

WEALTH GLORY HOLDINGS LIMITED
富 譽 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8269

Annual Report
2018

The background of the page features a series of overlapping, wavy, translucent lines in various shades of green and yellow. These lines flow from the bottom left towards the top right, creating a sense of movement and depth. The overall aesthetic is clean and modern, with a focus on organic, flowing shapes.

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This report, for which the directors (the “Directors”) of Wealth Glory Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and (2) there are no other matters the omission of which would make any statement herein or this report misleading.

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Tse Sing Yu
Ms. Lin Su

Non-executive Director

Mr. Law Chung Lam, Nelson

Independent Non-executive Directors

Mr. Liu Yongsheng
Mr. Tam Chak Chi
Mr. Chan Ka Hung

AUTHORISED REPRESENTATIVES

Mr. Yung Kai Wing
Mr. Tse Sing Yu

COMPLIANCE OFFICER

Mr. Tse Sing Yu

COMPANY SECRETARY

Mr. Yung Kai Wing

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

17/F., No. 8 Wyndham Street,
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
33/F, Two Chinachem Exchange Square,
338 King's Road, North Point, Hong Kong

LEGAL ADVISERS

Michael Li & Co
19/F, Prosperity Tower
39 Queen's Road Central
Central, Hong Kong

AUDITOR

Elite Partners CPA Limited
10/F., 8 Observatory Road
Tsim Sha Tsui
Kowloon, Hong Kong

PRINCIPAL BANKERS

Industrial and Commercial Bank of China (Asia) Limited
DBS Bank (Hong Kong) Ltd.
Bank of Communications Co., Ltd., Hong Kong Branch
Fubon Bank (Hong Kong) Limited
Nanyang Commercial Bank Limited
Bank of China (Hong Kong) Limited
China Construction Bank (Asia) Corporation Limited

LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Ordinary shares (Stock Code: 8269)

COMPANY WEBSITE

www.wealthglory.com

Director's Statement

Dear Shareholders,

On behalf of the board of directors (the "Board") of Wealth Glory Holdings Limited, I am pleased to present to you the annual results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2018 (the "Current Financial Year").

In previous years, the Group's business was mainly focused on the trading of natural resources and commodities; sale of trendy products and money lending business. We also utilized its short term idle funds on investing in listed securities. We strived to seek for other suitable investment opportunities to diversify our business into different spectrums.

The Group focused on MD Inc. Limited ("MD") which is engaged in design, manufacture, produce, market, sales and distribution of bags, storage cases for electronic accessories and components, trendy fashion apparels and accessories in Hong Kong and Asia markets. Given that MD's products are those trendy products with their end-users/customers being young generations and MD Group is actively participated in different marketing activities in order to strengthen the market appearance, and we believed that the sales and distribution of trendy products have a high potential in the Asia region especially Greater China.

Looking forward, the Group's business environment is expected to be remained challenging. In any event, we will continue to capitalize on our strong business connections to develop our existing businesses whilst capture any arising opportunities to diversify the Group's business. Lastly, I would like to represent the Board to take this opportunity to thank the management and all of our colleagues for their dedication and support to the Group in such challenging year. I would also like to express our sincere gratitude to our customers, suppliers and business partners for their continued support.

Tse Sing Yu

Executive Director

Hong Kong, 28 June 2018

Management Discussion and Analysis

FINANCIAL REVIEW

In 2016, the Group disposed the Paraburdoo Group which was one of the Group's operating segments in the past that engaged in the manufacture and sale of packaged food. The disposal constitutes a discontinued operation and thus certain comparative figures of the Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the corresponding periods in 2016 were restated in order to reflect the results of the continuing operations. The management discussion and analysis will be based on the restated figures where appropriate.

For the year ended 31 March 2018, the Group's continuing operations recorded a revenue of HK\$86.5 million as compared to HK\$63.3 million in the previous year, representing an increase of 36.7%. The increase was mainly attributable to the increase in the trading of consumer products. The money lending business also contributed HK\$6.1 million (2017: HK\$5.6 million) to the Group's revenue during the year. The Group's gross profit in relation to its continuing operations increased from HK\$4.9 million in last year to HK\$7.7 million in the current year under review.

The Group recorded other income of HK\$3.5 million (2017: HK\$3.5 million). It was mainly attributable to the imputed interest of HK\$1.7 million arising from loans to investee.

Other gains and losses recorded during the year was a net loss of HK\$48.4 million (2017: net loss of HK\$35.7 million). The decrease was mainly attributable to a loss of HK\$12 million from held-for-trading investments incurred during the year as compared to a loss of HK\$27.6 million in previous year due to the relatively weak market condition as compared to last year and an impairment loss of HK\$6.7 million, HK\$0.9 million and HK\$2.6 million recognised in respect of loan receivables, loan to an investee and deposits respectively. The increase in loss was mainly attributable to the loss on deemed disposal of the investment in associate of approximately HK\$27.1 million. The loss was partially offset by a reversal of impairment of HK\$0.8 million in relation to deposit paid by the Group for the proposed acquisition of Southernpec Singapore Storage and Logistics Limited to the extent payments were received.

On 30 January 2018, the Group's equity interest in Goldenbese was diluted from 33.3% to 0.7% as a result of capital injunction by other shareholders to Goldenbese. During the year, It recorded a share of profit of associates amounted to HK\$2.1 million (2017: HK\$3.3 million).

Administrative expenses and other expenses (the "Operating Expenses") incurred for the year ended 31 March 2018 amounted to HK\$17.6 million (2017: HK\$44.5 million). After excluding the major non-cash items in relation to amortization of intangible assets, depreciation charges and the share-based payments, operating Expenses for this year would have amounted to HK\$15.2 million as compared to HK\$36.7 million in the previous year on the same basis, representing a decrease of 58.6% which was mainly due to the decrease in the director emoluments and the share-based payments undertaken.

The Group incurred finance costs for the year ended 31 March 2018 amounted to HK\$4.1 million (2017: HK\$5.2 million) which was mainly composed of interest payable on borrowings granted by the non-controlling shareholders of a subsidiary and the imputed interest on bonds issued by the Group.

Management Discussion and Analysis

The Group recorded a loss attributable to owners of the Company of approximately HK\$57.1 million for the year as compared the amount in 2017 of approximately HK\$81.6 million, representing a reduction of HK\$24.5 million. Such reduction was mainly due to the decrease in the director emoluments and the share-based payments undertaken and the good performance on the trading of consumer products and trendy fashion merchandises.

BUSINESS REVIEW

During the year ended 31 March 2018, the Group's business was organized in five segments namely (i) Natural Resources and Commodities; (ii) Branding, Trendy Fashion Merchandise and Other Consumers Products; (iii) Packaged Food; (iv) Money Lending; and (v) Securities Investment.

Natural Resources and Commodities

(a) Coal Trading Business

The Group's coal trading business was operated by an associate, Goldenbase Limited (together with its subsidiaries, the "Goldenbase Group"). The Goldenbase Group has set up a new wholly-foreign owned enterprise (the "WFOE") in Qinghai Province, the PRC in carrying out coal trading business in the PRC since August 2014. On 30 January 2018, the Group's equity interest in Goldenbase was confirmed to dilute from 33.3% to 0.7% as a result of capital injection by other shareholders to Goldenbase. The revenue generated from trading of coal products carried out by the WFOE during the year amounted to approximately HK\$259.1 million as compared to HK\$246.2 million for the year ended 31 March 2017.

The Goldenbase Group recorded a net profit of HK\$6.3 million during the year as compared to a net profit of HK\$9.9 million for the year ended 31 March 2017.

(b) Other Natural Resources and Commodities Trading Business

During the year ended 31 March 2018, the Group continued engaging in the trading of crude palm oil via its wholly-owned subsidiary, Grand Charm Commodities Limited ("Grand Charm") and recorded a turnover of HK\$36.1 million (2017: HK\$49.3 million). The Group will continue monitoring the business environment and conditions in carrying out the related trades. The decrease in trading volume mainly due to the plan of switching the resources to others profitable segment.

Management Discussion and Analysis

Branding, Trendy Fashion Merchandise and Others Consumer Products

The Group's sale of consumer products and trendy fashion merchandises was carried out by its wholly-owned subsidiary, MD Inc. Limited ("MD" together with its subsidiaries, the "MD Group"). The MD Group has been actively participated in different marketing activities such as trade fairs and exhibitions in particular those organized in the major cities of the People's Republic of China (the "PRC") such as the 17th Shanghai International Children Baby Maternity Industry Expo held in July 2017 in Shanghai, the PRC. At the Expo, MD displayed a variety of merchandises which were designed and produced by MD. The merchandises also made use the application of the hot technology, augmented reality ("AR") by linking up these merchandises ("AR Merchandises") to the AR apps. The AR apps utilized the patented cartoon characters of "Happiplayground" adhered to/printed on the AR Merchandises triggering the display of the corresponding characters image in the apps for creative photo shootings. Other mini-games/applications relating to such characters will also be developed and linked up with other merchandises to be produced by MD. The AR Merchandises are the first series making use of the AR technology on the products developed by MD and the response from potential buyers at the Shanghai trade fair was encouraging particularly on the application of AR apps. The Group believed that the use of augmented reality apps would add value to its merchandises and would facilitate the growth of MD's business. The MD Group recorded a turnover of HK\$44.4 million (2017: HK\$8.4 million) for the year ended 31 March 2018.

Packaged Food

On 24 March 2016, the Group entered into a conditional sale and purchase agreement with an independent third party for the disposal of the packaged food business (the "Packaged Food Disposal") at a consideration of HK\$2 million. The Directors consider the Packaged Food Disposal allows the Group to exit from subsidizing the non-performing business and create a good opportunity for the Group to restructure its strategic business position and focus its resources in pursuing development opportunities of other existing businesses of the Group. The Packaged Food Disposal was completed on 25 July 2016. The Group recorded a gain on disposal of HK\$0.5 million for this business segment for the year ended 31 March 2017.

Money Lending

The Group's money lending business has been growing steadily during the year ended 31 March 2018. It recorded a revenue of HK\$6.1 million (2017: HK\$5.6 million), which comprised interest income generated. It recorded a net loss of HK\$6.2 million during the year ended 31 March 2018 as compared to a net profit of HK\$1.1 million for the year ended 31 March 2017. The decrease was mainly due to the impairment of loan receivables of approximately HK\$6.7 million. According to the management's observation and taking into account the positive results of the money lending business, the Group believes that there is a constant demand in the market allowing a further growth of this business segment and is confident that it will continue to contribute positively to the Group's overall results. Nonetheless, as the business is capital-driven in nature, the Group will constantly assess the level of resources to be allocated to this business segment with reference to the availability of capital. In the meantime, it will closely monitor the market conditions and operating environment in order to strike a balance between the returns and the associated business risks.

Management Discussion and Analysis

Securities Investment

During the year, the Group's securities investment segment continued to focus on listed securities in Hong Kong. It recorded a net loss in securities investments of HK\$12 million for the year ended 31 March 2018 (2017: net loss of HK\$27.6 million) which was composed of a realised loss of HK\$5.2 million (2017: loss of HK\$11.0 million) and a unrealised loss of HK\$6.8 million (2017: loss of HK\$16.6 million). As at 31 March 2018, the Group held an investment portfolio with fair value of HK\$8.5 million (31 March 2017: HK\$45.6 million). No dividend income generated for the year ended 31 March 2018 (2017: HK\$1.4 million).

The local securities market remained volatile during the year. In view of this, the Group will hold a diversified portfolio across different segment of the market with an effort to minimize the associated risk.

Financial Position

Net assets value of the Group as at 31 March 2018 amounted to HK\$127.6 million compared to HK\$145.7 million as at 31 March 2017. The decrease was mainly due to the decrease in held for trading investment.

The total non-current assets of the Group decreased from HK\$97.8 million as at 31 March 2017 to HK\$70.3 million as at 31 March 2018. The decrease was mainly due to the deemed disposal of investment in associate.

Net current assets as at 31 March 2018 amounted to HK\$65.7 million as compared to HK\$55.8 million in the previous year. The decrease was mainly attributable to the held-for-trading investments of HK\$8.5 million (2017: HK\$45.6 million) which was stated at market value at the year-end date. Though total deposits and other receivables dropped by HK\$2.8 million, total loan receivables increased by HK\$17.7 million as a result of the steady growth of the money lending business.

Liquidity and Financial Resources

The Group recorded a net cash outflow in operating activities for the year ended 31 March 2018 of HK\$2.1 million, representing a decrease of HK\$17.2 million as compared to last year of HK\$19.3 million. Decrease in operating cash outflow was mainly due to the decreased in held-for-trading investments and increased in loan receivables. Investing activities used up an aggregate of HK\$3.8 million (2017: HK\$4.6 million) mainly as purchase of property, plant and equipment. Cash from financing activities amounted to HK\$15.5 million which mainly comprised of the repayment of bonds and other borrowings and the proceeds from placing.

Management Discussion and Analysis

The Group's gearing ratio as at 31 March 2018 was approximately 9.9% (2017: 23.8%). The Group defines gearing ratio as ratio of net debt over equity plus net debt in which net debt represents total of promissory note, bonds, bank overdraft and bank and other borrowings less cash and cash equivalents. The current ratio (ratio of current assets to current liabilities) of the Group as at 31 March 2018 was approximately 2.9 (2017: 2.0) which remained steady as compared to the previous year.

As at 31 March 2018, No banking facilities available to the Group (2017: Nil).

Update on Refund of Deposit

On 1 August 2014, the Company, as purchaser, entered into a memorandum of understanding ("MOU") with Southernpec Storage and Logistics Holding Limited (the "Vendor"), as vendor, for the proposed acquisition of Southernpec Singapore Storage and Logistics Limited. Pursuant to a supplemental memorandum of understanding, the Company paid a refundable deposit of HK\$10 million (the "Deposit"). The MOU lapsed on 31 July 2015 and the Deposit shall be returned by the Vendor to the Company in full within three business days. However, the Vendor was failed to return the Deposit within the said period and the parties were unable to reach a consensus on the repayment schedule. Following a series of negotiations and actions (including legal proceedings against the Vendor for the recovery of the Deposit) taken against the Vendor on the delay in repayment of the Deposit, the Company has reached a settlement agreement (the "Settlement Agreement") with the Vendor. Pursuant to the Settlement Agreement, in consideration of the Company's forbearance to sue and to proceed with the legal proceedings and to withdraw/discontinue such legal proceedings against the Vendor, the Vendor irrevocably covenants with the Company that the Vendor shall pay to the Company a sum of HK\$5,000,000 (the "Settlement Sum") by instalments over a period of 18 months from the date of the Settlement Agreement as the full and final settlement of the Deposit (the "Settlement"). In view of the failure of receiving the Settlement Sum in accordance to the payment schedule, an amount of HK\$9.5 million (being the difference of the Deposit and the amount paid by the Vendor to the Company up to the date of this report) was impaired and charged to the profit and loss for the year ended 31 March 2016. During the year, HK\$780,000 was received and hence an equivalent amount was reversed from the impaired amount and credited as other income. At the date of this report, the Settlement Sum for payment was in line with the payment schedule stipulated in the Settlement Agreement. The Company will continue to monitor the payments from the Vendor and update its shareholders where appropriate.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

Save as disclosed in the notes 16, 22, 34 and 35 to the consolidated financial statements, the Group did not have other material acquisitions and disposals of subsidiaries and affiliated companies.

Management Discussion and Analysis

Significant Investments

As at 31 March 2018, the Group's held-for-trading investments amounted to HK\$8.5 million represented were equity investments listed in Hong Kong. Details of the significant investments are as follows:

Company Name	Fair value change HK\$'000	Fair value at 31 March 2018 HK\$'000	Approximate percentage of held-for-trading investment	Approximate percentage to the Group's total asset as at 31 March 2018
Hong Wei (Asia) Holdings Group Limited	(111)	1,546	18.2	0.9
Echo International Holdings Group Limited	(1,587)	1,312	15.5	0.8
Larry Jewelry International Co. Limited	(1,706)	3,164	37.3	1.8
Other securities with individual fair value less than 5% of the aggregate held-for-trading investment as at 31 March 2018	(3,365)	2,467	29.0	1.4
	<u>(6,769)</u>	<u>8,489</u>	<u>100.0</u>	<u>4.9</u>

Financial Management and Policy and Foreign Currency Risk

The Group's finance division manages the financial risks of the Group. One of the key objectives of the Group's treasury policy is to manage its exposure to fluctuations in foreign currency exchange rates. The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the respective Group entities. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group has assessed its foreign exchange rate risk exposure and has not entered into any foreign exchange hedging arrangement during the year and as at year end date. In any event, the Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Management Discussion and Analysis

Treasury Policies and Credit Risk Management

The Group adopts a conservative approach towards its treasury policies. The Group strives to reduce exposure to credit risk by performing ongoing credit evaluations of the financial conditions of its customers. For those loans secured by properties and other collaterals, the Group has procedures for the identification and evaluation of the legal ownership and accurate valuation of properties or other collaterals. The loan amount to be granted to a particular client is subject to judgement made by the top management of the Group's money lending business after taking into consideration of different factors including market conditions, type of property and financial background of borrowers etc. For the valuation of the properties, the Group will make reference to either a third party valuer or the internet valuation services provided by banks in Hong Kong. The Group holds collateral against certain loan receivables in the form of mortgages over property or other assets.

The Group considers that the credit risk arising from the loan receivables is significantly mitigated by the properties and other assets held as collateral with reference to the estimated market value of the property or the relevant assets at the grant date and the on-going evaluation of the financial condition of the borrowers where appropriate. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements.

Contingent Liabilities and Pledge of Assets

Save as disclosed in note 30 to the consolidated financial statements, the Group had neither significant charges on its assets nor any significant contingent liabilities at 31 March 2018 (2017: Nil).

Commitments

As at 31 March 2018, the Group had no significant capital commitments. The operating lease commitments in respect of office premises and factory of the Group amounted to HK\$2.3 million (2017: HK\$4.4 million).

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2018, the Group had 57 (2017: 60) employees, including the Directors. Total staff cost for the year ended 31 March 2018 amounted to approximately HK\$3.6 million (2017: HK\$9.4 million). Staff remuneration is determined with reference to market terms and the performance, qualification and experience of individual employee. It comprised of monthly salaries, provident fund contributions, other allowances and discretionary share options issued based on their contribution to the Group. The Group also participates in a retirement benefit scheme for its staff in the PRC and a defined statutory mandatory provident fund scheme to its employees in Hong Kong. The Group has adopted a share option scheme of which the Board may, at its discretion, grant options to eligible participants of the share option scheme. As at the date of this report, a total of 50,148,667 share options remain unexercised.

OUTLOOK

With the completion of the disposal of the Paraburdoo Group, it constituted a discontinued operation in the manufacture and sale of packaged food. The Group believes that it will be a good opportunity for the Group to restructure its strategic business position and focus its resources in pursuing development opportunities of other existing businesses of the Group. On the other hand, the completion of the MD acquisition will continue to have positive impact to the group. Looking ahead, the Group will continue to develop its existing business either via organic growth or by acquisition of related businesses if appropriate. The Board will also utilize its business connections to identify other investment opportunities in order to diversify its existing business for enhancing its shareholder's return. Meanwhile, the Group will continue its existing businesses with on-going monitoring on their performances so that resources can be allocated to appropriate business segments with the view to maximize the returns to its shareholders.

Directors and Senior Management Biographies

DIRECTORS

MR. TSE SING YU, Executive Director

Mr. Tse Sing Yu (“Mr. Tse”), aged 37, was appointed as an executive director in September 2016. Mr. Tse is currently the chief operating officer (the “COO”) of the Company. He is specialized in strategic planning with extensive experience in corporate management and business promotion particularly in the catering and retail industries.

MS. LIN SU, Executive Director

Ms. Lin Su (“Ms. Lin”), aged 34, was appointed as an executive director in September 2016. Ms. Lin graduated from 陝西國際商貿學院 (Shanxi Institute of International Trade & Commerce*) in the People’s Republic of China (the “PRC”) specialized in computer information management. Ms. Lin has over ten years of experience in the finance industry. Prior to joining the Company, she held senior position in a sizeable financial institution in the PRC.

