ALTUS.

# Altus Holdings Limited

*incorporated in the Cayman Islands with limited liability*
*Stock Code : 8149*

# Annual Report FY2018

## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the directors (the "**Directors**") of Altus 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 (the "**GEM Listing Rules**") 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, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and 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. Arnold Ip Tin Chee *(Chairman)*
Mr. Chang Sean Pey
Ms. Leung Churk Yin Jeanny

### Independent non-executive Directors

Mr. Chao Tien Yo
Mr. Chan Sun Kwong
Mr. Lee Shu Yin

## AUDIT COMMITTEE

Mr. Chan Sun Kwong *(Chairman)*
Mr. Chao Tien Yo
Mr. Lee Shu Yin

## REMUNERATION COMMITTEE

Mr. Lee Shu Yin *(Chairman)*
Mr. Chao Tien Yo
Mr. Chan Sun Kwong
Mr. Arnold Ip Tin Chee

## NOMINATION COMMITTEE

Mr. Chao Tien Yo *(Chairman)*
Mr. Chan Sun Kwong
Mr. Lee Shu Yin
Mr. Arnold Ip Tin Chee

## COMPLIANCE OFFICER

Ms. Leung Churk Yin Jeanny

## COMPANY SECRETARY

Ms. Tse Sui Man

## AUTHORISED REPRESENTATIVES

Mr. Arnold Ip Tin Chee
Mr. Chang Sean Pey

## REGISTERED OFFICE

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

## HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

21 Wing Wo Street
Central, Hong Kong

## HONG KONG BRANCH SHARE REGISTRAR & TRANSFER OFFICE

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

## AUDITOR

SHINEWING (HK) CPA LIMITED
43rd Floor, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

## COMPLIANCE ADVISER

Success New Spring Capital Limited
(formerly known as New Spring Capital Limited)
Unit 2108, 21st Floor
China Merchants Tower
Shun Tak Centre
168-200 Connaught Road Central
Sheung Wan, Hong Kong

# CORPORATE INFORMATION

## PRINCIPAL BANKERS

Chong Hing Bank Limited
Chong Hing Bank Centre
24 Des Voeux Road Central
Hong Kong

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

Mizuho Bank, Ltd.
1-1-5 Uchisaiwaicho
Chiyoda-ku
Tokyo
Japan

The Tokyo Star Bank, Limited
Akasaka Star Gate Plaza
3-5, Akasaka 2-chome
Minato-ku
Tokyo
Japan

Kumamoto Daiichi Shinkin Bank
10-29, Hanabata-cho, Chuo-ku
Kumamoto-shi
Kumamoto
Japan

Fukuoka Bank
15-23, Chuo-cho
Kagoshima-shi
Kagoshima
Japan

North Pacific Bank, Ltd
Sapporo East Branch
10, East 3 Chome, South 1 Jo, Chuo-ku
Sapporo
Japan

## COMPANY WEBSITE

www.altus.com.hk

## STOCK CODE

8149

# CHAIRMAN'S STATEMENT

Dear Stakeholders,

I write with pride to report a year of growth and diversification.

Acquisitions since our listing had raised our rental income substantially by 40.8% to HK$34.5 million. With such returns, our investment portfolio continues to fortify our advisory business' holding power, which in the past year also yielded notable fee income growth at 33.8%, thanks to the hard work of all our colleagues.

It has been an exciting year for the Hong Kong equities market, which is setting itself up as the market of choice for overseas businesses. Altus, as part of such initiative, not only reacquainted ourselves with the Singapore financial community, but also added Japanese and Malaysian businesses to our sponsorship credentials last year. Equally exciting for us are the strides taken by our "Altus-schooled" advisory colleagues, whose growth had boosted our capacity. Going forward, we look to them to serve as role models for new Altus comrades as we develop into the advisory house of choice for corporations within and outside of Hong Kong, as well as for SMEs seeking to use the Hong Kong equities market as a springboard to bring their businesses to the next level.

On the investment front, last financial year marked our first venture into retail property in Kagoshima, diversifying our portfolio by nature as well as geography. Continuous cultivation of our Japan "kaigo" or nursing care and support services business network has also bestowed on us "win-win" expansion opportunities – socially responsible investments with attractive returns. We shall continue to leverage on our insight and network in Japan, one of the world's largest real estate markets, to grow our recurring income, which in turn reinforces the stability of our advisory team, and thereby our business model.

