directly		Indirectly		Directly		Indirectly		
				2018	2017	2018	2017	2018	2017	2018	2017	
西藏順心貸投資有限公司	Registered	PRC	-	-	-	100%	100%	-	-	100%	100%	Provision of consultation services
西藏弘朗諮詢服務有限公司	Registered	PRC	-	-	-	100%	100%	-	-	100%	100%	Provision of credit consultancy services in the PRC
Beauty Sky (Note i)	Ordinary	BVI	US\$1	-	-	100%	100%	-	-	100%	100%	Investment holding
Oriental Prospect Limited (Note i)	Ordinary	Hong Kong	HK\$1	-	-	100%	100%	-	-	100%	100%	Investment holding
廣東良策助房投資有限公司 (Note i)	Registered	PRC	RMB30,000,000	-	-	100%	100%	-	-	100%	100%	Provision of consultation services in the PRC
Gain Hope Holdings Limited (Note ii)	Ordinary	BVI	US\$100	-	-	100%	100%	-	-	100%	100%	Investment holding
Yee Tin Limited (Note ii)	Ordinary	Hong Kong	HK\$1	-	-	100%	100%	-	-	100%	100%	Provision of loan financing services
西藏助房投資有限公司 (note iii)	Registered	PRC	-	-	-	100%	-	-	-	100%	-	Provision of consultation services in the PRC
西藏圓山投資管理有限公司 (note iii)	Registered	PRC	-	-	-	100%	-	-	-	100%	-	Provision of financial advisory services
霍爾果斯大唐普惠信息諮詢服務有限公司 (note iii)	Registered	PRC	-	-	-	100%	-	-	-	100%	-	Provision of credit consultancy services in the PRC
廣州弘恩投資諮詢有限公司 (note iii)	Registered	PRC	-	-	-	100%	-	-	-	100%	-	Inactive
霍爾果斯弘朗信息諮詢服務有限公司 (note iii)	Registered	PRC	-	-	-	100%	-	-	-	100%	-	Provision of credit consultancy services in the PRC
霍爾果斯助房商務諮詢服務有限公司 (note iii)	Registered	PRC	-	-	-	100%	-	-	-	100%	-	Provision of consultation services in the PRC

#### Notes:

- (i) They were newly acquired during the year ended 31 March 2017. Details are disclosed in Note 35 to the consolidated financial statements.
- (ii) They were newly acquired during the year ended 31 March 2017. They were inactive at the date of acquisition and the Directors considered that the considerations paid were approximated to their fair values at the date of acquisition.
- (iii) They were newly set up during the year ended 31 March 2018.

None of the subsidiaries had issued any debt securities at the end of the year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Details of the non-wholly owned subsidiary that has material non-controlling interest

The table below shows the details of the non-wholly owned subsidiary of the Group that has material non-controlling interest:

Name of subsidiary	Place of incorporation	Proportion of ownership interests and voting rights held by non-controlling interest		Total comprehensive income (expenses) allocated to non-controlling interest		Accumulated non-controlling interest	
		31 March 2018	31 March 2017	31 March 2018 HK\$'000	31 March 2017 HK\$'000	31 March 2018	31 March 2017
Bao Kai	PRC	<u>36%</u>	<u>36%</u>	<u>138</u>	<u>(212)</u>	<u>4,652</u>	<u>4,514</u>

Summarised financial information in respect of Bao Kai that has material non-controlling interest is set out below. The summarised financial information below represents amounts before intra-group eliminations.

	2018 HK\$'000	2017 HK\$'000
Current assets	<u>1,442</u>	<u>669</u>
Non-current assets	<u>12,512</u>	<u>11,883</u>
Current liabilities	<u>(1,029)</u>	<u>(13)</u>
Equity attributable to owners of the Company	<u>8,273</u>	<u>8,025</u>
Non-controlling interest	<u>4,652</u>	<u>4,514</u>
Total revenue	<u>2,088</u>	<u>2,045</u>
Total expenses	<u>(2,386)</u>	<u>(2,568)</u>
Loss for the year	<u>(298)</u>	<u>(523)</u>
Other comprehensive income (expense) for the year	<u>684</u>	<u>(67)</u>
Total comprehensive income (expense) for the year	<u>386</u>	<u>(590)</u>
Net cash inflow (outflow) from in operating activities	<u>70</u>	<u>(4,645)</u>
Net cash inflow from investing activities	<u>–</u>	<u>–</u>
Net cash inflow from financing activities	<u>–</u>	<u>–</u>
Net cash inflow (outflow)	<u>70</u>	<u>(4,645)</u>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018