MR. LAW CHUNG LAM, NELSON, Non-executive Director

Mr. Law Chung Lam, Nelson (“Mr. Law”), aged 55, was appointed as a non-executive Director in September 2013. He has over 10 years extensive experience in corporate banking sector. Mr. Law has served a senior management position in Chemical Bank (now Chase Morgan) during the 1980s. He was also working for by a subsidiary of the China State Construction Engineering Corp for 5 years at Philippines on project finance. Specialized in organization and method, he has devoted in corporate re-structuring for several industries and that included garment production, IT, construction, agricultural and minerals trading. Mr. Law is currently a director, chairman and chief financial officer of Sealand Capital Galaxy Limited (TIDM Code: SCGL), a company listed on London Stock Exchange. Mr. Law holds several directorships in certain subsidiaries of the Company.

MR. TAM CHAK CHI, Independent Non-executive Director

Mr. Tam Chak Chi (“Mr. Tam”), aged 41, was appointed as an independent non-executive Director and a member of the Audit Committee, the Nomination Committee and the Remuneration Committee in September 2013. He holds a bachelor’s degree of commerce from the University of Toronto. He has more than 13 years of experience in providing accounting, auditing and financial services and has served various senior positions at various private and listed companies (the shares of which have been listed on the Main Board and the GEM of the Stock Exchange as well as NASDAQ). He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants. He was previously an independent non-executive director of Newtree Group Holdings Limited (stock code: 1323), the shares of which are listed on the Main Board of the Stock Exchange and an executive director of Seamless Green China (Holdings) Limited (stock code: 8150) and an independent non-executive director of Sky Forever Supply Chain Management Group Limited (formerly known as Rising Power Group Holdings Limited and China Neng Xiao Technology (Group) Limited) (stock code: 8047), both companies’ share are listed on the GEM of the Stock Exchange. Further, he is currently the chief financial officer and company secretary of a company listed on GEM of the Stock Exchange.

Directors and Senior Management Biographies

MR. CHAN KA HUNG, Independent Non-executive Director

Mr. Chan Ka Hung (“Mr. Chan”), aged 36, was appointed as an independent non-executive director in October 2016. Mr. Chan holds a bachelor’s degree of Applied Physics from the City University of Hong Kong. He has over 10 years of experience in project management and business development in the industrial and manufacturing field particularly in the semiconductor industry.

MR. LIU YONGSHENG, Independent Non-executive Director

Mr. Liu Yongsheng (“Mr. Liu”), aged 63, was appointed as an independent non-executive director in October 2016. Mr. Liu has extensive experience in the real estate industry and the jewelry industry in The People’s Republic of China. He has over 30 years of marketing management experience in the said industries.

Directors' Report

The Directors present their report and the audited financial statements of the Group for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the investment in coal trading business; trading of natural resources and commodities; development and promotion of brands, design, manufacture and sale of trendy fashion merchandises and other consumer products; investment in securities; and money lending business.

The principal activities and other particulars of the principal subsidiaries of the Company as at 31 March 2018 are set out in note 42 to the financial statements.

SEGMENT INFORMATION

An analysis of the Group's performance for the year by operating segments is set out in note 6 to the financial statements.

RESULTS AND FINANCIAL POSITION

The Group's results for the year ended 31 March 2018 and the state of affairs of the Group are set out in the financial statements on pages 45 to 130. The state of affairs of the Company as at 31 March 2018 are set out in note 43 to the financial statements.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2018 is set out in "Director's Statement" and "Management Discussion and Analysis" on page 4 and pages 5 to 12 respectively of this annual report.

Directors' Report

KEY RISKS AND UNCERTAINTIES

The Group's financial position, operations, business and prospects may be affected by the following identified risks and uncertainties.

Business risks

The Group's money lending business is subject to risks that a customer or counterparty may fail to perform its contractual obligations on payment of interest as the principal or that the value of collateral held to secure the obligations might be inadequate. While the Group has internal policies and procedures designed to manage such risks, these policies and procedures may not be fully effective. Any material customers delay or default on their payments could adversely affect the Group's financial position and profitability. Although the Group has adopted the money lending policy and money lending procedure manual which provide guidelines on the handling and/or monitoring of the money lending procedures according to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), the Group may face the risk of breaching the relevant rules and regulations from time to time, which may result in penalty or other potential liabilities to the Group.

In addition, unfavourable movement on crude oil price will reduce the profitability of the operation.

The Group will update and monitor the risks exposures to the Group's businesses to ensure appropriate measures are implemented on a timely manner.

Strategic risks

The Directors maintain a strategic plan based on the knowledge to the external environments. The Group will invest in projects and investments based on the strategic plan in order to cope with the market demand and expectation. Given the rapid change of unforeseeable external environments in the financial and equity markets, the Group is facing significant strategic risks on its investments when changing the strategic plans to adopt the unexpected changes of external environments.

Foreign exchange rates risks

The Group has asset and liabilities denominated in currencies other than its functional currency and that are subject to fluctuation in foreign exchange rate. The Group monitors the foreign exchange exposure and will consider to hedge significant foreign currency exposure should the need arise.

Directors' Report

Operational risks

Operational risk is the risk of loss resulting from inadequate or fail internal processes, people and system, or from external events. In order to manage these risks, the Group had set a standard operational procedures, limits of authority and reporting framework and invests in human resources and equipments to manage and reduce the operational risks exposure.

Liquidity risks

Liquidity risk is the potential that our Group will not be able to meet its obligations when fall due. In order to manage the liquidity risk, the Group will continually monitors cash flows and maintains an adequate level of cash and credit facilities to ensure the Group to meet its finance needs.

COMPLIANCE WITH RELEVANT LAWS AND REGULATION

During the year ended 31 March 2018, the Company was not aware of any material non-compliance with any relevant laws and regulations that have a significant impact to the Group.

RELATIONSHIPS WITH STAKEHOLDERS

Employees are the assets of the Group. The Group provides competitive remuneration package and a pleasant workplace environment to attract and motivate the employees. An annual performance evaluation will be conducted annually based on individual's contributions and achievements throughout the year and the Group will make necessary adjustments based on the result of the performance evaluation.

In addition to the salaries, the Group had set up a mandatory provident fund scheme ("MPF Scheme") in accordance with the Hong Kong Employment Ordinance and medical insurance plan for our staffs in Hong Kong. The MPF Scheme is subject to regulations under the Mandatory Provident Fund Scheme Ordinance and is a defined contribution retirement plan administrated by independent trustees. The Group's staffs in the PRC are entitled to national statutory social insurance under the statutory Employment Ordinance of the PRC.

The Group understands the importance of maintaining a good relationship with our business partners, which including the Group's customers and suppliers. The Group believes that a healthy relationship can be build up by providing better products and enhanced services to the customers, maintaining an effective communication channel to the employees and collaborating with key suppliers.

ENVIRONMENTAL POLICIES

The Group is committed to reducing its carbon footprint and consumption of natural resources in all possible aspects of business operations. Our environmental strategy is to achieve a balance between the quality and efficiency of our services and the minimization of greenhouse gas emissions and environmental degradation. Accordingly, the Group has taken a proactive approach to effect internal and external communications by means of telephone, emails and conferences or such other communication means which are efficient yet environmentally friendly. Also, we are able to minimize physical travelling and printing.

In accordance with Rule 17.103 of the GEM Listing Rules, the company will publish an Environmental, Social and Governance Report within three months after the publication of this annual report in compliance with the provisions set out in Appendix 20 to the GEM Listing Rules.

Directors' Report

SHARE CAPITAL

Details of the movements in share capital of the Company are set out in note 32 to the financial statements.

RESERVES

The movements in the reserves of the Company and the Group during the year are set out in note 43 to the financial statements and in the consolidated statement of changes in equity on page 49 respectively.

DIVIDENDS

The Board did not declare an interim dividend and did not recommend the payment of the final dividend in respect of the year ended 31 March 2018 (2017: Nil).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group are set out in note 15 to the financial statements.

DISTRIBUTABLE RESERVES

Under the Companies Law (Revised) of the Cayman Islands, the share premium account of the Company is available for distributions or payment of dividends to shareholders of the Company subject to the provisions of the articles of association (the "Articles of Association") of the Company, provided that immediately following the distribution of dividends, the Company is able to pay off its debts as and when they fall due in the ordinary course of business.

DIRECTORS

The Directors of the Company who held office during the year and up to the date of this report were:

Executive Directors

Mr. Tse Sing Yu
Ms. Lin Su

Non-executive Directors

Mr. Law Chung Lam, Nelson

Independent Non-executive Directors

Mr. Tam Chak Chi
Mr. Liu Yongsheng
Mr. Chan Ka Hung

In accordance with Articles 84(1) and 84(2) of the Company's Articles of Association, Mr. Tse Sing Yu and Liu Yongsheng shall retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

All other existing Directors shall continue in office.

Directors' Report

Biographical details of all the Directors are set out on pages 13 to 14 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the Executive Directors has entered into a service contract with the Company for a term of three years, which may be terminated by not less than three months' prior notice in writing served by either party on the other.

The Non-executive Directors and the Independent Non-executive Directors have been appointed for a term of three years in accordance with their respective appointment letters, which may be terminated by not less than two months' prior notice in writing served by either party on the other.

Save as disclosed above, 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 within one year without payment of compensation, other than statutory compensation.

Particulars of the emoluments of the Directors on a named basis for the year are set out in note 10 to the financial statements.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Articles of Association, every Director shall be entitled to be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expense which they or any of them may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group throughout the year.

Directors' Report

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND SHARE OPTIONS

As at 31 March 2018, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executive of the Company were deemed or taken to have under such provisions of the SFO), or which were required to be kept by the Company under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by Directors as referred to in Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Aggregate long positions in shares or underlying shares

Name of Directors	Capacity of interests	Number of shares held	Approximate percentage of total issued shares
Mr. Tse Sing Yu	Beneficial owner	6,500,000	0.79%
Ms. Lin Su	Beneficial owner	6,500,000	0.79%
Mr. Law Chung Lam, Nelson	Beneficial owner	342,333	0.04%

Save as disclosed above, as at 31 March 2018, none of the Directors and chief executive of the Company had any other interests or short positions in any shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were deemed or taken to have under such provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company under Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosures on the share options granted to the Directors in the section headed "Directors' and Chief Executive's Interests in Shares and Share Options" above, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective associates, or were any such rights exercised by them; or was the Company or any of its subsidiaries, or its holding company, or any of its fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

At no time during the year ended 31 March 2018 had the Company or any of its subsidiaries, and the controlling shareholders or any of its subsidiaries entered into any contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder or any of its subsidiaries.

Directors' Report

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 31 March 2018, shareholders of the Company (not being Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or otherwise notified to the Company are set out below:

	Capacity	Number of ordinary shares held	Approximate percentage of issued share capital
Shan Zumao	Beneficial owner	41,120,000	5.00%

Save as disclosed above, as 31 March 2018, no other persons had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or otherwise notified to the Company.

USE OF NET PROCEEDS

The Company completed a placing on 3 August 2017, pursuant to which the Company has allotted 136,950,000 placing shares to not less than six places at HK\$0.31 per placing share. The net proceeds of the placing were approximately HK\$41.4 million. As at 31 March 2018, the Group had utilized approximately HK\$23.8 million in settlement of the bonds issued by the Company, the balance of the net proceeds of placing was utilised as general working capital as intended.

SHARE OPTION SCHEME

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURE

Share options are granted to the Directors under the Scheme. Details of the Company's share option scheme are set out in note 38 to the financial statements.

Save as disclosed above, at no time during the year was the Company, its subsidiaries or its ultimate holding company or any subsidiary of such ultimate holding company a party to any arrangement to enable the Directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the year.

Directors' Report

EMOLUMENT POLICY

The emolument policy for the employees of the group is formulated on the basis of their merit, qualifications and competence and it is the Group's policy to compensate each employee fairly and equitably.

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in note 38 to the financial statements.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the Independent Non-executive Director, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the Independent Non-executive Directors are independent.

CONNECTED TRANSACTIONS

During the year, the Group had the following connected transaction:

The Group has provided financial assistance amounted to HK\$320,000 at date of inception of the financial assistance to Mr. Law Chung Lam, Nelson, a non-executive director of the Company and directors of certain subsidiaries of the Group. The transaction was a continuing connected transaction (as defined in the GEM Listing Rules) which was exempted from reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules. The financial assistance was repayable by instalment. The outstanding balance of the financial assistance amounted to approximately HK\$113,000 as at 31 March 2018 (2017: HK\$177,000).

Save as disclosed above, the Directors are not aware of any other connected transactions of the Group that shall be disclosed in this annual report.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the year and up to the date of this report, the Directors are not aware of any business or interest of the Directors, the controlling shareholders of the Company and their respective associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

PRE-EMPTIVE RIGHTS

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this annual report, there is sufficient public float in the issued share capital of the Company pursuant to the GEM Listing Rules.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's five largest customers accounted for approximately 90% of the Group's revenue and the largest customer included therein accounted for approximately 48.3% of the Group's revenue.

During the year, the Group's five largest suppliers accounted for approximately 99.80% of the Group's purchases and the largest supplier included therein accounted for approximately 85.5% of the Group's purchases.

At all times during the year, none of the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors, owned more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers and suppliers.

RETIREMENT BENEFITS SCHEMES

Particulars of the retirement benefits schemes are set out in note 37 to the financial statements.

GROUP FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 131 of this annual report.

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

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company during the year.

CORPORATE GOVERNANCE

A report on the principal corporate governance practice adopted by the Company is set out in pages 25 to 38 of this annual report.

EVENTS AFTER THE REPORTING PERIOD

Those events after the reporting period are set out in note 41 to the financial statements.

AUDIT COMMITTEE

The Audit Committee has reviewed with the management of the Company the financial statements of the Group for the year ended 31 March 2018 and discussed with the management of the Company on auditing, internal control, financial reporting matters as well as risk management function. Information on the composition of the Audit Committee is set out in the Corporate Governance Report on pages 25 to 38 of this annual report.

INDEPENDENT AUDITOR

The financial statements for the year ended 31 March 2018 was audited by Elite Partners CPA Limited whose term of office will be expired upon the forth coming annual general meeting. An ordinary resolution for the re-appointment of Elite Partners CPA Limited as the auditor of the Company for the subsequent year will be proposed at the forthcoming annual general meeting.

Directors' Report

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

Tse Sing Yu

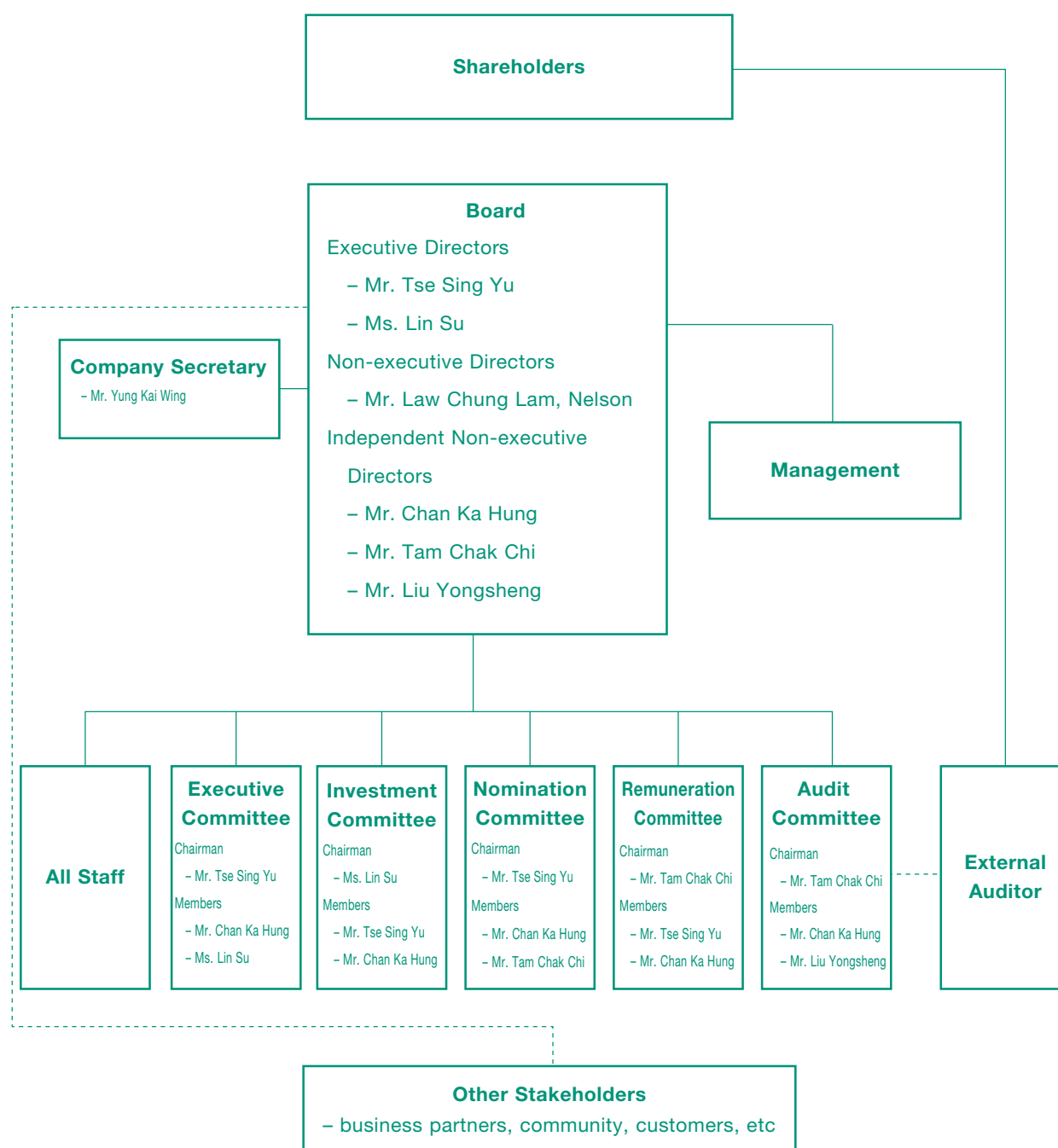
Executive Director

Hong Kong, 28 June 2018

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Company's annual report for the year ended 31 March 2018.

CORPORATE GOVERNANCE FRAMEWORK



Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving high standards of corporate governance to protect the interests of shareholders and enhance shareholder value. The Company acknowledges the important role of its Board in providing effective leadership and direction to the Group's business, and ensuring accountability, transparency, fairness and integrity of the Company's operations.

Throughout the year ended 31 March 2018, the Company has complied with all the code provisions (the "CG Code") on Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules except for certain deviations as explained below.

In respect of the code provision A.6.7 of the CG Code, independent non-executive Directors and other non-executive Directors should attend the general meetings of the Company. Three of the independent non-executive Director were unable to attend the annual general meeting of the Company held on 4 August 2017 due to other business engagements.

Under code provision A.1.3 of the CG Code, notice of at least 14 days should be given of a regular board meeting to all Directors to give all Directors an opportunity to attend. During the year, certain Board meetings were convened with less than 14 days' notice to facilitate the Directors' timely reaction and expeditious decision making process in respect of investment opportunity and internal affairs of the Group. All Board meetings, nevertheless, were duly convened and held in the way prescribed by the Articles of Association of the Company. The Board will use reasonable endeavour to meet the requirement of code provision A.1.3 of the CG Code in future. Adequate and appropriate information are circulated normally three days in advance of Board meetings to the Directors.

The Board will continue to monitor and review the corporate governance principle and practices to ensure compliance.

THE BOARD OF DIRECTORS

Responsibilities and Delegation

The Board is responsible for establishing policies, strategic direction, providing leadership in creating value and overseeing the Company's financial performance on behalf of the shareholders. The Board is also responsible for supervising the management of the Group and has delegated the responsibility for day-to-day operations and management of the Group's businesses to the management.