Such growth, whilst exciting, would not be sustainable without robust infrastructure. In this, management expended much effort in the past year to enhance our supporting functions. We have emerged with stronger finance and administrative teams, ready to provide backing to our continual efforts to grow.

We are grateful to our patrons – clients, fellow professionals, bankers, Japan partners and of course, shareholders for making last year's growth possible. On behalf of all of us at Altus, thank you.

Yours truly,

**Arnold Ip Tin Chee**
*Chairman and Executive Director*

Hong Kong, 22 June 2018

# FINANCIAL HIGHLIGHTS

A summary of the results and of the assets and liabilities of the Company and its subsidiaries (together, the "**Group**") for the last three financial years, as extracted from the audited consolidated financial statements for the year ended 31 March 2017 in the 2017 annual report and the audited consolidated financial statements in this annual report (the "**Annual Report**") are as follows:

| | For the year ended 31 March | | |
|---|---|---|---|
| | **2018** | 2017 | 2016 |
| | **HK$'000** | HK$'000 | HK$'000 |
| Revenue | **70,961** | 51,761 | 48,160 |
| Profit before tax | **32,555** | 20,730 | 22,088 |
| Profit after tax | **26,865** | 13,048 | 17,693 |

| | As at 31 March | | |
|---|---|---|---|
| | **2018** | 2017 | 2016 |
| | **HK$'000** | HK$'000 | HK$'000 |
| Total assets | **706,836** | 571,267 | 497,025 |
| Total liabilities | **254,828** | 172,548 | 186,458 |
| Net assets | **452,008** | 398,719 | 310,567 |

Notes:

1. The Company was incorporated on 11 November 2015 and became the holding company of the subsidiaries through a reorganisation on 26 September 2016 in preparation of the listing of the Company's shares on GEM ("**Listing**"). The Listing occurred on 17 October 2017. The combined results of the Group for the year ended 31 March 2016 had been prepared as if the Group had been in existence throughout the year prepared, or since the date of incorporation or establishment of the group companies.

2. The balance sheet of the Group as at 31 March 2016 was prepared on a combined basis.

# OPERATION REVIEW AND FINANCIAL REVIEW

## REVIEW OF OPERATIONS

The Group focuses on corporate finance and property investment. In respect of corporate finance, the Group primarily offers sponsorship, financial advisory and compliance advisory services to its clients. For property investment, the Group invests in real estate in Japan and Hong Kong and derives rental income therefrom.

### Corporate finance

The Group recorded revenue of approximately HK$36.5 million in the financial year ended 31 March 2018 ("**FY2018**"), an increase of 34.2% over the previous financial year ("**FY2017**"). A breakdown of the Group's corporate finance revenue is as follows:

| | For the year ended 31 March | | | | | |
|---|---|---|---|---|---|---|
| | **2018** | | | 2017 | | |
| | **Revenue HK$'000** | **% of corporate finance revenue** | **Number of active engagements** (Note) | Revenue HK$'000 | % of corporate finance revenue | Number of active engagements (Note) |
| Sponsorship | **24,955** | **68%** | **11** | 13,084 | 48% | 6 |
| Financial advisory | **8,026** | **22%** | **55** | 9,127 | 34% | 37 |
| Compliance advisory | **3,275** | **9%** | **8** | 4,087 | 15% | 8 |
| Others | **220** | **1%** | **1** | 935 | 3% | 7 |
| Total | **36,476** | **100%** | | 27,233 | 100% | |

Note: Active engagements represent corporate finance engagements from which the Group had derived income during the relevant financial year. It excludes inter-group revenue received by Altus Capital Limited, a wholly-owned subsidiary of the Company, for acting as joint sponsors of the Listing in October 2016, as well as for acting as financial adviser to the Company subsequent to the Listing.

Revenue from sponsorships improved in FY2018 in line with the higher number of active engagements as certain resources were deployed internally towards the Company's own listing application in FY2017. Of the active sponsorship engagements in FY2018, Okura Holdings Limited (stock code: 1655), Solis Holdings Limited (stock code: 2227) and Pentamaster International Limited (stock code: 1665) were listed in May and December 2017 and January 2018 respectively. The other active engagements were, amongst others, being vetted by regulators or were in preparation for submission of listing application during FY2018.