## 43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 HK\$'000	2017 HK\$'000
<b>Non-current asset</b>		
Investments in subsidiaries	15,241	15,241
<b>Current assets</b>		
Amounts due from subsidiaries	1,286,527	1,068,486
Bank balances and cash	2,887	25,062
	<b>1,289,414</b>	<b>1,093,548</b>
<b>Current liabilities</b>		
Accrued expenses	895	420
Amount due to a subsidiary	759	603
Interest payable	3,897	–
Bond payables – current portion	58,057	–
Convertible bonds	49,945	–
	<b>113,553</b>	<b>(1,023)</b>
<b>Net current assets</b>	<b>1,175,861</b>	<b>1,092,525</b>
<b>Total assets less current liabilities</b>	<b>1,191,102</b>	<b>1,107,766</b>
<b>Non-current liabilities</b>		
Bonds payable – non-current portion	104,250	–
<b>Net assets</b>	<b>1,086,850</b>	<b>1,107,766</b>
Capital and reserves		
Share capital	14,635	14,616
Reserves	1,072,215	1,093,150
<b>Total equity</b>	<b>1,086,850</b>	<b>1,107,766</b>

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 26 June 2018 and are signed on its behalf by:

**Lam Tsz Chung**  
Director

**Chang, Tin Duk Victor**  
Director

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2018



## 43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued) Movements in the Company's reserves

The Company	Share premium HK\$'000	Convertible preference shares HK\$'000	Convertible bond reserve (Note 27) HK\$'000	Contribution surplus (Note) HK\$'000	Accumulated losses HK\$'000	Total reserves HK\$'000
At 1 April 2016	718,316	100,575	–	14,928	(7,649)	826,170
Loss and total comprehensive expense for the year	–	–	–	–	(11,208)	(11,208)
Issue of ordinary shares upon placing	173,409	–	–	–	–	173,409
Transaction costs attributable to issue of ordinary shares upon placing	(2,270)	–	–	–	–	(2,270)
Issue of ordinary shares upon acquisition of subsidiaries	107,059	–	–	–	–	107,059
Issue of ordinary shares upon conversion of convertible preference shares	1,480	(1,490)	–	–	–	(10)
At 31 March 2017	997,994	99,085	–	14,928	(18,857)	1,093,150
Loss and total comprehensive expense for the year	–	–	–	–	(21,067)	(21,067)
Issue of ordinary shares upon conversion of convertible preference shares	2,832	(2,851)	–	–	–	(19)
Exchange of bond into convertible bond	–	–	151	–	–	151
<b>At 31 March 2018</b>	<b>1,000,826</b>	<b>96,234</b>	<b>151</b>	<b>14,928</b>	<b>(39,924)</b>	<b>1,072,215</b>

Note:

Contribution surplus of the Company represents the difference between the costs of investment in subsidiaries acquired pursuant to the reorganisation effected on 19 March 2013, as set out in the prospectus of the Company dated 28 March 2013, over the nominal value of the share capital of the Company in exchange therefor.



## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years, is set out below:

### RESULTS

	<b>2018</b> <b>HK\$'000</b>	<b>For the year ended 31 March</b>			
		2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Turnover	<b>278,484</b>	281,206	261,329	214,553	194,660
Profit (loss) before tax	<b>73,426</b>	44,949	40,754	(620)	471
Income tax expense	<b>(8,116)</b>	(8,132)	(7,576)	(910)	(196)
Profit (loss) for the year	<b>65,310</b>	36,817	33,178	(1,530)	275
Profit (loss) attributable to owners of the Company	<b>65,418</b>	37,005	33,176	(1,530)	275

### ASSETS AND LIABILITIES

	<b>2018</b> <b>HK\$'000</b>	<b>As at 31 March</b>			
		2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Total assets	<b>1,553,017</b>	1,228,032	928,363	140,894	62,450
Total liabilities	<b>255,094</b>	37,125	49,853	26,540	20,867
Total equity	<b>1,297,923</b>	1,190,907	878,510	114,354	41,583