Matters Reserved by the Board

The Board reserves for its decisions major strategic and business matters, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), financial information, Board composition and remuneration, corporate governance matters, and other significant financial and operational matters.

Corporate Governance Report

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary and the senior management, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Each Director is able to seek independent professional advice in appropriate circumstances at the Company's expenses, upon making reasonable request to the Board.

Division of Roles of the Board and the Management

The Board has delegated a schedule of responsibilities to the Chief Executive Officer and senior management of the Company. These responsibilities include, but not limited to, implementing decisions of the Board and directing and co-ordinating day-to-day operation and management of the Company.

The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions being entered into by the foregoing officers and senior management.

Board Composition

As at 31 March 2018, the Board consists of the following Directors:-

Executive Directors

Mr. Tse Sing Yu
Ms. Lin Su

Non-executive Directors

Mr. Law Chung Lam, Nelson

Independent Non-executive Directors

Mr. Tam Chak Chi
Mr. Liu Yongsheng
Mr. Chan Ka Hung

The list of all Directors (by category) is set out under the section headed "Corporate Information" in this annual report and is also disclosed in all corporate communications issued by the Company pursuant to the GEM Listing Rules from time to time. The biographical details of the Directors are set out under the section headed "Directors and Senior Management Biographies" in this annual report.

The Board composition is regularly reviewed to ensure that it has a balance of skills and experience appropriate for the effective leadership of the Group. A balanced composition of Executive Directors, Non-executive Directors and Independent Non-executive Directors is maintained to ensure independence and effective management.

Corporate Governance Report

The Company has complied with the requirements under Rules 5.05A, 5.05(1) and (2) of the GEM Listing Rules during the year. Rule 5.05A requires a listed issuer to appoint independent non-executive directors (“INED”) representing at least one-third of the Board. Rule 5.05(1) requires that every board of directors of a listed issuer must include at least three INEDs and Rule 5.05(2) requires that at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise. All INEDs must also meet the guidelines for assessment of their independence set out in Rule 5.09 of the GEM Listing Rules.

Independency

The Company has received the annual confirmation from the Independent Non-executive Directors in respect of their independence pursuant to the requirements of the GEM Listing Rules. The Company considers all Independent Non-executive Directors as independent.

Relationships

All Directors do not have any financial, business, family or other material/relevant relationships with each other.

Appointment, Re-election and Removal of Directors

Each of the Executive Directors has entered into a service agreement with the Company for a term of three years. The Company has also issued a letter of appointment to each of the Non-executive Directors and the Independent Non-executive Directors for a term of three years.

In accordance with the Company’s Articles of Association, one-third of the Directors are subject to retirements at each annual general meeting and all the Directors are subject to retirement by rotation at least once every three years and are eligible for re-election at annual general meetings of the Company. Any new Director appointed by the Board to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the next following general meeting and any new director appointed by the Board as an addition to the existing Board shall submit himself/herself for re-election by shareholders at the next following annual general meeting.

Pursuant to the aforesaid provisions of the Company’s Articles of Association, Mr. Tse Sing Yu and Mr. Liu Yongsheng, shall retire at the forthcoming 2018 annual general meeting of the Company and, being eligible, will offer themselves for re-election at the meeting. The Company’s circular for the coming annual general meeting will contain detailed information of all retiring Directors pursuant to the GEM Listing Rules.

The procedures and process of appointment, re-election and removal of directors are laid down in the Company’s Articles of Association. The Company has established a Nomination Committee, which is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of Independent Non-executive Directors. Details of the Nomination Committee and its work performed are set out in the “Board Committees” section below.

Corporate Governance Report

Continuous Professional Development

Every newly appointed Director receives a comprehensive and formal induction upon his appointment to ensure that he has a proper understanding of operations and business of the Group and the statutory and regulatory obligations of a director of a listed company. The Group provides continuing briefings and professional development to refresh the Directors' knowledge and skills, and updates all Directors on the latest developments in relation to the GEM Listing Rules and other applicable regulatory requirements to ensure compliance as well as to enhance their awareness of good corporate practices.

The Directors understand the need to continue developing and refreshing their knowledge and skills for making contributions to the Company. The Company provides regular updates, changes and developments relating to the Group's business and the legislative and regulatory requirements to the Directors.

The Directors are encouraged to enroll in relevant professional development program to ensure that they are aware of their responsibilities under the legal and regulatory requirements. For the year ended 31 March 2018, all Directors have participated in continuous professional development to develop and refresh their knowledge and skills by attending conferences, seminars and in-house briefing. The company has provided to the Directors with materials on risk management, ESG Reporting and updates on financial reporting and tax, etc.

Board Practices and Conduct of Meetings

The Board members meet regularly and at least 4 regular Board meetings a year are held at approximately quarterly intervals to discuss business development as well as the overall strategy of the Company. Schedules for regular Board meetings are normally agreed with the Directors in advance in order to facilitate them to attend. Apart from formal meetings, matters requiring Board approval were arranged by means of circulation of written resolutions. The Board and each Director also have separate and independent access to the senior management whenever necessary.

The executive committee and other relevant senior management normally attend regular Board meetings and, where necessary, other Board and committee meetings to advise on business developments, financial and accounting matters, statutory compliance, corporate governance and other major aspects of the Group.

The Company Secretary assists the Chairman in preparing the agenda for each Board meeting, keeping minutes of Board meeting and meetings of Board Committees, and ensures that all applicable rules and regulations are complied. Draft Board minutes are circulated to all Directors for their respective comments as soon as possible after the meeting. The minutes of each Board meeting and Board Committees meeting have been kept by the Company Secretary and are open for inspection at any given time on reasonable notice by any Directors.

According to current Board practice, any material transaction, which involves a conflict of interest for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Articles of Association contain provisions requiring 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.

Corporate Governance Report

Directors' Attendance Records

The Board meets regularly for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. Additional meetings are held when significant events or important issues are required to be discussed and resolved.

The attendance record of each Director at regular Board meetings, Audit Committee meetings, Remuneration Committee meetings, Nomination Committee meetings and shareholders' general meetings during the year ended 31 March 2018 is set out in the following table:

Meetings held between 1 April 2017 and 31 March 2018

Directors	Board Meetings (Number of attendance/ eligible to attended)	Audit Committee Meetings (Number of attendance/ eligible to attended)	Remuneration Committee Meetings (Number of attendance/ eligible to attended)	Nomination Committee Meetings (Number of attendance/ eligible to attended)	Shareholders' General Meetings (Number of attendance/ eligible to attended)
Executive Directors					
Mr. Tse Sing Yu	8/8	N/A	2/2	2/2	1/1
Ms. Lin Su	4/8	N/A	N/A	N/A	0/1
Non-executive Directors					
Mr. Law Chung Lam, Nelson	5/8	N/A	N/A	N/A	1/1
Independent Non-executive Directors					
Mr. Tam Chak Chi	7/8	4/4	2/2	2/2	0/1
Mr. Liu Yongsheng	4/8	3/4	N/A	N/A	0/1
Mr. Chan Ka Hung	5/8	2/4	2/2	2/2	0/1

Directors' Securities Transactions

The Company has adopted its securities dealing code regarding Directors' dealings in the Company's securities by the Directors, senior personnel and certain employees of the Group (who are likely to be in possession of unpublished inside information in relation to the Company or its securities) on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "Required Standard of Dealings"). Specific enquiry has been made of the Directors and all of them have confirmed that they have complied with the required standards set out in the Required Standard of Dealings and the Own Code throughout the year ended 31 March 2018.

No incident of non-compliance of the Required Standard of Dealings by the Directors and relevant employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

Corporate Governance Report

BOARD COMMITTEES

The Board has established five Board Committees, namely, the Executive Committee, the Investment Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board Committees have been established with defined written terms of reference, which are available to shareholders upon request. All the Board Committees should report to the Board on their decisions or recommendations made.

The practices, procedures and arrangements in conducting meetings of Board Committees follow in line with, so far as practicable, those of the Board meetings set out above.

All Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

The Board is responsible for performing the corporate governance duties set out in the CG Code which include (i) to develop and review the Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of the Directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual applicable to employees and the Directors; and (v) to review the Company's compliance with the CG Code and disclosures in the corporate governance report.

Executive Committee

The Executive Committee comprises all the Executive Directors with Mr. Tse Sing Yu acting as the chairman of the Executive Committee. The Executive Committee operates as a general management committee under the direct authority of the Board to increase the efficiency for the business decision. It monitors the execution of the Company's strategic plans and operations of all business units of the Group and discusses and makes decisions on matters relating to the management and day-to-day operations of the Company.

Audit Committee

The Audit Committee comprises a total of three members, namely, Mr. Tam Chak Chi (Chairman), Mr. Chan Ka Hung and Mr. Liu Yongsheng, all of whom are Independent Non-executive Directors, with written terms of reference.

The Company has complied with Rule 5.28 of the GEM Listing Rules in that at least one of the members of the Audit Committee (which must comprise a minimum of three members and must be chaired by an INED) is an INED who possesses appropriate professional qualifications or accounting or related financial management expertise. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The principal role and function of the Audit Committee are to:

- (i) review the financial statements and reports and consider any significant or unusual items raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or external auditor before submission to the Board;

Corporate Governance Report

- (ii) review the relationship with the external auditor by reference to the work performed by the external auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, reappointment and removal of external auditor; and
- (iii) review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

For the year ended 31 March 2018, the Audit Committee met four times with the relevant senior management of the Company, and one of which with the external auditor and performed, inter alias, the following major tasks:

- Reviewed and discussed the interim, quarterly and annual financial statements, results announcements and reports for the year ended 31 March 2017, three months ended 30 June 2017, six months ended 30 September 2017 and nine months ended 31 December 2017, the related accounting principles and practices adopted by the Group and the relevant audit findings;
- Reviewed and discussed the internal control system of the Group;
- Discussed and recommended of the appointment of external auditor; and
- Reviewed and approved the remuneration and terms of engagement of external auditor.

There is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.

Remuneration Committee

The Remuneration Committee comprises a total of three members, namely, Mr. Tam Chak Chi (Chairman), Mr. Tse Sing Yu and Mr. Chan Ka Hung and two of whom are Independent Non-executive Directors, with written terms of reference.

The principal role and function of the Remuneration Committee are to:

- (i) make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and the establishment of a formal and transparent procedure for developing policy on such remuneration;
- (ii) determine the remuneration packages of Executive Directors and senior management and make recommendation to the Board of the remuneration of Non-executive Directors; and
- (iii) review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

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

Corporate Governance Report

For the year ended 31 March 2018, two meetings of the Remuneration Committee has been held to perform, inter alias, the following major tasks:

- Reviewed and recommended the development procedure for the remuneration policy;
- Reviewed the performance and approved the current remuneration package of Executive Directors and senior management of the Group; and
- Recommended the packages of Non-executive Directors.

Nomination Committee

The Nomination Committee comprises a total of three members, namely, Mr. Tse Sing Yu (Chairman), Mr. Chan Ka Hung and Mr. Tam Chak Chi, the latter two of whom are Independent Non-executive Directors, with written terms of reference.

The principal role and function of the Nomination Committee are to:

- (i) review the Board composition;
- (ii) develop and formulate relevant procedures for the nomination and appointment of Directors;
- (iii) identify qualified individuals to become members of the Board;
- (iv) monitor the appointment and succession planning of Directors; and
- (v) assess the independence of Independent Non-executive Directors.

For the year ended 31 March 2018, two meetings of the Nomination Committee have been held and performed, inter alias, the following major tasks:

- Reviewed and discussed of the existing structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group;
- Assessed the re-designation of a Non-executive Director to an Executive Director;
- Assessed of the independence of the existing Independent Non-executive Directors; and
- Recommended on the re-appointment of retiring Directors at the annual general meeting of the Company pursuant to the Company's Articles of Association.

Corporate Governance Report

The Company recognises the importance of board diversity which is beneficial for the enhancement of the Company's performance. During the year, the Nomination Committee reviewed the diversity of the Board from perspectives, including gender, age, professional and educational background, business experience, length of service and directorship with other listed companies. The Nomination Committee considered that the Board possessed a balance of skill and expertise and a diverse mix appropriate for the business of the Company.

INVESTMENT COMMITTEE

The investment committee of the Company was established in August 2015. The investment committee is responsible for formulating investment policies and the reviewing of major proposed investments to be conducted by the Group.

DIRECTORS' RESPONSIBILITIES

Under Statutes, Rules and Regulations

All Directors, collectively and individually, are aware of their responsibilities to the shareholders of the Company for the conduct, business activities and development of the Company and shall perform their responsibilities in accordance with the CG Code. They have a proper understanding of the operations and business of the Company and are fully aware of their responsibilities under statutes and common laws, the GEM Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company.

Annual Report and Accounts

The Directors acknowledge their responsibility to prepare financial statements which give a true and fair view.

Accounting Policies

The Directors consider that in preparing the financial statements the Group uses appropriate accounting policies that are consistently applied, and that all applicable accounting standards are followed.

Accounting Records

The Directors are responsible for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Group and which enable the preparation of financial statements in accordance with the Listing Rules, the Companies Ordinance and the applicable accounting standards.

Safeguarding Assets

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Going Concern

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and has no material uncertainties and that, for this reason, it is appropriate to adopt the going concern basis in preparing the financial statements.

Corporate Governance Report

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems is designed to provide reasonable, but not absolute, assurance of no material misstatement or loss, and to mitigate rather than eliminate risks of failure in the operational systems and achievements of the Group's business objectives.

The Board has, engaged an independent internal control review advisor (the "Internal Control Advisor"), conducted interim and annual reviews of the effectiveness of the internal control system of the Group covering the Group's corporate governance, internal control, financial, operational (including information security), as well as risk management function and compliance functions. The Board as the ultimate responsible governing body of the Group monitors compliance with policies and procedures and the effectiveness of internal control structures across the Group and its principal divisions. The Board also ensures the internal controls are in place and functioning properly as intended. During the risk assessment process, the Internal Control Advisor interviewed the relevant personal and identified the business objectives and significant risks of the Group. A risk management report prepared by the Internal Control Advisor which sets out the risks, issues and recommended action plan was presented to the Board for review and endorsement. The Board considered that significant risks of the Group were managed within the acceptable level and the management will continue to monitor the residual risks and report to the Board on an ongoing basis.

In response to the risk management report, the management shall implement proper policies and procedures to review the effectiveness of risk management and internal control and remedy any defects of internal control, including conduct evaluation on a regular basis to keep abreast of the related information in a timely manner so as to facilitate the Audit Committee and the Board to evaluate the effectiveness of control and risk management of the Group.

For the year ended 31 March 2018, the Board and Audit committee have reviewed and confirmed the effectiveness of the risk management and internal control systems.

The Group has a formal whistle-blowing policy to encourage and guide its staff to raise serious concerns internally in a responsible manner, without fear of retribution. During the year under review, the Board has not been informed any complaints or concerns over financial improprieties from staff.

The Group has the Inside Information Policy which sets out guidelines to the Directors and senior management of the Group to ensure inside information of the Group would be disseminated to the public in equal and timely manner in accordance with applicable laws and regulations.

Corporate Governance Report

EXTERNAL AUDITOR AND INDEPENDENT AUDITOR'S REMUNERATION

The statement of the external auditor of the Company on their reporting responsibilities for the Group's financial statements for the year ended 31 March 2018 is set out in the section headed "Independent Auditor's Report" in this annual report.

The Audit Committee is responsible for considering the appointment of the external auditor and reviewing any non-audit functions performed by the external auditor, including whether such non-audit functions could lead to any potential material adverse effect on the Company. During the year ended 31 March 2018, the total fee paid and payable to Elite Partners CPA Limited in relation to the audit and other services for the financial year ended 31 March 2018, amounted to HK\$600,000.

COMPANY SECRETARY

Mr. Yung Kai Wing ("Mr. Yung") has been appointed as the company secretary of the Company since 6 January 2017. According to Rule 5.15 of the GEM Listing Rules, Mr. Yung has taken no less than 15 hours of professional training during the year ended 31 March 2018.

COMPLIANCE OFFICER

Mr. Tse Sing Yu was appointed as the Compliance Officer on 31 December 2016 pursuant to Rule 5.19 of the GEM Listing Rules, he is responsible for advising on and assisting the Board in implementing procedures to ensure that the Company complies with the GEM Listing Rules and other relevant laws and regulations applicable to the Company; and responding promptly and efficiently to all enquiries directed at him by the Stock Exchange.

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Insurance cover has been taken out for Directors' and Officers' Liability to provide adequate cover, as determined by the Board, in respect of the Board members and senior management members of the Company. The insurance coverage is reviewed on an annual basis.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company has adopted a shareholder communication policy with the objective of ensuring that the shareholders of the Company and potential investors are provided with ready, equal, and timely access to balanced and comprehensible information about the Company.

The Company has established a number of channels to communicate with the shareholders of the Company as follows:

- (i) corporate communications such as annual reports, quarterly reports, interim reports and circulars are issued in printed form and are available on the Stock Exchange's website at www.hkex.com.hk and the Company's website at www.wealthglory.com;
- (ii) periodic announcements are made through the Stock Exchange and published on the respective websites of the Stock Exchange and the Company;
- (iii) corporate information is made available on the Company's website;

Corporate Governance Report

- (iv) annual and extraordinary general meetings provide a forum for the shareholders of the Company to make comments and exchange views with the Directors and senior management; and
- (v) the Company's branch share registrar in Hong Kong serves the shareholders of the Company in respect of share registration, dividend payment and related matters.

The Company has arranged for the notice to shareholders for annual general meeting of the Company to be sent at least 20 business days before the meeting and to be sent at least 10 business days for all other general meetings. The chairpersons of the Board and of the Audit Committee, Remuneration Committee and Nomination Committee, or in their absence, other members of the respective Board Committees, were invited to attend the annual general meeting of the Company to answer questions from Shareholders. External auditor was also invited to attend the annual general meeting of the Company to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence. Separate resolutions were proposed by the chairman of general meetings in respect of each substantial issue, including the election of individual Directors. The poll results were posted on the websites of the Company and the Stock Exchange on the same business day of the general meeting.

During the year ended 31 March 2018, there was no significant change in the Company's memorandum and articles of association. A copy of the latest consolidated version of the memorandum and articles of association of the Company is posted on the websites of the Company and the Stock Exchange.

Shareholders and investors may also write directly to the Company's principal place of business in Hong Kong at 17/F., No. 8 Wyndham Street, Central, Hong Kong or via email to info@wealthglory.com for any inquiries. Inquiries are dealt with in an informative and timely manner.

SHAREHOLDERS' RIGHTS

As one of the measures to safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors, for shareholders' consideration and voting. Besides, various rights of shareholders, including the right to propose resolutions, are contained in the Articles of Association.

Corporate Governance Report

All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the GEM Listing Rules and the Articles of Association of the Company and the poll voting results will be posted on the GEM website "www.hkgem.com" and the Company's website "www.wealthglory.com" after the relevant shareholders' meetings. Extraordinary general meeting may be convened by the Board on requisition of shareholders of the Company holding not less than one-tenth of the paid up capital of the Company or by such shareholders of the Company who made the requisition (the "Requisitionists") (as the case may be) pursuant to Article 58 of the Company's Articles of Association. Such requisition must state the object of business to be transacted at the meeting and must be signed by the Requisitionists and deposited at the registered office of the Company or the Company's principal place of business in Hong Kong. Shareholders of the Company should follow the requirements and procedures as set out in such Article on convening an extraordinary general meeting. Shareholders of the Company may put forward proposals at general meeting of the Company by sending the same to the Company at the principal office of the Company in Hong Kong.

For putting forward any enquiries to the Board, shareholders of the Company may send written enquiries to the Company. Shareholders of the Company may send their enquiries or requests in respect of their rights to the Company's principal place of business in Hong Kong.