In respect of financial advisory engagements, revenue recorded in FY2018 was about 12% lower than the previous financial year despite higher number of active engagements. This was partly attributable to certain financial advisory engagements undertaken during FY2018 which took a long duration to process due to its complexity, and in turn, has an impact on the amount of fees charged with reference to the progress of the engagement; and partly attributable to a higher number of financial advisory engagements undertaken during the year which commanded comparatively lower fees.

# OPERATION REVIEW AND FINANCIAL REVIEW

Revenue from compliance advisory as well as other services decreased in FY2018 given some engagements ended during FY2018.

### Property investment

As at 31 March 2018, the Group had a portfolio of 21 investment properties in Japan, one investment property under construction in Japan and one investment property in Hong Kong. This investment property portfolio contributed rental income of approximately HK$34.5 million in FY2018. In addition to the above, the Group also owned its principal place of business at 21 Wing Wo Street, Central, Hong Kong which is classified as property, plant and equipment. During FY2018, the Group had conducted a number of acquisitions in Japan as elaborated below.

***Japan***

A summary of the investment properties in Japan as at 31 March 2018 is as follows:

| | Property name | Location | Net rentable area (sq.ft.) | Number of units | Appraised value as at 31 March 2018 JPY million | Appraised value as at 31 March 2017 JPY million | Average occupancy in FY2018 (by revenue) |
|---|---|---|---|---|---|---|---|
| 1. | Ark Palace Hiragishi | Sapporo | 14,485 | 54 | 392 | 386 | 99% |
| 2. | Kitano Machikado GH | Sapporo | 953 | 5 | 29 | 27 | 100% |
| 3. | LC One | Sapporo | 6,582 | 26 | 123 | 135 | 96% |
| 4. | Libress Hiragishi | Sapporo | 11,554 | 36 | 176 | 163 | 98% |
| 5. | Nouvelle 98 | Sapporo | 8,046 | 38 | 225 | 222 | 93% |
| 6. | Rakuyukan 36 [Note 1] | Sapporo | 13,937 | 38 | 319 | 313 | 100% |
| 7. | South 1 West 18 Building | Sapporo | 15,529 | 37 | 263 | 258 | 93% |
| 8. | T House | Sapporo | 6,751 | 24 | 141 | 139 | 95% |
| 9. | Tommy House Hiragishi | Sapporo | 8,782 | 28 | 155 | 153 | 98% |
| 10. | Uruoi Kawanone [Note 2] | Sapporo | 15,553 | 65 | 643 | 595 | 77% |
| 11. | White Building A & B | Sapporo | 13,523 | 55 | 224 | 217 | 100% |
| 12. | City Court Suginami | Hakodate | 13,640 | 44 | 221 | 223 | 85% |
| 13. | Azabu Sendaizaka Hills | Tokyo | 12,046 | 7 | 1,380 | 1,310 | 98% |
| 14. | Azabu Juban Crown Building | Tokyo | 2,248 | 5 | 247 | 245 | 93% |
| 15. | Residence Motoki | Fukuoka | 11,992 | 12 | 280 | 272 | 98% |
| 16. | Wealth Fujisaki | Fukuoka | 7,390 | 10 | 176 | 172 | 97% |
| 17. | Rise Shimodori EXE | Kumamoto | 14,159 | 35 | 471 | 429 | 98% |
| 18. | Rise Fujisakidai [Note 3] | Kumamoto | 13,891 | 36 | 405 | N/A | 99% |
| 19. | Rise Kumamoto Station South [Note 3] | Kumamoto | 10,116 | 20 | 209 | N/A | 100% |
| 20. | Rise Shimodori [Note 3] | Kumamoto | 13,619 | 36 | 457 | N/A | 99% |
| 21. | Kagoshima Tenmonkan Building [Note 4] | Kagoshima | 6,541 | 1 | 534 | N/A | 100% |
| 22. | Shinoro House [Note 5] | Sapporo | 1,272 | 6 | N/A | N/A | N/A |

Notes:

1. Rakuyukan 36 is held by JSSI. In June 2017, the Group had increased its attributable interest in JSSI from approximately 86.5% to approximately 94.6%,

2. The acquisition of Uruoi Kawanone was completed in December 2016 with vacant possession. It serves as accommodation for the aged who progressively moved in from March 2017 onwards.