Independent Auditor's Report



To the members of Wealth Glory Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Wealth Glory Holdings Limited (the “Company”) and its subsidiaries (together referred to as the “Group”) set out on pages 46 to 139, 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 (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s “Code of Ethics for Professional Accountants” (the “Code”) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are the matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended 31 March 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

KEY AUDIT MATTERS (CONT'D)

Key audit matter

How the matter was addressed in our audit

Impairment assessment of goodwill and intangible assets

As at 31 March 2018, the Group has goodwill and intangible assets (before impairment) of approximately HK\$34.3 million and HK\$6.8 million respectively. As a result of the impairment assessment, the Group recognised an impairment loss of approximately HK\$2.2 million for intangible assets, and no impairment loss recognised for goodwill.

For the purpose of assessing impairment, the Group appointed an independent valuer to assess the recoverable amount of goodwill and intangible assets, which were determined by management based on the cash generating units ("CGUs") which were determined based on the higher of value-in-use and fair value less costs of disposal. The valuation requires significant judgement by management in valuing the CGUs.

We had identified the impairment assessment of goodwill and intangible assets as a key audit matter because the estimates of the recoverable amount of the CGU are complex, subjective and highly judgemental, in particular, assumptions and judgements made by management in arriving at the cash flow forecasts of the CGU.

Our major audit procedures in relation to the management's impairment assessment of goodwill and intangible assets included the following:

- We obtained and reviewed cash flow forecasts of the CGUs relating to goodwill and intangible assets prepared by the management and approved by the directors of the Company.
- We discussed with management and independent valuer and assessed the data, methodology applied, bases and assumptions being used in arriving at the forecasts.
- We assessed the competency and capabilities of the independent external valuer considering their experience and qualifications.

Independent Auditor's Report

KEY AUDIT MATTERS (CONT'D)

Key audit matter

How the matter was addressed in our audit

Impairment assessment of loan receivables

As at 31 March 2018, the Group has loan receivables of approximately HK\$55 million from the Group's money lending business of providing property mortgage loans and personal loans in Hong Kong as set out in note 24 to the consolidated financial statements.

We had identified the impairment assessment of loan receivables as a key audit matter because the impairment assessment involves significant management judgment which takes into account of customer credit risk and the fair value of collaterals, if any.

Our major audit procedures in relation to management's impairment assessment of loan receivables included the following:

- We obtained a list of loans and interest receivables outstanding as at 31 March 2018 from the management of the Company. With regards to amounts of these receivables, we had sent confirmations to the borrowers to confirm the balances as at 31 March 2018.
- We examined the terms of the loan agreements shown on the list provided by the management of the Company and particular attention has been made to collaterals or guarantee arrangements;
- We discussed with the management of the Company about the procedures it would take before it grant loans to customers. We had performed tests of controls on a sample basis;
- We had also reviewed credit files of borrowers selected on a sample basis. Further, we had discussed with the management of the Company its impairment policy (i.e. when and how impairment was determined) and assessed whether sufficient impairment losses are being recognised. Specifically, with regards to loans and interest receivable that had past due, we had discussed with the management of the Company a number of factors, including the financial position of the borrower, the fair value of collaterals, if any, as well as subsequent settlement, if any, etc.

Independent Auditor's Report

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

The directors 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.

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

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

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

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. This report is made 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 HKSAAs 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.

Independent Auditor's Report

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

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional scepticism 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.
- 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 the 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.

Independent Auditor's Report

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

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.

The engagement partner on the audit resulting in the independent auditor's report is Siu Jimmy with Practising Certificate number P05898.

Elite Partners CPA Limited
Certified Public Accountants

10/F., 8 Observatory Road,
Tsim Sha Tsui, Kowloon,
Hong Kong
28 June 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2018

	Note	2018 HK\$'000	2017 HK\$'000
Continuing operations			
Revenue	6	86,544	63,349
Cost of sales		(78,863)	(58,462)
Gross profit		7,681	4,887
Other income	7	3,523	3,480
Other gains and losses, net	8	(48,406)	(35,709)
Impairment loss recognised in respect of intangible assets		(2,167)	(7,766)
Share of profits of associates		2,130	3,292
Selling expenses		(803)	(302)
Administrative expenses		(15,114)	(27,816)
Other expenses		(2,487)	(16,721)
Loss from operations		(55,643)	(76,655)
Finance costs	9	(4,123)	(5,216)
Loss before taxation		(59,766)	(81,871)
Taxation	11	(7)	(44)
Loss for the year from continuing operations		(59,773)	(81,915)
Discontinued operations			
Profit for the year from discontinued operations	12	-	492
Loss for the year		(59,773)	(81,423)
Other comprehensive expense:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		-	(172)
Exchange reserve realised on deemed disposal of associate		284	-
Total comprehensive expense for the year		(59,489)	(81,595)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2018

	Note	2018 HK\$'000	2017 HK\$'000
(Loss) profit for the year attributable to owners of the Company			
– from continuing operations		(57,105)	(82,127)
– from discontinued operations		–	492
Loss for the year attributable to owners of the Company		(57,105)	(81,635)
(Loss)/profit for the year attributable to non-controlling interests			
– from continuing operations		(2,668)	212
– from discontinued operations		–	–
Profit for the year attributable to non-controlling interests		(2,668)	212
		(59,773)	(81,423)
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(56,821)	(81,807)
Non-controlling interests		(2,668)	212
		(59,489)	(81,595)
		HK cents	HK cents
(Loss) Earnings per share			
Basic and diluted	14		
– Continuing operations		(7.37)	(11.99)
– Discontinued operations		–	0.07
		(7.37)	(11.92)

The notes on pages 52 to 130 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 March 2018

	Note	2018 HK\$'000	2017 HK\$'000
Non-current assets			
Property, plant and equipment	15	4,159	271
Interests in associates	16	–	24,904
Loans receivables	24	113	2,704
Deposits and other receivables	25	10,358	9,581
Goodwill	18	34,279	34,279
Intangible assets	19	6,824	10,716
Available-for-sale investments	21	4,508	4,329
Financial assets designated at fair value through profit and loss	22	10,038	10,972
		70,279	97,756
Current assets			
Inventories	20	1,063	412
Held-for-trading investments	21	8,489	45,636
Trade receivables	23	3,981	2,668
Loans receivables	24	54,888	37,144
Prepayments, deposits and other receivables	25	7,878	10,679
Loans to associates	16	–	6,254
Loans to investee	17	6,753	–
Cash and cash equivalents	26	17,983	8,373
		101,035	111,166
Current liabilities			
Trade payables	27	307	1,307
Accruals and other payables		10,998	7,713
Bank borrowings	28	–	147
Bonds	29	–	22,585
Tax payable		195	117
Other borrowings	30	23,874	23,458
		35,374	55,327
Net current assets		65,661	55,839

Consolidated Statement of Financial Position

At 31 March 2018

	Note	2018 HK\$'000	2017 HK\$'000
Total assets less current liabilities		135,940	153,595
Non-current liabilities			
Bonds	29	8,076	7,541
Deferred tax liabilities	31	251	323
		8,327	7,864
Net assets		127,613	145,731
Capital and reserves			
Share capital	32	49,304	41,087
Reserves		80,542	104,224
Total attributable to owners of the Company		129,846	145,311
Non-controlling interests		(2,233)	420
Total equity		127,613	145,731

The consolidated financial statements on pages 45 to 130 were approved and authorised for issue by the Board of Directors on 28 June 2018 and are signed on its behalf by:

Tse Sing Yu
Executive Director

Lin Su
Executive Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Warrants reserve HK\$'000	Merger reserve HK\$'000 (Note a)	Share-based payment reserve HK\$'000	Translation reserve HK\$'000	Legal reserve HK\$'000 (Note b)	Accumulated losses HK\$'000	Sub-Total HK\$'000	Non-controlling interest HK\$'000	Total HK\$'000
As 1 April 2016	41,087	533,433	3,527	(4,246)	31,073	(790)	485	(382,083)	222,486	208	222,694
Exchange differences arising on translation of foreign operations	-	-	-	-	-	(172)	-	-	(172)	-	(172)
(Loss) profit for the year	-	-	-	-	-	-	-	(81,635)	(81,635)	212	(81,423)
Total comprehensive (expense) income for the year	-	-	-	-	-	(172)	-	(81,635)	(81,807)	212	(81,595)
Transfer upon lapse of share options	-	-	-	-	(23,392)	-	-	23,392	-	-	-
Recognition of equity-settled share-based payment	-	-	-	-	4,632	-	-	-	4,632	-	4,632
Transfer upon lapse of warrants	-	-	(3,527)	-	-	-	-	3,527	-	-	-
Reclassification adjustments related to Disposal of subsidiaries	-	-	-	-	-	678	(485)	(193)	-	-	-
At 31 March 2017 and 1 April 2017	41,087	533,433	-	(4,246)	12,313	(284)	-	(436,992)	145,311	420	145,731
Exchange reserve realised on deemed disposal of associate	-	-	-	-	-	284	-	-	284	-	284
(Loss) for the year	-	-	-	-	-	-	-	(57,105)	(57,105)	(2,668)	(59,773)
Total comprehensive (expense) income for the year	-	-	-	-	-	284	-	(57,105)	(56,821)	(2,668)	(59,489)
Issue of shares upon placing	8,217	33,139	-	-	-	-	-	-	41,356	-	41,356
Capital contribution by non-controlling interest	-	-	-	-	-	-	-	-	-	15	15
At 31 March 2018	49,304	566,572	-	(4,246)	12,313	-	-	(494,097)	129,846	(2,233)	127,613

Notes:

- The merger reserve of the Group arose as a result of the reorganisation of the Group implemented in preparation for the listing on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").
- Legal reserve represented reserve retained in accordance with the Article 377 of the Macau Commercial Code for the entities incorporated in Macau. The legal reserve represented the amount set aside from the consolidated statement of profit or loss and other comprehensive income and is not distributable to the owners.

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	Note	2018 HK\$'000	2017 HK\$'000
Operating activities			
Loss before taxation			
Loss from continuing operations		(59,766)	(81,871)
Profit from discontinued operations		-	492
		(59,766)	(81,379)
Adjustments for:			
Allowance for doubtful debt		2,580	-
Impairment loss recognised in respect of intangible assets		2,167	7,766
Impairment loss recognised in respect of loan receivable		6,666	305
Write down of inventory		62	3,500
Reversal of impairment loss of other receivables		(780)	(2,340)
Change in fair value of held-for-trading investments		6,769	16,562
Realised loss on disposal of held-for-trading investments		5,193	11,029
Impairment loss on loan to an investee		882	6,624
Depreciation of property, plant and equipment		1,097	336
Amortisation of intangible assets		1,725	2,834
Loss on settlement of loan receivable		-	2,114
Loss on deemed disposal of interests in associates		27,137	-
Change in fair value of financial asset designated at fair value through profit and loss		934	(2,039)
Share of profits of associates		(2,130)	(3,292)
Interest expense		4,123	5,216
Interest income		(6,585)	(6,055)
Imputed interest income from loans to investees		(1,658)	(1,468)
Dividend income		-	(1,414)
Share-based payments		-	4,632
Gain on disposal of subsidiary		(450)	(511)
Operating cash flows before movements in working capital		(12,034)	(37,580)
(Increase) decrease in inventories		(713)	1,380
Decrease in held-for-trading investments		25,185	10,046
Increase in trade receivables		(1,313)	(962)
(Increase) decrease in loans receivable		(16,081)	744
Increase in prepayments, deposits and other receivables		221	653
(Decrease) increase in trade payables		(1,000)	355
Increase in accruals and other payables		3,286	4,245
Net cash used in operations		(2,449)	(21,117)
Interest received from money lending operation		343	428
Dividend received		-	1,414
Net cash used in operating activities		(2,106)	(19,275)

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	Note	2018 HK\$'000	2017 HK\$'000
Investing activities			
Acquisition of intangible assets through acquisition of subsidiary		–	(256)
Purchase of property, plant and equipment		(4,985)	(141)
Interest received		1	1
Net proceed from disposal of subsidiary		450	–
Cash outflow on disposal of subsidiaries	35	–	(71)
Refund from deposit paid		780	2,840
Purchase of financial assets designated at fair value through profit and loss		–	(7,000)
Net cash used in investing activities		(3,754)	(4,627)
Financing activities			
Capital contribution by non-controlling interests		15	–
Repayment of bank borrowings		(147)	(1,027)
Repayment of other borrowings		(2,000)	–
Repayment of bonds		(21,000)	–
New other borrowings raised		–	2,300
Share issuing expense		–	–
Net proceeds from placing of shares		41,356	–
Issue of bonds		–	11,000
Interest paid		(2,754)	(3,668)
Net cash generated from financing activities		15,470	8,605
Net increase (decrease) in cash and cash equivalents		9,610	(15,297)
Cash and cash equivalents at 1 April		8,373	23,714
Effect of foreign exchange rate changes		–	(44)
Cash and cash equivalents at 31 March		17,983	8,373
Represented by:			
Bank balances and cash		17,983	8,373

The notes on pages 45 to 130 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

1. GENERAL INFORMATION

The Company is incorporated in the Cayman Islands with limited liability and its shares are listed on the Growth Enterprise Market of the Stock Exchange. The addresses of the registered office and principal place of business of the Company are disclosed in Corporate Information to the annual report.

The Company acts as an investment holding company. The principal activities and other details of its subsidiaries are set out in note 43.

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

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

In the current year, the Group has applied the following amendments issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

Amendments to HKFRSs 12	Annual Improvements to HKFRSs 2014–2016 Cycle: Amendments to HKFRS 12
Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses

Except as described below, the application of the above 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.

Annual Improvements to HKFRSs 2014-2016 Cycle

This cycle of annual improvements contains amendments to three standards, namely HKFRS 1, HKFRS 12 and HKAS 28. Among them, the amendments to HKFRS 12 clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity’s interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5. The amendments do not have an impact on the Group’s financial information as the Group does not present the relevant required disclosures outside the consolidated financial statements.

HKAS 7 Statement of cash flows: Disclosure initiative

The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments do not have a material impact on the presentation and disclosure of the Group’s financial information.

Notes to the Consolidated Financial Statements

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

HKAS 12 Income taxes: Recognition of deferred tax assets for unrealised losses

The amendments stemmed from a request to clarify the requirements on recognition of deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments do not have a material impact on the presentation and disclosure of the Group’s financial information.

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

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

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after 1 January 2021.

⁴ Effective date not yet been determined.

Notes to the Consolidated Financial Statements

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

HKFRS 9 Financial instruments

HKFRS 9 has introduced new requirements for a) classification and measurement of financial assets, b) impairment of financial assets and c) general hedge accounting.

Specifically, with regard to the classification and measurement of financial assets, HKFRS 9 requires all recognised financial assets that are within the scope of HKFRS 9 to be subsequently measured at amortised cost or fair value. 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 each of the subsequent accounting periods. Debt investments 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 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 debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. Further, 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 nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss and that cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment.

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 a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes 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, 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.

With regard to impairment of financial assets, HKFRS 9 has adopted an expected credit loss model, as opposed to an incurred credit loss model required under HKAS 39. In general, the expected credit loss model requires an entity to assess the change in credit risk of the financial asset since initial recognition at each reporting date and to recognise the expected credit loss depending on the degree of the change in credit risk.

Notes to the Consolidated Financial Statements

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

HKFRS 9 Financial instruments (cont’d)

With regard to the general hedge accounting requirements, HKFRS 9 retains the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an ‘economic relationship’. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity’s risk management activities have also been introduced.

The Group is still in the process of assessing the impact of HKFRS 9. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

HKFRS 15 Revenue from contracts with customers

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

Notes to the Consolidated Financial Statements

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

HKFRS 15 Revenue from contracts with customers (cont’d)

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

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures. With regard to the timing and amounts of revenue recognised under HKFRS 15, the Group is still in the process of assessing the impact of HKFRS 15. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

HKFRS 16 Leases

HKFRS 16 will supersede the current lease guidance including HKAS 17 Leases and the related interpretations when it becomes effective.

With regard to lessee accounting, the distinction of operating leases and finance leases, as required by HKAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees except for short-term leases and leases of low value assets. Specifically, 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 re-measurement 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. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas, under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

With regard to lessor 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, HKFRS 16 requires extensive disclosures in the financial statements.

The Group is in the process of assessing the impact of HKFRS 16. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance and Basis of Preparation

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 the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”) and by the Hong Kong Companies Ordinance.

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, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Principal Accounting Policies

(a) *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;
- has exposure, or rights, to variable returns from its involvement with the investee; and
- has the ability to use its power over the investee 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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Principal Accounting Policies (cont'd)

(a) *Basis of consolidation (cont'd)*

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.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

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

(b) *Business combinations*

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 “Income taxes” and HKAS 19 “Employee benefits” respectively;

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Principal Accounting Policies (cont'd)

(b) Business combinations (cont'd)

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 “Share-based payment” at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 “Non-current assets held for sale and discontinued operations” are measured in accordance with that Standard.

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 of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

(c) Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Principal Accounting Policies (cont'd)

(d) Interests 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 is 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, investments in associates are 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. 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 of 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.

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 and 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.

Where a group entity transacts with an associate, 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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Principal Accounting Policies (cont'd)

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Deposits received from purchases prior to meeting the above criteria for revenue recognition are included in consolidated statement of financial position under current liabilities.

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

Dividend income is recognised when the shareholders' right to receive payment have been established.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Principal Accounting Policies (cont'd)

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment 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.

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 the profit or loss.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

(h) 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 changes in estimate being accounted for on a prospective basis.

(i) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and 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 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. 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 effective of any changes in estimate being accounted for on a prospective basis.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Principal Accounting Policies (cont'd)

(i) Intangible assets acquired in a business combination (cont'd)

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.

(j) Impairment losses 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 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. An impairment loss is recognised as an expense immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset 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.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Principal Accounting Policies (cont'd)

(k) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised as and included in profit or loss under the finance costs in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

(l) 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 amount as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 base 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 difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other 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 differences arises from the initial recognition of goodwill.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Principal Accounting Policies (cont'd)

(l) Taxation (cont'd)

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

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit 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.

Current and deferred tax is recognised in profit or loss.

(m) 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.

(n) The Group as lessee

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

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Principal Accounting Policies (cont'd)

(o) 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 recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) 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 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. HK\$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (the translation reserve).

Exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

(p) Retirement benefit costs

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

(q) Financial instruments

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

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

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Principal Accounting Policies (cont'd)

(q) Financial instruments (cont'd)

(i) 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 financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition. Income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

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

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near term; 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.

A financial asset other than a financial asset held for trading 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 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Principal Accounting Policies (cont'd)

(q) *Financial instruments (cont'd)*

(i) *Financial assets (cont'd)*

Financial assets at FVTPL (cont'd)

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 includes any dividend or interest earned on the financial assets and is included in other gains and losses, net. Fair value is determined in the manner described in note 5.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables or financial assets at FVTPL.

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

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 receivables, loans receivables, other receivables and deposits, loans to associates and cash and cash equivalents) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

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

(ii) *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 impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows have been affected.

For loans and receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Principal Accounting Policies (cont'd)

(q) *Financial instruments (cont'd)*

(ii) *Impairment of financial assets (cont'd)*

For certain categories of loans and receivables, such as trade receivables and loans receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised costs, the amount of impairment loss 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.

The carrying amount of loans and receivables is reduced by the impairment loss directly for all loans and receivables with the exception of trade receivables and loans 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 the trade receivables and loans receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

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

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Principal Accounting Policies (cont'd)

(q) *Financial instruments (cont'd)*

(iii) *Financial liabilities and equity instruments*

Debts 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 entered into 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 the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Warrants

Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity instruments are equity instruments. The fair value of warrants at initial recognition are recognised in equity (warrants reserve). The warrants reserve will be transferred to share capital and share premium accounts upon the exercise of the warrants. When the warrants are still not exercised at the expiry date, the amount previously recognised in the warrants reserve will be transferred to accumulated losses.

Financial liabilities

Financial liabilities including trade payables, accruals and other payables, bank overdrafts, bank borrowings, promissory note, bonds and other borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including 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

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Principal Accounting Policies (cont'd)

(q) *Financial instruments (cont'd)*

(iv) *Derecognition*

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

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

Financial liabilities are derecognised when the obligation specified in the relevant contract is 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.

(r) *Share options granted to employees*

The fair value of services received determined by reference to the fair value of share options granted at the grant date is recognised as expense immediately if the share options granted will vest immediately, with a corresponding increase in equity (share-based payment reserve).

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

The Group recognises an expense for the services rendered by employees and when these services are received. When the employees began rendering their services in respect of a particular grant of share option prior to the grant date of that grant, the Group estimates the grant date fair value of the equity instrument by estimating the fair value of the equity instrument at the end of the reporting period for the purposes of recognising the services received. Once the date of grant has been established, the Group revises the earlier estimate to the grant date fair value of equity instrument.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Principal Accounting Policies (cont'd)

(s) Share options granted to consultants

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

(t) Related parties

- (a) A person or a close member of that person's family is related to the Group if that person:
- (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the parent of the Group.

Notes to the Consolidated Financial Statements

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Principal Accounting Policies (cont'd)

(t) Related parties (cont'd)

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

4. 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 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 goodwill, property, plant and equipment and intangible assets

Determining whether goodwill, property, plant and equipment and intangible assets are impaired requires an estimation of recoverable amounts of the property, plant and equipment, intangible assets or the respective cash generating units ("CGU") in which the goodwill, property, plant and equipment and intangible assets belong, which is the higher of value in use and fair value less costs of disposal. If there is any indication that an asset may be impaired, recoverable amount shall be estimated for individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the CGU to which the asset belongs. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the assets or CGUs and a suitable discount rate in order to calculate the present value. The discount rate represents a rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

Notes to the Consolidated Financial Statements

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Allowances for bad and doubtful debts

When there is objective evidence that trade receivables, loans receivables, loans to associates and loans to investees may be impaired, the Group estimates the future cash flows of those balances. The amount of the impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial assets' original effective interest rate (i.e. the effective interest rate computed on initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise.

Depreciation

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the relevant assets, after taking into account their estimated residual value, if any. The Group reviews the estimated useful lives of the assets annually in order to determine the amount of depreciation expenses to be recorded during the periods. The useful lives are based on the Group's historical experience with similar assets taking into account anticipated technological changes. The depreciation expenses for future periods would be adjusted if there are significant changes from previous estimates.

5. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2018 HK\$'000	2017 HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	98,403	92,067
Financial assets at fair value through profit and loss	18,527	56,608
Available-for-sale investments	4,508	4,329
	<u>121,438</u>	<u>153,004</u>
Financial liabilities		
Amortised cost	<u>43,255</u>	<u>62,751</u>

Notes to the Consolidated Financial Statements

5. FINANCIAL INSTRUMENTS (CONT'D)

Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, financial assets designated at fair value through profit or loss, held-for-trading investments, trade receivables, loans receivables, other receivables and deposits, loans to associates, cash and cash equivalents, trade payables, accruals and other payables, bank overdrafts, bank borrowings, bonds and other borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk, currency risk and price risk), credit risk and liquidity risk and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) *Currency risk*

Certain cash and cash equivalents, trade receivables and trade payables of the Group are denominated in foreign currencies which are different from functional currencies of respective group entities. As at 31 March 2018 and 2017, cash and cash equivalents, trade receivables and trade payables of respective group entities denominated in foreign currencies were immaterial. The Group does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

(ii) *Interest rate risk*

The Group's cash flow interest rate risk primarily relates to the variable-rate cash and cash equivalents as well as floating-rate bank overdrafts and bank borrowings. The Group is also exposed to fair value interest rate risk in relation to its fixed-rate loans to associates, fixed-rate loans receivables, fixed-rate loans to investees, fixed-rate bank borrowings, fixed-rate bonds and fixed-rate other borrowings. The Group currently does not have interest rate hedging policy. However, the management will consider hedging significant interest rate exposure should the need arise.

The Group's exposures to interest rate risk on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Dollar Prime rate arising from the Group's Hong Kong dollar denominated borrowings.

The management considers that the Group's exposure to cash flow interest rate risk on variable-rate cash and cash equivalents, variable-rate bank overdrafts and bank borrowings as a result of the change of market interest rate is insignificant due to its short-term maturity and thus no sensitivity analysis is prepared for interest rate risk.

Notes to the Consolidated Financial Statements

5. FINANCIAL INSTRUMENTS (CONT'D)

Market risk (cont'd)

(iii) Price risk

The Group is exposed to price risk through its natural resources trading business of which their prices fluctuate directly with the commodity price (i.e. price of magnetite sand concentrate and palm oil). The commodity price is affected by a wide range of global and domestic factors which are beyond the control of the Group. The fluctuation in commodity prices may have favourable or unfavourable impacts to the Group. The management considered that the price risk is mitigated through entering into corresponding contracts with customers and the Group's pricing policy in relation to the suppliers' and customers' contracts. Accordingly, the exposure of the Group to price risk is considered insignificant by the management of the Group and hence no sensitivity analysis is presented.

The Group is exposed to equity price risk through its investments in listed and unlisted equity securities. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group's equity price risk is mainly concentrated on equity instruments quoted on the Stock Exchange. In addition, the Group has delegated the financial controller of the Group to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period excluding available-for-sale investments measured at cost less impairment. For sensitivity analysis purpose, the sensitivity rate is set as 10% as a result of the volatile financial market. If the prices of the respective equity instruments had been 10% higher/lower, the loss for the year ended 31 March 2018 would decrease/increase by HK\$849,000 (2017: HK\$4,564,000) as a result of the change in fair value of held-for-trading investments.

Credit risk

As at 31 March 2018 and 2017, the Group's credit risk is primarily attributable to trade receivables, loans receivables, refundable deposit paid for acquisition of an entity, loans to associates, loans to investees and cash and cash equivalents.

As at 31 March 2018 and 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amounts of the respective recognised financial assets such as bond, bank and other loans and trade payables as stated in the consolidated statement of financial position.

Notes to the Consolidated Financial Statements

5. FINANCIAL INSTRUMENTS (CONT'D)

Credit risk (cont'd)

The Group has significant concentration of credit risk on loans to associates as the credit risk is attributable to one counterparty (2017: one counterparty) at 31 March 2018. The Group also had concentration of credit risks on loans receivables and loans to investees of HK\$6,757,000 (2017: HK\$3,984,800) and HK\$14,800,000 (2017: HK\$13,122,000) respectively as at 31 March 2018. The directors of the Company continuously monitors the credit quality and financial conditions of these counterparties and the level of exposure to ensure the follow-up action is taken to recover the debt.

As at 31 March 2018, held-for-trading investments of HK\$8,489,000 (2017: HK\$45,636,000) are held under a broker's custodian account.

In order to minimise the credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, management reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

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

Liquidity risk

The Group manages its liquidity risk by monitoring and maintaining a level of cash and cash equivalents considered adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank and other borrowings and ensure compliance with loan covenants.

Notes to the Consolidated Financial Statements

5. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk (cont'd)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average effective interest rate %	Within 1 year or repayable on demand HK\$'000	Between 1 to 2 years HK\$'000	Between 2 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amount at the end of the reporting period HK\$'000
As at 31 March 2018							
Trade payables	-	307	-	-	-	307	307
Accruals and other payables	-	10,998	-	-	-	10,998	10,998
Bonds	7.04	-	-	10,000	-	10,000	8,076
Other borrowings	10	26,218	-	-	-	26,218	23,874
		<u>37,523</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>47,523</u>	<u>43,255</u>

	Weighted average effective interest rate %	Within 1 year or repayable on demand HK\$'000	Between 1 to 2 years HK\$'000	Between 2 to 5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flow HK\$'000	Carrying amount at the end of the reporting period HK\$'000
As at 31 March 2017							
Trade payables	-	1,307	-	-	-	1,307	1,307
Accruals and other payables	-	7,713	-	-	-	7,713	7,713
Bank borrowings							
– fixed-rate	8.39	154	-	-	-	154	147
Bonds	11.65	23,570	-	10,000	-	33,570	30,127
Other borrowings	9.86	23,734	-	-	-	23,734	23,458
		<u>56,428</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>66,478</u>	<u>62,752</u>

Notes to the Consolidated Financial Statements

5. FINANCIAL INSTRUMENTS (CONT'D)

Liquidity risk (cont'd)

Bank borrowings with a repayment on demand clause are included in the “within 1 year or repayable on demand” time band in the above maturity analysis. As at 31 March 2018, the aggregate carrying amounts of these bank borrowings was amounted to HK\$ Nil (2017: HK\$147,000). Taking into account the Group’s financial position, the management does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management believes that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

For the purpose of managing liquidity risk, management reviews the expected cash flows information of the Group’s bank borrowings based on the scheduled repayment dates set out in the bank borrowings agreements and set out in the table below:

	Weighted average effective interest rate	Within 1 year	Between 1 to 2 years	Total undiscounted cash flow	Total carrying amount
	%	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank borrowings:					
At 31 March 2017					
– fixed-rate	8.39	154	–	154	147
		154	–	154	147

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

Notes to the Consolidated Financial Statements

5. FINANCIAL INSTRUMENTS (CONT'D)

Fair value measurements of financial instruments

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

The Group's held-for-trading investments and financial assets designated at fair value through profit or loss are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets	Fair value as at 31 March 2018	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Range	Relationship of Unobservable Inputs to fair value
Financial assets designated at fair value through profit and loss	HK\$10,038,000 (2017: HK\$10,972,000)	Level 3	Discounted cash flow for the debt component and Crank-Nicolson finite difference method for the option component	Expected volatility Discount rate	16.23% to 64.582% 8.48% to 40.58%	The higher the expected volatility the higher the fair value The higher the discount rate the lower the fair value

There is no transfer between different levels of the fair value hierarchy for the year ended 31 March 2017.

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

Notes to the Consolidated Financial Statements

6. REVENUE AND SEGMENT INFORMATION

Revenue represents the amounts received and receivable for goods sold and services provided by the Group, net of discounts and sales related taxes for both years.

Revenue by product type is as follows:

	2018 HK\$'000	2017 HK\$'000
Continuing operations		
Natural Resources and Commodities	36,055	49,349
Money Lending	6,081	5,554
Trading of Consumer Products	44,408	8,446
	<u>86,544</u>	<u>63,349</u>

Segment revenue and results

The Group determines its operating segment and measurement of segment profit based on the internal reports to executive directors, the Group's chief operating decision makers (the "CODM"), for the purposes of resource allocation and performance assessment.

In addition, because the 3D phone operations are still in the preparation stage and no revenue is generated during the current and prior years, these operations are not included in the internal reports provided to the CODM and hence not considered as operating segments.

During the year ended 31 March 2018, the Group's reportable and operating segments are therefore as follows:

- (a) the natural resources and commodities business segment engaged in the trading of natural resources and commodities including but not limited to iron ore concentrate, coal and crude palm oil etc. ("Natural Resources and Commodities");
- (b) interest income from the money lending business ("Money Lending");

Notes to the Consolidated Financial Statements

6. REVENUE AND SEGMENT INFORMATION (CONT'D)

Segment revenue and results (cont'd)

(c) the investments in securities in Hong Kong (“Securities Investments”); and

(d) the trading of fashion items, camera bags and sport car (“Trading of Consumer Products”).

On 25 July 2016, the Packaged Food segment was disposed of and was presented as a discontinued operation. Accordingly, the information is represented.

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

	2018				Total HK\$'000
	Trading of Resources and Commodities HK\$'000	Trading of Consumer Products HK\$'000	Money Lending HK\$'000	Securities Investment HK\$'000	
Segment revenue					
External	36,055	44,408	6,081	-	86,544
Segment results	27	(967)	454	(11,962)	(12,448)
Reconciliation:					
Reversal of impairment of other receivable					780
Interest income					2,299
Share-based payments					-
Amortisation of intangible assets					(1,725)
Impairment loss recognised in respect of intangible assets					(2,167)
Impairment loss recognised in respect of loan receivables					(6,666)
Impairment loss recognised in respect of inventories					(62)
Gain on disposal of investment					450
Loss on deemed disposal of interests in associates					(27,137)
Change in fair value on financial assets at fair value through profit or loss					(934)
Share of profits of associates					2,130
Unallocated corporate expenses					(12,398)
Unallocated finance costs					(1,888)
Loss before taxation					(59,766)

Notes to the Consolidated Financial Statements

6. REVENUE AND SEGMENT INFORMATION (CONT'D)

Segment revenue and results (cont'd)

	2017				Total HK\$'000
	Trading of Resources and Commodities HK\$'000	Trading of Consumer Products HK\$'000	Money Lending HK\$'000	Securities Investment HK\$'000	
Segment revenue					
External	49,349	8,446	5,554	-	63,349
Segment results	51	(4,151)	1,140	(26,177)	(29,137)
Reconciliation:					
Reversal of impairment of other receivable					2,340
Interest income					1,969
Share-based payments					(4,632)
Amortisation of intangible assets					(2,834)
Impairment loss recognised in respect of intangible assets					(7,766)
Impairment loss recognised in respect of loan receivables					(305)
Impairment loss recognised in respect of inventories					(3,500)
Loss on settlement of loan receivable					(2,114)
Change in fair value on financial assets at fair value through profit or loss					2,039
Share of profits of associates					3,292
Unallocated corporate expenses					(42,262)
Unallocated finance costs					(2,766)
Loss before taxation					(81,871)

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment (loss) profit represents the (loss incurred) profit earned by each segment without allocation of interest income, amortisation of intangible assets, impairment losses recognised in respect of goodwill, intangible assets, other receivables and property, plant and equipment, loss on loan to an investee, share of profits of associates, unallocated corporate expenses and certain finance costs. This is the measure reported to the Group's CODM for the purpose of resource allocation and performance assessment. The CODM only focuses on monitoring segment performances without reviewing segment assets and liabilities. Accordingly, no segment assets and segment liabilities are presented.

Notes to the Consolidated Financial Statements

6. REVENUE AND SEGMENT INFORMATION (CONT'D)

Other segment information

For the year ended 31 March 2018

	Trading of Resources and Commodities HK\$'000	Trading of Consumer Products HK\$'000	Money Lending HK\$'000	Securities Investment HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment results:						
Depreciation of property, plant and equipment	-	93	14	-	990	1,097
Finance costs	-	3	2,232	-	1,888	4,123

For the year ended 31 March 2017

	Trading of Resources and Commodities HK\$'000	Trading of Consumer Products HK\$'000	Money Lending HK\$'000	Securities Investment HK\$'000	Unallocated HK\$'000	Total HK\$'000
Amounts included in the measure of segment results:						
Depreciation of property, plant and equipment	-	8	-	-	236	244
Finance costs	-	57	2,393	-	2,766	5,216

Notes to the Consolidated Financial Statements

6. REVENUE AND SEGMENT INFORMATION (CONT'D)

Geographical information

The Group's revenue from external customers and information about non-current assets by geographical location of the customers and assets (excluding financial assets) respectively are detailed below:

	Revenue from external customers		Non-current assets	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Continuing operations				
Hong Kong	48,099	11,148	40,284	59,186
The People's Republic of China (the "PRC") (except Hong Kong)	1,077	132	4,978	8,434
Indonesia	36,055	49,349	-	-
The United States of America	1,269	2,316	-	-
Others	44	404	-	-
Total	86,544	63,349	45,262	67,620

Information about major customers

Revenue from customers of the corresponding years individually contributing over 10% of total sales of the Group, deriving revenue from the Group's reportable and operating segment, are as follows:

	2018 HK\$'000	2017 HK\$'000
Continuing operations		
Customer A	42,338 ¹	- ¹
Customer B	36,055 ²	49,349 ²

¹ These revenue are derived from the Group's Trading of Consume Products.

² These revenue are derived from the Group's Natural Resources and Commodities segment.

Notes to the Consolidated Financial Statements

7. OTHER INCOME

	2018 HK\$'000	2017 HK\$'000
Continuing operations		
Bank interest income	1	1
Interest income from loan to an associate	640	500
Imputed interest income from loans to investees	1,658	1,468
Dividend income	–	1,414
Others	1,224	97
	3,523	3,480

8. OTHER GAIN AND LOSSES, NET

	2018 HK\$'000	2017 HK\$'000
Continuing operations		
Change in fair value of held-for-trading investments	(6,769)	(16,562)
Change in fair value change on financial assets at fair value through profit and loss	(934)	2,039
Net foreign exchange gain	587	46
Realised loss on disposal of held for trading investments	(5,193)	(11,029)
Allowance for doubtful debt	(2,580)	–
Reversal of impairment of other receivables	780	2,340
Impairment loss recognised in respect of loan receivables	(6,666)	(305)
Write down of inventories	(62)	(3,500)
Impairment loss recognised in respect of loan to an investee	(882)	(6,624)
Loss on settlement of loan receivable	–	(2,114)
Loss on deemed disposal of interests in associates	(27,137)	–
Gain on disposal of subsidiary	450	–
	(48,406)	(35,709)

Notes to the Consolidated Financial Statements

9. FINANCE COSTS

	2018 HK\$'000	2017 HK\$'000
Continuing operations		
Interests on bank overdrafts and bank borrowings	–	57
Interests on other borrowings	2,419	2,496
Effective interests on bonds	1,704	2,663
	<u>4,123</u>	<u>5,216</u>

10. DIRECTORS' CHIEF EXECUTIVE AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive emoluments

The emoluments paid or payable to each of the 10 (2016: 9) directors were as follows:

	Year ended 31 March 2018					Total emolument HK\$'000
	Directors' fees HK\$'000	Salaries and allowances HK\$'000	Bonus HK\$'000	Share-based payment HK\$'000	Retirement benefits scheme contributions HK\$'000	
Executive Directors						
Ms. Lin Su (<i>Note 5</i>)	240	–	–	–	–	240
Mr. Tse Sing Yu (<i>Note 5</i>)	360	–	–	–	18	378
Non-executive Directors						
Mr. Law Chung Lam, Nelson	300	–	–	–	–	300
Independent Non-executive Directors						
Mr. Tam Chak Chi	–	–	–	–	–	–
Mr. Liu Yongsheng (<i>Note 9</i>)	120	–	–	–	–	120
Mr. Chan Ka Hung (<i>Note 9</i>)	120	–	–	–	–	120
Total emoluments	<u>1,140</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>18</u>	<u>1,158</u>

Notes to the Consolidated Financial Statements

10. DIRECTORS' CHIEF EXECUTIVE AND EMPLOYEES' EMOLUMENTS (CONT'D)

Directors' and chief executive emoluments (cont'd)

The emoluments paid or payable to each of the 10 (2016: 9) directors were as follows:

	Year ended 31 March 2017					
	Directors' fees	Salaries and allowances	Bonus	Share-based payment	Retirement benefits scheme contributions	Total emolument
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive Directors						
Mr. Wong Ka Wah, Albert (Note 6)	-	880	-	-	6	886
Mr. Hong Sze Lung (Note 4)	-	3,513	-	-	13	3,526
Mr. Kwong Yuk Lap (Note 6)	-	355	1,200	-	7	1,562
Ms. Lin Su (Note 5)	-	120	-	804	-	924
Mr. Tse Sing Yu (Note 5)	180	-	-	804	12	996
Non-executive Directors						
Mr. Lau Wan Pui, Joseph (Note 8)	135	-	-	-	-	135
Mr. Law Chung Lam, Nelson	260	-	-	-	-	260
Mr. Lu Xianglong (Note 3)	41	-	-	-	-	41
Independent Non-executive Directors						
Mr. Leung Ka Tin (Note 7)	82	-	-	-	-	82
Mr. Tam Chak Chi	280	-	-	-	-	280
Mr. Chow Chi Fai (Note 9)	155	-	-	-	-	155
Mr. Liu Yongsheng (Note 10)	52	-	-	-	-	52
Mr. Chan Ka Hung (Note 10)	51	-	-	-	-	51
Total emoluments	1,236	4,868	1,200	1,608	38	8,950

Salaries, allowance and benefits in kind paid to or for the executive directors are generally emoluments paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

Notes to the Consolidated Financial Statements

10. DIRECTORS' CHIEF EXECUTIVE AND EMPLOYEES' EMOLUMENTS (CONT'D)

Directors' and chief executive emoluments (cont'd)

Notes:

- (1) Incentive performance bonus for the year ended 31 March 2017 was determined by the remuneration committee having regard to the performance and duties of directors and the Group's operating results.
- (2) Mr. Lu Xianglong was appointed on 24 February 2016 and retired on 3 August 2016.
- (3) Mr. Hung Sze Lung is also the chief executive and his emoluments disclosed above include those for services rendered by him as the chief executive and resigned as executive directors on 31 December 2016.
- (4) Ms. Lin Su and Mr. Tse Sing Yu were appointed as executive directors on 30 September 2016.
- (5) Mr. Wong Ka Wah, Albert and Mr. Kwong Yuk Lap retired as executive directors on 3 August 2016.
- (6) Mr. Leung Ka Tin retired as independent non-executive director on 3 August 2016.
- (7) Mr. Lau Wan Pui, Joseph resigned as non-executive directors on 31 October 2016.
- (8) Mr. Chow Chi Fai resigned as non-executive director on 31 October 2016
- (9) Mr. Liu Yongsheng and Mr. Chan Ka Hung were appointed as independent non-executive directors on 28 October 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. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company. No directors of the Company waived any emoluments during the years ended 31 March 2018 and 2017.