3. The acquisitions of Rise Fujisakidai, Rise Kumamoto Station South and Rise Shimodori were completed in April 2017.

4. The acquisition of Kagoshima Tenmonkan Building was completed in October 2017.

5. The piece of land on which Shinoro House was erected was acquired in November 2017. Shinoro House is an investment property under construction as at 31 March 2018. Construction had completed in May 2018 and tenants are expected to progressively move in from July 2018 onwards.

Save for Kagoshima Tenmonkan Building which is solely for commercial purpose, the investment properties of the Group in Japan are generally for residential purposes.

During FY2018, the Group acquired (through its investment vehicle, Lynton Gate Limited) Rise Fujisakidai, Rise Kumamoto Station South and Rise Shimodori in April 2017 and Kagoshima Tenmonkan Building in October 2017. In November 2017, the Group also acquired a parcel of land and subsequently constructed Shinoro House on it. These acquisitions were in line with the Group's view to expand and diversify its property investment portfolio.

In November 2017, the Group disposed of 10.0% of its shareholding interests in Lynton Gate Limited for approximately JPY78.7 million, reducing the Group's relevant shareholding interests to 90.0% following this disposal. This disposal allows the Group to improve its liquidity for possible deployment to other opportunities.

***Hong Kong***

The investment property in Hong Kong is an office unit at Duddell Street, Central with saleable area of approximately 2,267 sq.ft.. It had been leased out throughout FY2018 except for a short period in June 2017 when there was a change in tenant. This property's appraised value as at 31 March 2018 was HK$73.5 million.

## Others

The Group's 40%-owned associate, Japan Residential Assets Manager Limited ("**JRAM SG**"), was the manager of Saizen REIT, a real estate investment trust previously listed on the Mainboard of the Singapore Stock Exchange Securities Trading Limited. Saizen REIT had been terminated and delisted from SGX-ST in October 2017 following the sale of its entire property portfolio. Following such termination, JRAM SG had similarly been voluntarily liquidated in May 2018.

***Compliance with laws and regulations***

The Group has put in place compliance and risk management policies and procedures, and members of the executive and senior management are delegated with the continuing responsibility to monitor adherence and compliance with all significant legal and regulatory requirements. These policies and procedures are reviewed regularly. As far as the Board is aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the businesses and operations of the Group.

# OPERATION REVIEW AND FINANCIAL REVIEW

### Environmental policies and performance

The Group is committed to build an environmental-friendly corporation by paying close attention to reducing consumption of energy and natural resources. The Group strives to minimise its environmental impact by saving electricity through maximising the use of natural lighting, increasing the energy efficiency of equipment such as air conditioner, minimising paper consumption through disseminating information via electronic ways and reusing single-sided printed paper etc. Employees have been following the above practices whenever possible during day-to-day operation.

For further information in relation to environmental, social and governance performance of the Company during FY2018, please refer to the upcoming Independent ESG report, which will be released shortly and posted on the respective websites of the Stock Exchange and the Company.

During FY2018, the Group has not been the subject of any environmental claims, lawsuits, penalties or disciplinary actions.

## FINANCIAL REVIEW

### Review of operating results

A review of certain items of the Group's operating results are set out below.

### Revenue

Such increase was driven by higher revenue for both business segments where there was (i) a 40.8% increase in property investment revenue from HK$24.5 million in FY2017 to HK$34.5 million in FY2018; and (ii) a 34.2% increase in corporate finance service revenue from HK$27.2 million in FY2017 to HK$36.5 million in FY2018.

#### *Corporate finance*

The increase in revenue of corporate finance services by 34.2% was mainly attributable to an increase in sponsorship revenue from HK$13.1 million in FY2017 to HK$25.0 million in FY2018 due to (i) higher number of active engagements during FY2018 of 11 compared with six in FY2017; and (ii) achievement of more billing milestones for these projects.