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2017: two) were directors of the Company whose emoluments are set out above. The emoluments of the remaining three (2017: three) individuals are as follows:

	2018 HK\$'000	2017 HK\$'000
Salaries, bonus and other benefits	1,075	5,385
Contributions to retirement benefits schemes	52	37
	<u>1,127</u>	<u>5,422</u>

Notes to the Consolidated Financial Statements

10. DIRECTORS' CHIEF EXECUTIVE AND EMPLOYEES' EMOLUMENTS (CONT'D)

Employees' emoluments (cont'd)

Their emoluments were within the following bands:

	2018 Number of employee	2017 Number of employee
Nil to HK\$1,000,000	3	1
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$3,000,001 to HK\$3,500,000	–	1
	<u> </u>	<u> </u>

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals during the years ended 31 March 2018 and 2017 as an inducement to join or upon joining the Group or as compensation for loss of office.

11. TAXATION

	2018 HK\$'000	2017 HK\$'000
Tax credit comprise of:		
Current tax	(79)	(116)
Deferred tax credit (<i>note 30</i>)	72	72
	<u> </u>	<u> </u>
	<u>(7)</u>	<u>(44)</u>

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulations of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

No provision for Hong Kong Profits Tax has been made for both years as the Group did not generate any assessable profits arising in Hong Kong.

Notes to the Consolidated Financial Statements

11. TAXATION (CONT'D)

According to the current applicable laws of the Macau Special Administrative Region, Macau Complementary Tax is calculated at a progressive rate from 9% to 12% (2016: 9% to 12%) on the estimated assessable profits for the year with the first two hundred thousand Patacas (“MOP”) assessable profits being free from tax. However, Greenfortune (Macao Commercial Offshore) Limited (“Greenfortune”), wholly-owned subsidiary of the Company, operating in Macau during the current and prior years is in compliance with the Decree-Law No. 58/99/M of Macau Special Administrative Region, and thus, the profits generated by the subsidiary is exempted from the Macau Complementary Tax. No provision for profits tax in Macau has been made for both years as the Group did not generate any assessable profits arising in Macau.

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

	2018 HK\$'000	2017 HK\$'000
Continuing operations		
Loss before taxation	(59,766)	(81,871)
Tax at the income tax rate of 16.5% (2016: 16.5%)	4,306	13,509
Tax effect of expenses not deductible for tax purposes	(4,033)	(11,609)
Tax effect of income not taxable for tax purposes	-	112
Tax effect of the tax losses not recognised	-	(2,733)
Tax effect of share of results of an associate	(352)	543
Tax effect of utilisation of tax losses not previously recognised	-	62
Tax effect on reversal of deferred tax liability	72	72
Taxation for the year	(7)	(44)

Notes to the Consolidated Financial Statements

12. LOSS FOR THE YEAR

(a) Loss for the year has been arrived at after charging:

	2018 HK\$'000	2017 HK\$'000
Continuing operations		
Auditor's remuneration	600	500
Cost of inventories recognised as an expense	42,431	58,462
Depreciation of property, plant and equipment	1,097	244
Amortisation of intangible assets (included in other expenses)	1,725	2,834
Operating lease rentals in respect of land and buildings	4,174	2,978
Loss on deemed disposal of interests in associates	(27,137)	–
Staff costs including directors' emoluments		
– Salaries, wages and other benefits	3,473	7,629
– Share-based payments	–	1,608
– Contributions to retirement benefits schemes	126	181
	<hr/>	<hr/>
Total staff costs	3,599	9,418
Share-based payments to consultants (included in other expenses)	–	3,024
	<hr/> <hr/>	<hr/> <hr/>

(b) Discontinued operations

On 24 March 2016, the Company entered into conditional sale and purchase agreement (the "Paraburdoo Agreement") with an independent third party (the "Purchaser") whereby the Company agreed to sell and the Purchaser agreed to purchase (i) the entire equity interests held by the Company in Paraburdoo Limited (together with its subsidiaries, collectively referred to as the "Paraburdoo Group"); and (ii) all obligation, liabilities and debts owing or incurred by Paraburdoo Group to the Company on or at any time prior to the completion of the Paraburdoo Agreement whether actual, contingent or deferred and irrespective of whether or not the same is due or payable on completion of the Paraburdoo Agreement at a cash consideration of HK\$2,000,000.

Paraburdoo Group is principally engaged in manufacturing and sale of fresh and dried noodles which was one of the Group's operating segments. The disposal allows the Group to exit from subsidizing the non-performing business of the Paraburdoo Group and create a good opportunity for the Group to restructure its strategic business position and focus its resources in pursuing development opportunities of other existing business of the Group.

Notes to the Consolidated Financial Statements

12. LOSS FOR THE YEAR (CONT'D)

(b) Discontinued operations (cont'd)

On 25 July 2016, the transaction was completed and the Paraburdoo Group ceased to be subsidiaries of the Company. The carrying amounts of assets and liabilities disposed of for the Paraburdoo Group at the date of disposal are disclosed in note 35 to the consolidated financial statements.

The disposal of the Paraburdaoo Group constitutes a discontinued operation and the financial information of the Paraburdoo Group is disclosed as follows:

	2017 HK\$'000
Revenue	5,087
Cost of sales	(3,135)
	<hr/>
Gross profit	1,952
Other income	18
Selling expenses	(372)
Administrative expenses	(1,617)
Other expenses	-
Impairment loss recognised in respect of property, plant and equipment	-
	<hr/>
Loss before taxation	(19)
Taxation	-
	<hr/>
Loss for the year	(19)
Gain on disposal of discontinued operations	511
	<hr/>
Profit (loss) for the year from discontinued operations	<u>492</u>

The carrying amount of the assets and liabilities of Paraburdoo Group at the date of disposal are disclosed in note 35.

Notes to the Consolidated Financial Statements

13. DIVIDEND

The directors do not recommend the payment of a final dividend for the year ended 31 March 2018 (2017: nil).

14. LOSS PER SHARE

Continuing and discontinued operations

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

	2018 HK\$'000	2017 HK\$'000
Loss		
Loss for the purposes of basic and diluted loss per share	<u>(57,105)</u>	<u>(81,635)</u>

	2018 '000	2017 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	<u>774,963</u>	<u>684,786</u>

Continuing operations

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

	2018 HK\$'000	2017 HK\$'000
Loss		
Loss for the purposes of basic and diluted loss per share	<u>(57,105)</u>	<u>(82,127)</u>

Notes to the Consolidated Financial Statements

14. LOSS PER SHARE (CONT'D)

Continuing operations (cont'd)

	2018 '000	2017 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	774,963	684,786

Discontinued operations

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

	2018 HK\$'000	2017 HK\$'000
Loss		
Loss for the purposes of basic and diluted loss per share	-	492

	2018 '000	2017 '000
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	-	684,786

The computation of diluted loss per share for the years ended 31 March 2018 and 2017 do not assume the exercise of the Company's share options as they would reduce loss per share.

Notes to the Consolidated Financial Statements

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture and equipment HK\$'000	Motor vehicles HK\$'000	Motoryacht HK\$'000	Total HK\$'000
Cost						
At 1 April 2017	2,261	12,520	2,407	356	-	17,544
Effect of foreign exchange difference	(29)	(56)	(42)	(10)	-	(137)
Addition	49	-	92	-	-	141
Disposals	(1,322)	(12,464)	(2,171)	(346)	-	(16,303)
At 31 March 2017 and 1 April 2017	959	-	286	-	-	1,245
Additions	1,173	-	12	-	3,800	4,985
At 31 March 2018	2,132	-	298	-	3,800	6,230
Depreciation and impairment						
At 1 April 2016	1,735	12,061	2,054	246	-	16,096
Effect of foreign exchange difference	(23)	(20)	(35)	(14)	-	(92)
Provided for the year	207	38	84	7	-	336
Eliminated on disposals through disposal of subsidiary (<i>note35</i>)	(1,146)	(12,079)	(1,902)	(239)	-	(15,366)
At 31 March 2017 and 1 April 2017	773	-	201	-	-	974
Provided for the year	285	-	52	-	760	1,097
At 31 March 2018	1,058	-	253	-	760	2,071
Net carrying value:						
At 31 March 2018	1,074	-	45	-	3,040	4,159
At 31 March 2017	186	-	85	-	-	271

Notes to the Consolidated Financial Statements

15. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

The above items of property, plant and equipment are depreciated on straight-line basis to their residual values at the following rates per annum:

Leasehold improvements	10%-20%
Plant and machinery	10%-20%
Furniture and equipment	10%-20%
Motor vehicles	20%
Motoryacht	20%

During the year ended 31 March 2016, there was unexpected unfavorable performance in the Packaged Food business which was due to the escalating costs in raw materials and direct labour and downturn in global economy. The management conducted an impairment assessment of the property, plant and equipment of the Packaged Food Business. The recoverable amount is the higher of value in use and fair value less costs of disposal. An impairment loss of HK\$6,894,000 has been recognised for the property, plant and equipment as the recoverable amount is less than the carrying amount. Also the packaged Food Business was disposal on July 2016.

16. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES

	2018 HK\$'000	2017 HK\$'000
Cost of investments in associates		
Unlisted	100,274	100,274
Share of post-acquisition results and other comprehensive expenses	(37,517)	(39,929)
Less: impairment	(35,441)	(35,441)
Less: loss on deemed disposal	(27,316)	-
	-	24,904
Loans to associates (current assets)	6,753	6,454
Less: Transfer to loan to investee (current assets) (Note 17)	(6,753)	-
Total	-	6,454

During the year ended 31 March 2018, the Group's equity interest in Goldenbase was diluted from 33.33% to 0.7% by capital injection by other shareholder. Therefore, the investment in associate was deemed disposed and the loss is HK\$ 27,137,000 and HK\$ 179,000 is the fair value of investment in Goldenbase is negligible which is approximate to its carrying value as at the deemed disposal date 30 January 2018 and has been reallocated to Available-for-Sale Investment. (Note 21). Furthermore, the loan to Goldenbase of HK\$6,753,000 (2017:HK\$6,254,000) is unsecured, interest-bearing at 10% (2017: 10%) per annum and repayable on demand. Therefore, the amount is reallocated to Loan to investee (Note 17) as at 31 March 2018.

Notes to the Consolidated Financial Statements

16. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES (CONT'D)

As at 31 March 2018 and 2017, the Group had interests in the following associates:

Name of entity	Form of business structure	Country of incorporation/ establishment	Principal place of operation	Class of share held	Proportion of equity interest held by the Group		Proportion of Voting power held by the Group		Principal activities
					2018	2017	2018	2017	
Goldenbase	Incorporated	Republic of Seychelles	Hong Kong	Registered capital	0.7% (Note 2)	33.3%	0.7% (Note 2)	33.3%	Investment holdings
Joyful Ease	Incorporated	British Virgin Islands	Hong Kong	Registered capital	N/A	N/A (Note 1)	N/A (Note 1)	N/A (Note 1)	Investment holdings
Subsidiaries of Goldenbase									
Royal Dragon Corporation Limited	Incorporated	Hong Kong	Hong Kong	Ordinary shares	0.7% (Note 2)	33.3%	0.7% (Note 2)	33.3%	Investment holdings
Royal Wish Resources Trading Limited	Incorporated	Hong Kong	Hong Kong	Ordinary shares	0.7% (Note 2)	33.3%	0.7% (Note 2)	33.3%	Coal trading
青海富譽恒盈資源有限公司	Incorporated	PRC	PRC	Registered capital	0.7% (Note 2)	33.3%	0.7% (Note 2)	33.3%	Coal trading
Subsidiaries of Joyful Ease									
Joy Access Corporation Limited	Incorporated	Hong Kong	Hong Kong	Ordinary shares	N/A	N/A (Note 1)	N/A (Note 1)	N/A (Note 1)	Operation of club and investments
FOVEA Club (HK) Limited	Incorporated	Hong Kong	Hong Kong	Ordinary shares	N/A	N/A (Note 1)	N/A (Note 1)	N/A (Note 1)	Operation of club and investments

Note 1: On 17 August 2015, the Group's equity interest in Joyful Ease was diluted from 49% to 19% as a result of capital injection by other shareholders to Joyful Ease. On the same day, the Group irrevocably surrendered its rights to vote at both meetings of shareholders and directors relating to financial and operating decisions of Joyful Ease. With this background, the directors of the Company consider that the Group does not have significant influence on Joyful Ease as the board of directors of Joyful Ease is dominated by the controlling shareholder, and the Group merely has protective rights in attending the board meetings to oversee the daily operations carried out by Joyful Ease. Therefore, the investment in Joyful Ease is classified as "available-for-sale investment" in the consolidated statement of financial position.

Note 2: "On 30 January 2018, the Group's equity interest in Goldenbase was diluted from 33.3% to 0.7% as a result of capital injection by other shareholders to Goldenbase. On 9 November 2017, the Group irrevocably surrendered its rights to vote at both meetings of shareholders and directors relating to financial and operating decisions of Goldenbase. With this background, the directors of the Company consider that the Group does not have significant influence on Goldenbase as the board of directors of Goldenbase is dominated by the controlling shareholder, and the Group merely has protective rights in attending the board meetings to oversee the daily operations carried out by Goldenbase. Therefore, the investment in Goldenbase is classified as "available-for-sale investment" in the consolidated statement of financial position."

The loan to Goldenbase Limited ("Goldenbase") of HK\$6,753,000 (2017: HK\$6,254,000) is unsecured, interest-bearing at 10% (2017: 10%) per annum and repayable on demand. Therefore, the amount is classified as current assets as at 31 March 2018 and 2017.

Notes to the Consolidated Financial Statements

16. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES (CONT'D)

The Group has not provided for impairment loss on loans to associates after assessment of the financial position and the future business development of the associates and the amounts are still considered recoverable as at 31 March 2017.

The summarised consolidated financial information in respect of the Group's associates are set out below:

All of these associates are accounted for using the equity method in these consolidated financial statements.

Goldenbase and its subsidiaries

	2017 HK\$'000
Current assets	102,819
Non-current assets	2,419
Current liabilities	(87,492)
	Year ended 31 March 2017 HK'000
Revenue	246,174
Profit for the year	9,878
Other comprehensive expense for the year	(513)
Profit and total comprehensive income for the year	9,365

There are no significant restrictions on the ability of Goldenbase to transfer funds to the Group in the form of cash dividends, or to repay loans or advance made by the Group.

Notes to the Consolidated Financial Statements

16. INTERESTS IN ASSOCIATES/LOANS TO ASSOCIATES (CONT'D)

Goldenbase and its subsidiaries (cont'd)

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

	2017 HK\$'000
Net assets of Goldenbase and its subsidiaries ("Goldenbase Group")	17,746
Proportion of the Group's equity interests in Goldenbase	33.3%
Group's share of net assets of Goldenbase Group	5,914
Others	657
Goodwill	18,333
	<hr/>
Carrying amount of the Group's interests in Goldenbase Group	<u>24,904</u>

The directors of the Company carried out impairment review during the years ended 31 March 2017 and 2016 on the carrying amount of its interest in Goldenbase Group individually as a single asset by comparing its recoverable amount based on the higher of value in use and fair value less costs of disposal with its carrying amount. In determining the value in use of the investment, the calculation uses cash flow projections based on financial budgets approved by management covering a 5-years period and discount rate of 10.37%. The growth rate is based on the budgeted growth rate of 3%, which is determined by management's expectations for the market development, and does not exceed the average long-term growth rate for the relevant industry. Other key assumption of the value in use calculation is based on the budgeted cash inflow/outflows which include budgeted sales and gross margin on respective products sold. No impairment loss was recognised during the years ended 31 March 2017.

Notes to the Consolidated Financial Statements

17. LOANS TO INVESTEE

	2018 HK\$'000	2017 HK\$'000
At 1 April	–	–
Add: Transfer from loan to investee (current assets) (Note 16)	6,753	–
	<hr/>	<hr/>
At 31 March	6,753	–
	<hr/> <hr/>	<hr/> <hr/>

During the year ended 31 March 2018, the Group's equity interest in Goldenbase was diluted from 33.33% to 0.7% by capital injection by other shareholder. Therefore, the investment in associate was deemed disposed and the loss is HK\$ 27,137,000 and HK\$ 179,000 is the fair value of investment in Goldenbase is negligible which is approximate to its carrying value as at the deemed disposal date 31 January 2018 and has been reallocated to Available-for-Sale Investment. (Note 21). Furthermore, the loan to Goldenbase of HK\$6,753,000 (2017:HK\$6,254,000) is unsecured, interest-bearing at 10% (2017: 10%) per annum and repayable on demand. Therefore, the amount is reallocated from Loan to associates (Note 16) as at 31 March 2018.

18. GOODWILL

	HK\$'000
Costs	
As at 1 April 2016, 1 April 2017 and 31 March 2018	34,279
	<hr/> <hr/>

For the purpose of impairment testing during the year ended 31 March 2018, goodwill has been allocated to the CGU of sale of consumer products business segment. The recoverable amount of the CGU has been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a 5-years period and discount rate of 18.10% (2017: 11.27%), The growth rate is based on the budgeted growth rate of 3% (2017: 3%), which is determined by management's expectations for the market development, and does not exceed the average long-term growth rate for the relevant industry. Other key assumption of the value in use calculation is based on the budgeted cash inflow/outflows which include budgeted sales and gross margin on respective products from the CGU. No impairment on goodwill was considered necessary during the year ended 31 March 2018 and management believes that any reasonably possible change in any of the assumption would not cause the carrying amount of the CGU to exceed the recoverable amount of the CGU as at 31 March 2018 and 2017.

Notes to the Consolidated Financial Statements

19. INTANGIBLE ASSETS

	Distribution right in 3D phone HK\$'000	Customer relationship HK\$'000	Distribution right in sports cars HK\$'000	Money lending license HK\$'000	Total HK\$'000
Cost					
At 1 April 2016	1,600	2,610	20,000	–	24,210
Acquisition of intangible assets through acquisition of subsidiary (note 33)	–	–	–	324	324
At 31 March 2017 and 1 April 2017	1,600	2,610	20,000	324	24,534
At 31 March 2018	1,600	2,610	20,000	324	24,534
Amortisation and impairment					
At 1 April 2016	–	218	3,000	–	3,218
Amortisation	400	434	2,000	–	2,834
Impairment	1,200	–	6,566	–	7,766
At 31 March 2017 and 1 April 2017	1,600	652	11,566	–	13,818
Amortisation	–	435	1,290	–	1,725
Impairment	–	–	2,167	–	2,167
As at 31 March 2018	1,600	1,087	15,023	–	17,710
Carrying values					
As at 31 March 2018	–	1,523	4,977	324	6,824
As at 31 March 2017	–	1,958	8,434	324	10,716

Notes to the Consolidated Financial Statements

19. INTANGIBLE ASSETS (CONT'D)

During the year ended 31 March 2016, Bright Billion Holdings Limited (“Bright Billion”), a wholly-owned subsidiary of the Company, signed a distribution agreement with a supplier, pursuant to which, Bright Billion was appointed as an authorised distributor and granted the right of distribution, marketing and service of a 3D phone “FOVEA” in India at a consideration of HK\$1,600,000 in cash. The distribution right in 3D phone has finite useful lives and are amortised on a straight-line basis over 5 years. The directors decided that the 3D phone project has not yet operated and no revenue generated in the last 2 years. The Group’s Chief operating decision makers decided to make a fully impairment of the carrying amount HK\$1,200,000 in year ended 31 March 2017.

The intangible assets of customer relationship are acquired from the acquisition of a subsidiary during the year ended 31 March 2016 and is amortised on a straight-line basis over 6 years.

Trading Contracts represents contracts on the estimated profit margin to be derived from customer agreement and suppliers’ agreements on trading of magnetite sand concentrate. Amortisation for contract based intangible assets with finite useful lives in which the trading volume for the related transaction cannot be reliably estimated is provided on a straight-line basis over the contract period.

During the year ended 31 March 2018, the directors considered the market feasibility for this kind of sport car and therefore reassessed the value of distribution rights in sports cars. For the purpose of impairment testing of distribution rights in sports cars during the year ended 31 March 2018, the recoverable amount of distribution rights in sports cars has been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budget approved by management covering the remaining contract term and a discount rate of 18.1% (2017: 15.97%). The key assumption of the value in use calculation of distribution rights in sports cars is based on the budgeted cash inflows/outflows that the distribution rights will be earned or expenses incurred through products sold. During the year ended at 31 March 2018, HK\$2,167,000 (2017: 7,766,000) impairment loss was recognised.

20. INVENTORIES

	2018 HK\$'000	2017 HK\$'000
Finished goods	1,063	412
	<u>1,063</u>	<u>412</u>

Notes to the Consolidated Financial Statements

21. AVAILABLE-FOR-SALE INVESTMENTS/HELD-FOR-TRADING INVESTMENTS

	2018 HK\$' 000	2017 HK\$' 000
Available-for-sales Investments	4,508	4,329

The unlisted available-for-sale equity investment is measured at fair value at initial recognition upon deemed disposal of Joyful Ease and Goldenbase (details set out in note 16) on 17 August 2015 and 31 January 2018 respectively. The fair value of investment in Joyful Ease and Goldenbase are both negligible which is approximate to its carrying value as at the date of deemed disposal.

In addition, on 20 January 2016, the Group entered into shareholders' agreements with an independent third party pursuant to which both parties agreed to invest into a company incorporated in Hong Kong, namely Ocean Group (Asia) Limited ("Ocean Group"). According to the agreements, the Group is required to pay HK\$10,000,000, representing investment cost of HK\$2,000 and shareholder's loan of HK\$9,998,000. The contribution represents 20% equity interest in Ocean Group. The directors of the Company consider that the Group does not have significant influence in Ocean Group based on the fact that the Group is not entitled to vote at shareholders meeting and does not have the right to appoint director. Therefore, the investment in Ocean Group of HK\$2,000 is classified as "available-for-sale investment" in the consolidated statement of financial position. The shareholder's loan is unsecured, interest free and provided to the investee based on percentage shareholding of respective shareholders. The directors of the Company expect that the shareholder's loan will be repaid after five years from the end of the reporting period, and hence the amount is classified as a non-current asset. Such non-current interest-free loan to investee is adjusted to its fair value. At initial recognition, the fair value adjustment of HK\$4,327,000 is capitalised to the cost of available-for-sale investments using effective interest rate of 11.96% per annum.

	2018 HK\$'000	2017 HK\$'000
Held-for-trading investments		
Listed securities:		
Equity securities listed in Hong Kong	8,489	45,636

Note: The fair values of these listed securities are determined based on the quoted market bid prices at the end of each reporting period.

Notes to the Consolidated Financial Statements

22. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 HK\$'000	2017 HK\$'000
Unlisted convertible debt securities in Hong Kong, at fair value	10,038	10,972

During the year ended 31 March 2017, the Group acquired convertible bonds with principal amounts of HK\$7,000,000 ("CB 1") issued by Deson Construction International Holdings Limited ("Deson"), a company incorporated in the Cayman Islands and its shares are listed on the Stock Exchange of Hong Kong Limited (Stock code: 8268), an independent third party, at a consideration of HK\$7,000,000 satisfied by cash. CB 1 are unsecured, bearing interest at 2% and will mature on 17 April 2019. The CB 1 entitles the Group to convert into ordinary shares of Deson at any time for the period commencing on 12 months after the date of issue of the CB 1 to 7 days immediately preceding the maturity date on 17 April 2019 at a conversion price of HK\$0.3 per ordinary shares of Deson. Deson is principally involved in construction business in Hong Kong, Mainland China and Macau. As the CB 1 contain an embedded derivative which is the conversion option, the CB 1 was designated by the management of the Group as financial assets at fair value through profit or loss.

During the year ended 31 March 2017, the Group acquired convertible bonds with principal amounts of US\$1,000,000 ("CB 2") issued by Siberian Mining Group Company Limited ("Siberian"), a company incorporated in the Cayman Islands and its shares are listed on the Stock Exchange of Hong Kong Limited (Stock code: 1142), an independent third party, in exchange for loan receivable of HK\$4,047,000. The fair value of the CB 2 of approximately HK\$1,933,000 as at acquisition date with a loss on settlement of loan receivable HK\$2,114,000 for the year ended 31 March 2017. The CB 2 entitles the Company to convert into 162,500 ordinary shares of Siberian at any time between the date of issue of the CB and the maturity date on 3 April 2018 at a conversion price of US\$6.154 per conversion share. On the maturity date, Siberian shall redeem the CB 2 at 115% of the outstanding principal amount. Siberian is principally involved in holding of mining rights of coal mine located in Russia and conducting the business of coal trading and scrapped iron trading. As the CB 2 contain an embedded derivative which is the conversion option the CB 2 was designated by the management of the Group as financial assets at fair value through profit or loss.

Notes to the Consolidated Financial Statements

22. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS (CONT'D)

The movement of the assets component of the convertible bonds for the year is set out below:

	CB1 HK\$'000	CB2 HK\$'000	Total HK\$'000
At 1 April 2017	8,375	2,597	10,972
Fair value change	(1,296)	362	(934)
	<hr/>	<hr/>	<hr/>
At 31 March 2018	<u>7,079</u>	<u>2,959</u>	<u>10,038</u>

23. TRADE RECEIVABLES

The Group's credit terms on Trading of Consumer Products business generally range from 30 to 120 days. Each customer has a maximum credit limit. For new customers, payment in advance is normally required. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors. The Group allows an average credit period of 30 days to its customers from Trading of Consumer Products business. An ageing analysis of the trade receivables presented based on the invoice date (which is approximate the revenue recognition date) at the end of the reporting period is presented below.

	2018 HK\$'000	2017 HK\$'000
0-90 days	3,981	2,628
91-180 days	-	40
	<hr/>	<hr/>
	<u>3,981</u>	<u>2,668</u>

Notes to the Consolidated Financial Statements

23. TRADE RECEIVABLES (CONT'D)

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Credit limits attributable to customers are reviewed regularly. Customers representing trade receivables that are neither past due nor impaired are customers that have no default of payment in the past and have good credit rating attributable under the credit review procedures used by the Group.

The Group has a policy for allowance of bad and doubtful debts which is based on the evaluation of collectability and ageing analysis of accounts and on management's judgement including the credit creditworthiness and the past collection history of each client.

Included in the Group's trade receivables are debtors with aggregate carrying amount of HK\$Nil (2017: HK\$40,000), which are past due as at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the trade receivable and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2018 HK\$'000	2017 HK\$'000
0-90 days	-	-
91-180 days	-	40
	<u>-</u>	<u>40</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The trade receivables past due but not provided for as at the end of the reporting period were either subsequently settled or no historical default of payments was noted by the respective customers. Concentration of credit risk arising from trade receivables is limited due to the customer base being large and unrelated. The directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Notes to the Consolidated Financial Statements

24. LOANS RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Unsecured fixed-rate loans receivables	43,488	22,457
Secured fixed-rate loans receivables	18,179	17,695
Less: impairment	(6,666)	(304)
Total	55,001	39,848
Analysed as:		
Non-current	113	2,704
Current	61,554	37,448
Less: impairment	(6,666)	(304)
Total	55,001	39,848

As at 31 March 2018 and 2017, secured loans receivables are secured by the residential properties pledged.

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

	2018 HK\$'000	2017 HK\$'000
Within one year	54,888	37,144
More than one year, but not exceeding five years	113	2,704
Total	55,001	39,848

Notes to the Consolidated Financial Statements

24. LOANS RECEIVABLES (CONT'D)

The Group seeks to apply strict control over its outstanding loans receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management.

Except for the one with maturity period of 5 years (2017: one), the loans receivable had contractual maturity dates between six months to a years as at 31 March 2018 (2017: six months to a year). The interest rate for the fixed-rate loans receivable was ranged from 3.5% to 42% (2016: 10% to 42%) per annum.

Included in the Group's loans receivables are borrowers with aggregate carrying amount of approximately HK\$34,345,000 (2017: HK\$17,391,000), which are past due as at the end of the reporting period for which the Group has not provided for impairment loss as there has not been a significant change in credit quality of the loans receivables and the amounts are still considered recoverable. During the after year ended period HK\$16.2 million of the loan receivables which have been past due but not impaired have been recovered. An amount of HK\$17,391,000 (2016: HK\$8,351,000) was secured by the respective residential properties pledged.

Ageing of loans receivables which are past due but not impaired

	2018 HK\$'000	2017 HK\$'000
0-90 days	992	772
91-180 days	996	1,915
Over 180 days	32,357	14,704
	34,345	17,391

There is no concentration of credit risk on loans receivables as the exposure spread over a number of customers. The above loan receivables are arising from the money lending business.

The movement in impairment of loan receivables are as follow:

	2018 HK\$'000	2017 HK\$'000
At 1 April	304	-
Impairment loss recognised	6,666	304
Amounts written off	(304)	-
At 31 March	6,666	304

Notes to the Consolidated Financial Statements

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Non-current assets:		
Other receivables and deposits	2,000	3,082
Loans to investees	15,864	13,123
Less: Impairment recognised in respect of loan to an investee (<i>Note i</i>)	(7,506)	(6,624)
	<u>10,358</u>	<u>9,581</u>
Current assets:		
Other receivables, deposits and prepayments	10,458	10,679
Less: allowance for doubtful debt (<i>Note ii</i>)	(2,580)	–
	<u>7,878</u>	<u>10,679</u>

Notes:

- (i) The movement in impairment loss on loan to investee are as follow:

	2018 HK\$'000	2017 HK\$'000
At 1 April	6,624	–
Impairment loss recognised	882	6,624
	<u>7,506</u>	<u>6,624</u>

- (ii) The movement in allowance for doubtful debt are as follow:

	2018 HK\$'000	2017 HK\$'000
At 1 April	–	–
Allowance recognised	2,580	–
	<u>2,580</u>	<u>–</u>

Notes to the Consolidated Financial Statements

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONT'D)

Notes: (cont'd)

- (iii) The balance represents shareholder's loans to Joyful Ease and Ocean Group of which are unsecured and interest-free.

The directors of the Company expect that the shareholder's loan to Joyful Ease with principal amount of HK\$9,000,000 will be repaid after five years from the date of derecognition of interest in Joyful Ease to available-for-sale investments in year ended 31 March 2016, and hence the amount is classified as a non-current asset. Such non-current interest-free loan to investee is adjusted for revised estimates and HK\$4,241,000 is debited to profit or loss using effective interest rate of 13.63% per annum in the year ended 31 March 2016. The balance as at 31 March 2017 is HK\$6,645,000 (2017: HK\$5,855,000). Impairment loss HK\$790,000 (2017: 5,855,000) was recognised during the year.

The directors of the Company expect that another shareholder's loan to Joyful Ease with principal amount of HK\$1,200,000 will be repaid after five years from the first day of drawdown in the year ended 31 March 2016, and hence the amount is classified as a non-current asset. Such non-current interest-free loan to investee is adjusted for revised estimates and HK\$515,000 is debited to profit or loss using effective interest rate of 11.88% per annum in the year ended 31 March 2016. The balance as at 31 March 2018 is HK\$861,000 (2017: HK\$769,000). Impairment loss HK\$769,000 (2016: Nil) was recognised during the year.

The directors of the Company expect that the shareholder's loan to Ocean Group with principal amount of HK\$9,998,000 will be repaid after five years from the first day of drawdown in the year ended 31 March 2016, and hence the amount is classified as a non-current asset. Such non-current interest-free loan to investee is adjusted for revised estimates and HK\$4,327,000 is debited to available-for-sale investments using effective interest rate of 11.96% per annum in the year ended 31 March 2016. The balance as at 31 March 2018 is HK\$7,274,000 (2017: HK\$6,499,000).

26. CASH AND CASH EQUIVALENTS

The balance include bank balances which receive variable interest at an average rate of 1% (2017: 1%) per annum. For the year ended 31 March 2018, none of the bank balances was denominated in RMB (2017: HK\$ Nil), which is not freely convertible into other currencies.

Notes to the Consolidated Financial Statements

27. TRADE PAYABLES

The following is an ageing analysis of trade payable presented based on the invoice date at the end of the reporting period.

	2018 HK\$'000	2017 HK\$'000
0-90 days	94	1,205
91-180 days	96	102
Over 180 days	117	–
	<u>307</u>	<u>1,307</u>

The credit period ranged from 90 days to 120 days.

28. BANK BORROWINGS

As at 31 March 2017, all the bank borrowings contain a repayment on demand clause and accordingly the balance is shown under current liabilities. The following table details the amounts due which are based on scheduled repayment dates set out in the loan agreements:

	2018 HK\$'000	2017 HK\$'000
Carrying amount repayable:		
Within one year	–	147
Within a period of more than one year but not exceeding two years	–	–
	<u>–</u>	<u>147</u>

Bank borrowings comprise:

	2018	2017
Fixed-rate bank borrowings	–%	8.39%

Notes to the Consolidated Financial Statements

29. BONDS

	HK\$'000
As at 1 April 2016	17,663
New bond issue	11,000
Effective interest expense	2,663
Interest paid	(1,200)
	<hr/>
As at 1 March 2017 and 1 April 2017	30,126
Effective interest expense	1,704
Interest paid	(2,754)
Repayment	(21,000)
	<hr/>
As at 31 March 2018	<u>8,076</u>

	2018 HK\$'000	2017 HK\$'000
Analysed by:		
Current	–	22,585
Non-current	<u>8,076</u>	<u>7,541</u>
	<hr/> <u>8,076</u>	<hr/> <u>30,126</u>

On 18 September 2013, 18 October 2013 and 28 November 2013, the Company issued unsecured bonds to independent third parties with principal amounts of HK\$10,000,000, HK\$11,000,000 and HK\$10,000,000, respectively and with coupon rates of 5%, 5% and 5.33% per annum respectively. The aggregate consideration of these bonds amounted to HK\$27,000,000 which has been netted with the fully prepaid interest of HK\$4,000,000. The effective interest rates of these bonds ranged from 5% to 6.594%. The maturity dates of the bonds ranged from 2 years to 7.5 years. During the year ended 31 March 2015, the Company redeemed the bond with principal amount of HK\$11,000,000 upon maturity. Upon the maturity of another bond with principal amount of HK\$10,000,000 on 18 September 2016, the Company extended the maturity date to 17 September 2017, carried at an interest of 12% per annum. The bond was redeemed during the year ended 31 March 2018.

On 7 July 2016, the Company issued unsecured bond to an independent third party with principal amount HK\$11,000,000. The effective interest rate of this bond is 12%. The maturity date of this bond was 1 year and to be redeemed on 6 July 2017. The bond was redeemed during the year ended 31 March 2018.

Notes to the Consolidated Financial Statements

30. OTHER BORROWINGS

	2018 HK\$'000	2017 HK\$'000
Other borrowings:		
– Secured and due within one year	21,287	21,055
– Unsecured and due within one year	2,587	2,403
	<u>23,874</u>	<u>23,458</u>
Analysed by:		
Current	<u>23,874</u>	<u>23,458</u>
	<u>23,874</u>	<u>23,458</u>

The other borrowings of HK\$21,287,000 (2017: HK\$21,055,000) are granted by the non-controlling shareholders of a subsidiary of the Company, which bears fixed-rate interests of 12% per annum and repayable on demand. The other borrowings are secured by the loans receivables of HK\$6,865,000 (2017: HK\$12,773,000) as at 31 March 2018.

The other borrowing of HK\$2,587,000 represents unsecured short-term borrowings which bears interest rate at 8% per annum and repayable with one year.

31. DEFERRED TAXATION

The following are the major deferred tax asset and liability recognised and movements thereon during the current and prior years:

	Unrealised (loss)/gain on securities trading HK\$'000	Tax (loss) HK\$'000	Intangible assets HK\$'000	Total HK\$'000
At 1 April 2016	1,270	(1,270)	395	395
(Credit) charge to profit or loss (<i>note 11</i>)	(2,709)	2,709	(72)	(72)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2017 and 1 April 2017	(1,439)	1,439	323	323
(Credit) charge to profit or loss (<i>note 11</i>)	(857)	857	(72)	(72)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2018	<u>(2,296)</u>	<u>2,296</u>	<u>251</u>	<u>251</u>

Notes to the Consolidated Financial Statements

31. DEFERRED TAXATION (CONT'D)

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK\$49,856,000 (2017: HK\$76,590,000) available to offset against future profits. No deferred tax asset has been recognised in respect of the tax losses due to the unpredictability of future profit streams. As at 31 March 2017, the unrecognised tax losses of approximately HK\$76,590,000 can be carried forward indefinitely. As at 31 March 2018, the unrecognised tax losses of approximately HK\$456,000 and HK\$499,000 and HK\$133,000 will expire on 31 March 2019, 2020 and 2021 respectively. Other tax losses may be carried forward indefinitely.

32. SHARE CAPITAL

Authorised and issued share capital

	Number of shares '000	Amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.06 each at 1 April 2017 and 31 March 2018	1,666,667	100,000
Issued and fully paid:		
At 1 April 2016	4,108,716	41,087
Share consolidation (<i>Note (e)</i>)	(3,423,930)	–
At 31 March 2017 and 1 April 2017	684,786	41,087
Issue of shares upon placing	136,950	8,217
Ordinary shares of HK\$0.06 each at 31 March 2018	821,736	49,304

Notes:

- (a) On 7 December 2016, the Company conducted a 6-for-1 share consolidation. Every 6 issued and unissued ordinary share of HK\$0.01 of the Company was consolidated into 1 ordinary share of HK\$0.6 each.
- (b) On 21 July 2017, the Company entered into placing agreements pursuant to which the Company has agreed to allot and issue and the subscribers have to agreed to subscribe for 136,950,000 shares in cash at the placing price of HK\$0.3 per share. The premium on issue of shares, amounting to approximately HK\$33,139,000, net share expenses, was credited to the Company's Share premium account.

Notes to the Consolidated Financial Statements

33. WARRANTS

On 6 September 2013, the Company issued 130,000,000 warrants to the bondholder who subscribed for bonds with principal amount of HK\$80,000,000 on the same date. The warrants are transferable and each warrant carries the right to subscribe for one ordinary share of the Company at HK\$0.24 per share at any time with maturity of 3 years from the date of issue. The fair values of the warrants as at the date of issue amounted to HK\$3,527,000 were determined by reference to valuations performed by Roma Appraisals Limited, an independent professional qualified valuer not connected with the Group. The exercise price per share was adjusted to HK\$0.216 per share upon the completion of the rights issue on 6 January 2016. All the warrants lapse during the year ended 31 March 2017.