The effects of the above was partially offset by lower revenue of other types of advisory services. Lower revenue of other types of advisory services was partly attributable to certain financial advisory engagements undertaken during FY2018 took a long duration to process due to its complexity, which in turn, has an impact on the amount of fees charged with reference to the progress of the engagement; and partly attributable to more financial advisory engagements undertaken during the year which commanded comparatively lower fees.

# OPERATION REVIEW AND FINANCIAL REVIEW

***Property investment***

The higher revenue from property investment in FY2018 was mainly attributable to the increase of Group's property investment portfolio where during the year, the Group had acquired three properties in Kumamoto (being Rise Fujisakidai, Rise Kumamoto Station South and Rise Shimodori) and a property in Kagoshima (being Kagoshima Tenmonkan Building). There was also an improvement in occupancy rate for the Properties in Japan where the average occupancy rate during FY2018 was approximately 94.8% compared with 93.7% during FY2017.

Meanwhile, the occupancy rate for the property in Hong Kong declined slightly to 93.2% as the office unit located at Duddell Street, Central was vacant for a short period in June 2017 when there was a change in tenant.

## Other income

Other income in FY2018 decreased to HK$3.0 million from HK$5.6 million in the previous financial year due to (i) a decrease in administrative fee income, in particular the administrative fee income from JRAM SG which had ceased in October 2017; (ii) a decrease in dividend income from available-from-sale investments; and (iii) the absence of one-off gain on bargain purchase of JSSI recorded in FY2017. The decrease was offset by a net exchange gain of HK$1.1 million recorded in FY2018 (FY2017: nil).

## Net increase in fair value of investment properties

The Group recorded a net increase in fair value of investment properties of HK$12.7 million in FY2018 (FY2017: HK$25.0 million). In particular, about HK$10.0 million fair value increase was recorded for our Hong Kong investment property at Duddell Street, Central; and in Japan, the fair value of properties Uruoi Kawanone, Azabu Sendaizaka Hills and Rise Shimodori EXE increased in aggregate by about HK$10.5 million. These increases were offset by fair value losses, mainly arising from the effects of transaction costs incurred in relation to the acquisition of the three properties in Kumamoto.

## Administrative and operating expenses

Administrative and operating expenses decreased substantially from HK$47.7 million in FY2017 to HK$36.5 million in FY2018. Such decrease was a result of non-recurring expenses relating to the Listing of approximately HK$11.3 million recorded during FY2017. Excluding such one-off expenses relating to the Listing in FY2017 for illustration purpose only, administrative and operating expenses would have remained stable during FY2017 and FY2018.

## Profit before tax/Profit after tax

The Group's profit before tax increased to HK$32.6 million in FY2018 from HK$20.7 million in FY2017.

The increase in profitability was attributable to (i) the higher level of revenue recorded in FY2018; and (ii) the absence of non-recurring expenses relating to Listing. This was notwithstanding (i) a decline in net increase in fair value of investment properties from HK$25.0 million in FY2017 to HK$12.7 million in FY2018; and (ii) higher interest expenses.

# OPERATION REVIEW AND FINANCIAL REVIEW

As expenses relating to the Listing in FY2017 was non-deductible for tax purposes, income tax expense was lower at HK$5.7 million in FY2018 compared to HK$7.7 million in FY2017 despite FY2018's higher profitability. Consequently, profit after tax for FY2018 was higher at HK$26.9 million compared with HK$13.0 million for FY2017.

### Use of proceeds from the Listing

The shares of the Company were listed on GEM on 17 October 2016. As part of the Listing, 200,000,000 new shares of the Company were placed at the placing price of HK$0.425 per share, raising gross proceeds of HK$85.0 million. Net proceeds raised from the Listing of HK$67.0 million had been fully utilised on repayment of debts, enhancement of human resources, working capital and other general corporate purposes of the Group after the Listing.

### Reasons for the change of use of net proceeds

As previously announced, with the changing environment of offering mechanisms and consequential changes to the work expected for underwriters and placing agents in underwriting and placing activities for initial public offerings, the Directors decided to remain focus on sponsorship and financial advisory services and not to expand into the underwriting business. The proceeds of approximately HK$10.0 million previously designated for such purpose were therefore used for the repayment of debt in November 2017.