34. ACQUISITION OF INTANGIBLE ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

Acquisition of intangible assets through acquisition of subsidiaries during the year ended 31 March 2017 The Company entered into an agreement with an independent third party (the “Vendor”) on the same date for the acquisition of 100% issued share capital of Euto Consulting Limited (“Euto”), which was satisfied by cash HK\$300,000. The acquisition of Euto was completed on 31 December 2016. Euto is a company incorporated in Hong Kong, and through its wholly-owned subsidiaries, holds a money lending license in Hong Kong and its principal activity is to conduct money lending business in Hong Kong. The principle asset held by Euto is a money lending license in Hong Kong (note 19). This acquisition of subsidiaries has been accounted for as acquisition of assets and liabilities as Euto has not yet carried out any business since the completion of the acquisition. The fair value of the consideration shares should be recognised based on the fair value of the net assets acquired.

Assets and liabilities arising from the acquisition were as follows:

	HK\$'000
Intangible assets	324
Cash and cash equivalents	44
Other payables	(68)
	<hr/>
Net assets acquired	300
	<hr/> <hr/>
Total purchase consideration satisfied by	
Cash consideration paid	300
Less: Cash and cash equivalents acquired	(44)
	<hr/>
	256
	<hr/> <hr/>

Notes to the Consolidated Financial Statements

35. DISPOSAL OF A SUBSIDIARIES

Disposal of Paraburdoo Limited

On 25 July 2016, the Group completed has disposal of its 100% equity interests in Paraburdoo Limited and its subsidiaries (“Paraburdoo Group”), at a cash consideration of HK\$2,000,000. Paraburdoo Group ceased to be subsidiaries of the Company since 25 July 2016. The financial results of Paraburdoo Group will no longer be consolidated into the Group’s consolidated financial statements since 25 July 2016. The principal activities of the Paraburdoo Group are the manufacturing and trading of packaged food.

The cash flow and the carrying amount of the net assets of Paraburdoo Group sold at the date of disposal were as follows:

	25 July 2016 HK\$'000
Net liabilities disposed of:	
Property, plant and equipment	937
Trade receivables	2,068
Prepayments, deposits and other receivables	378
Inventories	541
Bank and cash balances	2,071
Trade payables	(931)
Accruals and other payables	(3,664)
Amount due to group company	(11,147)
	<hr/>
Net liabilities disposed of (Being gain on disposal of subsidiaries)	(9,747)
Gain on disposal of subsidiaries	511
Assignment of receivables	11,147
Reclassification adjustment relating to disposal of subsidiaries	89
	<hr/>
Total consideration	2,000
	<hr/> <hr/>
Satisfied by cash	2,000
	<hr/> <hr/>
Net cash outflow on disposal	
Cash consideration	2,000
Bank and cash balances disposed of	(2,071)
	<hr/>
	(71)
	<hr/> <hr/>

Notes to the Consolidated Financial Statements

36. LEASE COMMITMENTS

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

	2018 HK\$'000	2017 HK\$'000
Within 1 year	2,209	2,905
After 1 year but within 5 years	114	1,519
	2,323	4,424

Operating lease payments represent rentals payable by the Group for offices and factory. Leases are negotiated for terms of 2 years (2016: 2 to 15 years) and rentals are fixed over lease terms.

37. RETIREMENT BENEFITS SCHEMES

The Group makes contributions to Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Both the Group and the employees contribute a fixed percentage of the relevant payroll to the MPF Scheme. Effective from 1 June 2014, the cap of contribution amount had been changed from HK\$1,250 to HK\$1,500 per employee per month.

The PRC employees of the Group are members of a state-managed retirement benefit scheme operated by the local government, including provision of housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury insurance and pregnancy insurance. Pursuant to the existing schemes, the Group contributes 7%, 5%, 17%, 2%, 0.5% and 0.5% of the basic salary of its employees to the housing provident fund, medical insurance, retirement insurance, unemployment insurance, labour injury and pregnancy insurance respectively.

Employees employed by the Group's operations in Macau are members of government-managed retirement benefits schemes operated by the Macau government. The Macau operations are required to pay a monthly fixed contribution to the retirement benefits schemes to fund the benefits.

The employer's contribution to the MPF Schemes and various benefits schemes in the PRC and Macau is disclosed in note 12.

Notes to the Consolidated Financial Statements

38. SHARE OPTION SCHEMES

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 operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company’s subsidiaries. The Scheme became effective on 26 September 2010 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company’s shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 10 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and vests immediately and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company’s shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company’s shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company’s shares on the date of the offer.

Share options do not confer rights on the holder to dividends or to vote at shareholders’ meetings.

Notes to the Consolidated Financial Statements

38. SHARE OPTION SCHEMES (CONT'D)

Details of the share options outstanding during the year are as follows:

For the year ended of 31 March 2018

Name	Date of grant	Exercisable period	Exercise price Per share (HK\$) (Note d)	Number of options Outstanding			Outstanding as at 31 March 2018	
				Outstanding as at 1 April 2017	Granted during the year	Lapsed during the year		Exercised during the year
Directors:								
Ms. Lin Su	30 September 2016	30 September 2016 to 29 September 2018	0.3744	6,500,000	-	-	-	6,500,000
Mr. Tse Sing Yu	30 September 2016	30 September 2016 to 29 September 2018	0.3744	6,500,000	-	-	-	6,500,000
Mr. Law Chung Lam, Nelson	15 April 2014	15 April 2014 to 20 February 2019	1.518	342,333	-	-	-	342,333
Employees	15 April 2014	15 April 2014 to 20 February 2019	1.518	1,711,667	-	-	-	1,711,667
Consultants	17 February 2014	17 February 2014 to 16 February 2019	1.404	6,675,500	-	-	-	6,675,500
	15 April 2014	15 April 2014 to 20 February 2019	1.518	4,279,167	-	-	-	4,279,167
	30 September 2016	30 September 2016 to 29 September 2018	0.3744	24,140,000	-	-	-	24,140,000
				<u>50,148,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,148,667</u>
Exercisable at the end of the year				<u>50,148,667</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,148,667</u>

Notes to the Consolidated Financial Statements

38. SHARE OPTION SCHEMES (CONT'D)

For the year ended of 31 March 2017

Name	Date of grant	Exercisable period	Exercise price Per share (HK\$) (Note d)	Number of options Outstanding				Adjustment (Note c)	Outstanding as at 31 March 2017
				Outstanding as at 1 April 2016	Granted during the year	Lapsed during the year	Exercised during the year		
Directors:									
Mr. Wong Ka Wah, Albert	15 April 2014	15 April 2014 to 20 February 2019	1.518	15,405,000	-	(2,567,500)	-	(12,837,500)	-
Ms. Lin Su	30 September 2016	30 September 2016 to 29 September 2018	0.3744	-	39,000,000	-	-	(32,500,000)	6,500,000
Mr. Tse Sing Yu	30 September 2016	30 September 2016 to 29 September 2018	0.3744	-	39,000,000	-	-	(32,500,000)	6,500,000
Mr. Hong Sze Lung	15 April 2014	15 April 2014 to 20 February 2019	1.518	15,405,000	-	(2,567,500)	-	(12,837,500)	-
Mr. Lau Wan Pui, Joseph	15 April 2014	15 April 2014 to 20 February 2019	1.518	3,081,000	-	(2,567,500)	-	(2,567,500)	-
Mr. Law Chung Lam, Nelson	15 April 2014	15 April 2014 to 20 February 2019	1.518	2,054,000	-	-	-	(1,711,667)	342,333
Mr. Kwong Yup Lap	15 April 2014	15 April 2014 to 20 February 2019	1.518	2,054,000	-	(342,333)	-	(1,711,667)	-
	13 October 2014	13 October 2014 to 12 October 2016	2.160	2,054,000	-	(2,054,000)	-	-	-
Mr. Chow Chi Fai	15 April 2014	15 April 2014 to 20 February 2019	1.518	1,027,000	-	(171,167)	-	(855,833)	-
Mr. Leung Ka Tin	13 October 2014	13 October 2014 to 12 October 2016	2.160	1,027,000	-	(1,027,000)	-	-	-
Employees	11 July 2011	11 July 2011 to 10 July 2016	2.076	10,270,000	-	(10,270,000)	-	-	-
	15 April 2014	15 April 2014 to 20 February 2019	1.518	10,270,000	-	-	-	(8,558,333)	1,711,667
	13 October 2014	13 October 2014 to 12 October 2016	2.160	5,135,000	-	(5,135,000)	-	-	-
Consultants	11 July 2011	11 July 2011 to 10 July 2016	2.076	10,270,000	-	(10,270,000)	-	-	-
	17 February 2014	17 February 2014 to 16 February 2019	1.404	40,053,000	-	-	-	(33,377,500)	6,675,500
	15 April 2014	15 April 2014 to 20 February 2019	1.518	35,945,000	-	(1,711,667)	-	(29,954,166)	4,279,167
	14 July 2014	14 July 2014 to 13 July 2016	1.578	37,896,300	-	(37,896,300)	-	-	-
	13 October 2014	13 October 2014 to 12 October 2016	2.160	154,222,536	-	(154,222,536)	-	-	-
	30 September 2016	30 September 2016 to 29 September 2018	0.3744	-	144,840,000	-	-	(120,700,000)	24,140,000
				<u>346,168,836</u>	<u>222,840,000</u>	<u>(228,748,501)</u>	<u>-</u>	<u>(290,111,667)</u>	<u>50,148,667</u>
Exercisable at the end of the year				<u>346,168,836</u>					<u>50,148,667</u>

Notes to the Consolidated Financial Statements

38. SHARE OPTION SCHEMES (CONT'D)

Notes:

- (a) The numbers of share options were adjusted upon the completion of the rights issue on 6 January 2016.
- (b) The exercise price per share option was adjusted upon the completion of the rights issue on 6 January 2016.
- (c) The numbers of share options were adjusted upon the completion of the share consolidation on 7 December 2016.
- (d) The exercise price per share option was adjusted upon the completion of share consolidation on 7 December 2016.

The fair values of options granted on 30 September 2016, 13 October 2014 and 14 July 2014 determined at using the Binomial model approximately were HK\$4,632,000, HK\$12,202,000 and HK\$3,433,000, respectively. The fair values of options granted and approved by shareholders on 15 April 2014 was HK\$11,575,000.

The following assumptions were used to calculate the fair values of share options:

	30.9.2016	13.10.2014	14.7.2014	15.4.2014 (Note i)	15.4.2014 (Note ii)
Grant date share price	HK\$0.0590	HK\$0.330	HK\$0.270	HK\$0.330	HK\$0.233
Exercise price	HK\$0.0624	HK\$0.370	HK\$0.270	HK\$0.260	HK\$0.260
Option life	2 years	2 years	2 years	5 years	5 years
Expected volatility (Note iii)	71.012%	67.217%	64.832%	65.057%	63.359%
Dividend yield	–	–	–	–	–
Risk-free interest rate (Note iv)	0.432%	0.565%	0.291%	1.239%	1.295%

Notes:

- (i) On 21 February 2014, the Group proposed to grant an aggregate of 62,000,000 share options to the directors and employees of the Company for services rendered during the year ended 31 March 2014. The assumptions were used to calculate the estimated fair values of 62,000,000 share options amounting to HK\$8,045,000. The grant date was established upon the approval of shareholders on the refreshment of the existing scheme mandate limit on 15 April 2014. The fair values based on the established grant date had no difference as previous estimated.
- (ii) The assumptions were used to calculate the fair values of 36,000,000 share options amounting to HK\$3,530,000 granted to consultants.
- (iii) Expected volatility for options was based on historical daily price movements of the Company over a historical period with respect to the option life.
- (iv) The risk-free rate was determined by reference to the yield of Hong Kong Exchange Fund Notes with respect to the option life.

Notes to the Consolidated Financial Statements

38. SHARE OPTION SCHEMES (CONT'D)

The Binomial model had been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varied with different variables of certain subjective assumptions.

During the year ended 31 March 2017, an amount of share-based payment expenses in respect of the Company's share options of HK\$4,632,000 had been recognised in the consolidated statement of profit or loss and other comprehensive income with a corresponding adjustment recognised in the Group's share-based payment reserve. During the year ended 31 March 2018, there is no share option granted or exercised.

During the year ended 31 March 2018, no share-based payment has been granted and lapsed.

39. RELATED PARTY TRANSACTIONS

(a) Apart from the loans to associates and other borrowings as disclosed in notes 16 and 29, respectively, during the year, the Group has entered into followings transactions between related parties:

	2018 HK\$'000	2017 HK\$'000
Loan interest income from an associate	500	500
Finance costs paid/payable to non-controlling shareholders of a subsidiary	2,232	2,393
Amount due to director (<i>Note 1</i>)	6,012	3,000
Interest received from director (<i>Note 2</i>)	5	7

Note 1: As at 31 March 2018, loan from director, Mr. Tse Sing Yu with amount HK\$6,000,000 was included in other payables. The amount due is interest free, unsecured and repayable on demand.

Note 2: As at 31 March 2018, loan to director, Mr. Law Chung Lam was repayable by instalment. The outstanding balance of the loan amounted to approximately HK\$113,000 (2017: HK\$117,000).

(b) Compensation of key management personnel

The key management personnel of the Group are the directors of the Company. Details of the remuneration paid to them during the year are set out in note 10 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

40. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debt, which includes bank borrowings, bonds and other borrowings disclosed in notes 27, 28 and 29, respectively, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued capital and reserves.

The management of the Group reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through new share issues, repurchase of shares and the issue of new debt or the redemption of the existing debt.

The Group's overall strategy remains unchanged from prior year.

41. EVENT AFTER THE REPORTING PERIOD

Save as disclosed elsewhere under section headed "Management Discussion and Analysis", there is no material subsequent event undertaken by the Company or by group after 31 March 2018 and up to the date of this annual report.

Notes to the Consolidated Financial Statements

42. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries of the Company at 31 March 2017 and 31 March 2016.

Name of subsidiary	Place of incorporation/ establishment and business	Issued and fully paid up capital	Proportion of equity interest attributable to the Company		Principal activities
			2017	2016	
Billion Revenue Holdings Limited	British Virgin Islands ("BVI")	US\$1 Ordinary	100%	100%	Investment holding
Bliss Castle Investment Limited	BVI	US\$1 Ordinary	100%	100%	Investment holding
Chance Winning Limited	BVI	US\$50,000 Ordinary	100%	100%	Investment holding
Digital Rainbow	BVI	US\$10,000 Ordinary	–	–	Investment holding (Note 1)
Eminent Along Limited	BVI	US\$100 Ordinary	100%	100%	Investment holding
Silver Summit Investment	BVI	US\$100 Ordinary	100%	100%	Investment holding
Speedy Track Inc.	BVI	US\$1 Ordinary	100%	100%	Investment holding
Angel Fund Company Limited	Hong Kong	HK\$1,000,000 Ordinary	60%	60%	Money lending
Euto Consulting Limited	Hong Kong	HK\$10,000 Ordinary	100%	–	Money lending
Bright Billion Holdings Limited	Hong Kong	HK\$1 Ordinary	100%	100%	Vehicle distribution
Grand Charm Commodities Company Limited	Hong Kong	HK\$1,000 Ordinary	100%	100%	Palm oil trading
Liu Nik International Trading Limited	Hong Kong	HK\$10,000 Ordinary	100%	100%	Inactive
Wealth Glory Global Trading Limited	Hong Kong	HK\$1,000,000 Ordinary	100%	100%	Inactive
MD Inc.	Hong Kong	HK\$2 Ordinary	100%	100%	Trading of consumer products
Gold Sun Trading & Development Limited	Hong Kong	HK\$100 Ordinary	51%	51%	Trading of consumer products
Unpix Corporation Limited	Hong Kong	HK\$10,000 Ordinary	100%	–	Trading of consumer products

Notes to the Consolidated Financial Statements

42. PARTICULARS OF SUBSIDIARIES (CONT'D)

Name of subsidiary	Place of incorporation/ establishment and business	Issued and fully paid up capital	Proportion of equity interest attributable to the Company		Principal activities
			2017	2016	
Shunway Fortune Company Limited	Hong Kong	HK\$10,000 Ordinary	100%	N/A	Inactive
Smart Full Investment Company Limited	Hong Kong	HK\$10,000 Ordinary	100%	N/A	Inactive
Quick Master Company Limited	Hong Kong	HK\$10,000 Ordinary	100%	N/A	Inactive
Eternity Fortune Company Limited	Hong Kong	HK\$10,000 Ordinary	49%	N/A	Inactive
Profit Joy Credit Company Limited	Hong Kong	HK\$10,000 Ordinary	49%	N/A	Inactive
Grand Horizon Fortune Company Limited	Hong Kong	HK\$10,000 Ordinary	49%	N/A	Inactive
Fortune Top Finance Company Limited	Hong Kong	HK\$10,000 Ordinary	100%	N/A	Inactive
Allied Gear Limited	Hong Kong	HK\$10,000 Ordinary	100%	N/A	Inactive

Note:

- (i) New companies registered by the Company during the year ended 31 March 2018.

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

At the end of the reporting period, the Company has non-controlling interests that are not material to the Group that no further disclosures on the financial information of these individually immaterial subsidiaries with non-controlling interests are presented.

Notes to the Consolidated Financial Statements

43. FINANCIAL INFORMATION OF COMPANY

	2018 HK\$'000	2017 HK\$'000
Non-current assets		
Property, plant and equipment	1,037	212
Interests in subsidiaries	–	–
Deposits and other receivables	1,084	1,084
Financial assets designated at fair value through profit and loss	10,038	10,972
	12,159	12,268
Current assets		
Held-for-trading investments	8,489	45,636
Prepayments, deposits and other receivables	660	1,984
Amounts due from subsidiaries	47,821	13,802
Loans to associates	–	6,254
Loans to investee	6,753	–
Cash and cash equivalents	10,789	4,883
	74,512	72,559
Current liabilities		
Accruals and other payables	2,616	2,862
Bonds	–	22,585
Amount due to director	6,000	3,000
Short term loan interest and payable	2,587	2,403
	11,203	30,850
Net current assets	63,309	41,709
Total assets less current liabilities	75,468	53,977
Non-current liabilities		
Bonds	8,076	7,541
Net assets	67,392	46,436
Capital and reserves		
Share capital	49,304	41,087
Reserves	18,088	5,349
Total equity	67,392	46,436

Approved and authorised for issue by the board of directors on 28 June 2018.

Tse Sing Yu
Executive Director

Lin Su
Executive Director

Notes to the Consolidated Financial Statements

43. FINANCIAL INFORMATION OF COMPANY (CONT'D)

Note	Share	Warrants	Share	Contribution	Accumulated	Total
	premium	reserve	payment	surplus	losses	
	HK\$'000	HK\$'000	reserve	HK\$'000	HK\$'000	HK\$'000
At 1 April 2016	533,433	3,527	31,073	17,065	(429,698)	155,400
Changes in equity for 2017:						
Loss and total comprehensive expense for the year	-	-	-	-	(154,683)	(154,683)
Grant of share options	-	-	4,632	-	-	4,632
Transfer upon lapse of warrants	-	(3,527)	-	-	3,527	-
Transfer upon lapse of share options	-	-	(23,392)	-	23,392	-
At 31 March 2017 and 1 April 2017	533,433	-	12,313	17,065	(557,462)	5,349
Changes in equity for 2018						
Loss and total comprehensive expense for the year	-	-	-	-	(20,400)	(20,400)
Issue of shares upon placing	33,139	-	-	-	-	33,139
At 31 March 2018	566,572	-	12,313	17,065	(577,862)	18,088

Financial Summary

RESULT

	For the year ended 31 March				
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	86,544	63,349	73,658	277,294	316,634
Loss attributable to owners of the Company	(57,105)	(81,635)	(49,893)	(202,603)	(159,407)

ASSETS AND LIABILITIES

	As at 31 March				
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Total assets	171,314	208,922	272,000	153,288	223,951
Total liabilities	(43,701)	(63,191)	(49,506)	(52,526)	(154,888)
Total equity	127,613	145,731	227,694	100,762	69,063