### Liquidity, financial resources and capital structure

The Group's operations are mainly financed by shareholders' equity (including equity raised pursuant to the Listing), bank loans and cash generated from operations.

| | **As at 31 March 2018 HK$'000** | As at 31 March 2017 HK$'000 |
|---|---|---|
| Current assets | **57,870** | 86,189 |
| Current liabilities | **91,058** | 86,155 |
| | | |
| Current ratio (times)*(Note 1)* | **0.6** | 1.0 |
| Gearing ratio (%)*(Note 2)* | **46.9** | 34.7 |

Notes:

1 Current ratio is calculated by dividing current assets by current liabilities as at the end of the respective year.

2 Gearing ratio is calculated by dividing total debt by total equity as at the end of the respective year.

The Group had net current liability of approximately HK$33.2 million as at 31 March 2018 as opposed to net current assets of approximately HK$0.03 million as at 31 March 2017. The change was mainly due to (i) the decrease in banks and cash balances; and (ii) the increased in certain secured bank borrowings with repayment on demand clauses despite their maturity dates being over a year from the relevant year-end dates. During FY2018, the Group had raised cash through bank borrowings in Hong Kong and Japan to fund its acquisitions of investment properties in Japan. In particular, the bank borrowings in Hong Kong contain the aforesaid repayment on demand clauses.

This classification of such type of bank borrowings above as current liabilities is necessitated by the Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment Demand Clause. The Group's bank borrowings which were classified as such amounted to HK$20.0 million as at 31 March 2018 (2017: HK$12.9 million).

The Directors are satisfied that the liquidity of the Group can be maintained. Details are set out in note 2B to the notes to the consolidated financial statements of this Annual Report.

Gearing ratio as at 31 March 2018 was 46.9% compared to 34.7% as at 31 March 2017. The higher gearing ratio was in line with the drawdown of bank borrowings to fund property acquisiting as described above. During FY2018 the Group had obtained five loans with principal amount of HK$80.6 million in aggregate.

***Cash balance***

As at 31 March 2018, the Group had cash and bank balances amounted to HK$51.1 million (2017: HK$81.4 million) of which HK$9.4 million was held in JPY. Cash and bank balance were lower due to their deployment towards property acquisitions.

***Foreign exchange and interest rate exposures***

The Group manages its foreign exchange exposure by monitoring the matching of the currencies of its debts with (i) the collateral assets; and (ii) the debt servicing income derived from its business activities. In FY2018, loans to be serviced by rental income generated from or secured by properties in Japan were denominated in Japanese Yen ("**JPY**"); meanwhile, loans secured by properties (for investment and self-occupation) in Hong Kong were serviced by income derived from Hong Kong and denominated in HK$.

To mitigate risks associated with fluctuations of interest rates for some of the loans in Japan with variable interest rates, the Group had entered into derivative financial instruments as a means to effectively fix the interest rate. As at 31 March 2018, the aggregate outstanding amount in relation to such borrowings amounted to approximately HK$34.2 million (2017: HK$25.4 million).

***Bank borrowings***

Total interest bearing loans of the Group increased from HK$138.0 million as at 31 March 2017 to HK$212.1 million as at 31 March 2018. It was mainly due to the Group obtaining five loans with maturities ranging from 10 years to 26 years with aggregate principal amount of JPY1,090.0 million (equivalent to HK$80.6 million). These loans are partially secured by a charge over the properties held under Godo Kaisha Yuzuha and Yugen Kaisha Houten (being subsidiaries of the Company and tokumei kumiai operators), from banks in Japan. These loans carry fixed and variable interest rates ranging from 1.11% to 2.55% per annum.

As at 31 March 2018, approximately HK$72.8 million (2017: HK$76.4 million) of the Group's interest bearing loans had variable interest rates. The interest coverage ratio as at 31 March 2018 was 4.5 times (2017: 6.9 times).

***Charges on the Group's assets***

As at 31 March 2018, (i) both the properties in Hong Kong; and (ii) all then properties in Japan (save for Kitano Machikado GH, Rakuyukan 36 and Shinoro House), had been charged in favour of banks and financial institutions in Hong Kong and Japan for loans obtained from these banks and financial institutions.

# OPERATION REVIEW AND FINANCIAL REVIEW

***Capital commitments/Contingent liabilities***

As at 31 March 2018, the Group had capital commitments in respect of the construction of its investment property, being Shinoro House, that had been contracted for but not provided for in the consolidated financial statements of approximately HK$0.6 million.

Save as disclosed above, the Group did not have any significant contingent liabilities as at 31 March 2018.

***Principal risk and uncertainty***

The key risks and uncertainties to which the Group is subject are summarised as follows:

I. Risks associated with the corporate finance activities, include amongst others,

- (i) the Group's business being subject to fluctuations in financial performance due to (i) corporate finance transactions being project-based in nature; and (ii) milestone payment arrangement;
- (ii) the Group's business depending on the continuing efforts of the executive and senior management;
- (iii) the Group being exposed to risks associated with retention and recruitment of licensed personnel; and
- (iv) the Group being subject to extensive regulatory requirements, non-compliance with which, or changes in these regulatory requirements, may affect the business operations and financial results.

II. Risks associated with the investment activities, include amongst others,

- (i) income earned from, and the value of, the properties may be adversely affected by a number of factors, including general downturn of the economy and the timeliness of tenant's payment of rent etc.;
- (ii) unforeseen ad-hoc maintenance and repairs in respect of physical damage to the properties may disrupt the operations of the properties and collection of rental income or otherwise result in an adverse impact on the financial condition of the Group;
- (iii) investment performance being susceptible to fluctuations in the value of foreign currencies, in particular, the JPY;
- (iv) the properties in Japan may be affected by the introduction of new laws and changes in the laws and regulations in Japan; and
- (v) risks associated with the Japanese tokumei kumiai arrangement (the "**TK Arrangement**").

Further details of the risks and uncertainties faced by the Group are set out in the section headed "Risk factors" of the Prospectus.

## Outlook

***Corporate finance***

Over the past 12 to 18 months, the Securities and Futures Commission ("**SFC**") and Stock Exchange had issued and announced a number of guidelines and rules changes which have had an effect on the Group's corporate finance business. Examples of these included the guideline issued by SFC to sponsors, underwriters and placing agents involved in the listing and placing of GEM stocks, listing rules changes reflecting the new role of GEM as a market for small and mid-sized companies including removal of the streamlined process of GEM transfers to Main Board, increase in cash flow requirement for GEM applications as well as new listing rules permitting listings of companies with weighted voting rights and pre-revenue biotech issuers. Amidst the above changes, the initial public offering market has remained buoyant with several high-profile companies seen seeking listings in Hong Kong. Meanwhile, there has been a notable decrease in applicants for GEM following its repositioning.

Specifically for the Group, demand for sponsorship services, in particular from Main Board applicants has been strong and is expected to continue in the coming financial year barring unforeseen negative market development. However, the Directors are conscious of the increasing proportion of revenue from sponsorship activities relative to other types of advisory services in FY2018 and will continue to seek to strike a balance taking into account staff resources, complexity of deals as well as recurring nature of clients.

The Directors have also observed an increase in number of corporate finance and advisory service providers in the market. Notwithstanding such potential competition, they believe there is sufficient demand for the Group's services having considered the number of listing applications made to the Stock Exchange as well as the continued increase in number of listed companies on the Stock Exchange. The Group will strive to strengthen its competitive position through marketing initiatives both in Hong Kong and overseas and recruitment of appropriate staff members.

***Property investment***

The property investment markets in Hong Kong and Japan had continued to improve on a stable basis, in terms of both capital value increases and rental yields. The Directors expect this trend to continue barring unforeseen circumstances.

The Group's strategy for its property investment business is to retain and enhance recurring income stream via expansion and diversification of its property portfolio. While the pace of acquisition has slowed since the acquisitions of the three properties in Kumamoto and the property in Kagoshima, the Directors will continue to look out for appropriate investment opportunities. Supported by full-year contributions from the above newly acquired properties as well as expectation of stable occupancy rates, revenue from the Group's investment property portfolio is expected to increase in the coming financial year.

# CORPORATE GOVERNANCE REPORT

## INTRODUCTION

The board of the Company (the "**Board**") recognises the importance of good corporate governance, as well as corporate transparency and accountability. Therefore, the Company aims to establish and maintain good corporate governance practices and is committed to achieving high standard of corporate governance to maximise the shareholders' interests while taking into account the interests of other stakeholders as a whole.

## CORPORATE GOVERNANCE PRACTICES

The shares of the Company were listed on GEM on 17 October 2016 (the "**Listing Date**"). The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as contained in Appendix 15 to the GEM Listing Rules during the year ended 31 March 2018. During the year ended 31 March 2018, the Company had, where applicable, complied with the CG Code.

## CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding securities transactions by the Directors in respect of the shares of the Company (the "**Code of Conduct**"). The Company had made specific enquiry with the Directors and all Directors confirmed that they had fully complied with the required standard of dealings set out in the Code of Conduct and there was no event of non-compliance during the year ended March 2018 and up to the date of this Annual Report (the "**Relevant Period**").

## BOARD OF DIRECTORS

As at the date of this Annual Report, the Board comprises three executive Directors and three independent non-executive Directors. Details of their composition by category are as follows:

| | |
|---|---|
| *Executive Directors* | |
| Mr. Arnold Ip Tin Chee *(Chairman)* | (appointed on 14 December 2015) |
| Mr. Chang Sean Pey | (appointed on 3 March 2016) |
| Ms. Leung Churk Yin Jeanny | (appointed on 3 March 2016) |
| | |
| *Independent non-executive Directors* | |
| Mr. Chao Tien Yo | (appointed on 26 September 2016) |
| Mr. Chan Sun Kwong | (appointed on 26 September 2016) |
| Mr. Lee Shu Yin | (appointed on 26 September 2016) |

Biographical details of the Directors are set out in the section headed "Biographical details of directors and senior management" of this Annual Report.

## RESPONSIBILITIES OF THE BOARD

The Board supervises the overall management and administration of the business of the Group and ensures that it acts in the best interests of the shareholders of the Company (the "**Shareholders**") while taking into account the interests of other stakeholders as a whole. The Board is primarily responsible for overall development, strategic planning, reviewing and monitoring the business performance, approving the financial statements and annual budgets, internal controls and risk management as well as supervising the management of the Group. Execution of operational matters and the powers thereof are delegated to the executive Directors and senior management by the Board. The Board is regularly provided with management update reports to give a balanced and understandable assessment of the performance, position, recent development and prospects of the Group.

According to the code provision of C.1.2 of the CG Code, the management shall provide all members of the Board with monthly updates. During the year under review, the executive Directors have provided to all the other members of the Board updates on any material changes to the position and prospects of the Group, which are considered to be sufficient to provide general updates of the Group's performance, position and prospects to the Board and allow them to give a balanced and understandable assessment of the same for the purposes of code provision C.1.2 of the CG Code.

The Board is of the view that the various experiences and professional qualifications of both the executive Directors and the independent non-executive Directors have provided balanced skills, experience and expertise for the businesses of the Group.

The Company has taken out directors and officers liability insurance to cover liabilities arising from any legal action against the Directors.

## CHAIRMAN AND CHIEF EXECUTIVE

Provision A.2.1 of the CG Code states that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company currently has not appointed any chief executive.

The Board currently comprises three executive Directors and three independent non-executive Directors with diverse qualifications and experience which ensure that the Board has a strong element of independence in its composition for its decision making. The Board also considers the day-to-day management of business has been properly delegated to different individuals.

Mr. Arnold Ip Tin Chee is the chairman of the Company, who provides leadership and governance of the Board and ensures that all key and relevant issues are deliberated in a timely manner. He is responsible for the overall management and administration of the business and daily operations of the Group as executive director. Mr. Chang Sean Pey and Ms. Leung Churk Yin Jeanny, the executive Directors, are responsible for the overall development, strategic planning and major business decisions of the Group. The Board is regularly provided with management updates to allow its members to give a balanced and understandable assessment of the performance, position, recent development and prospects of the Group. Therefore, the Board considers that there is sufficient balance of executive authority, and that executive authority is not concentrated in the hands of any one individual.

# CORPORATE GOVERNANCE REPORT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

The independent non-executive Directors are mainly responsible for advising on issues such as corporate governance, audit, remuneration and nomination of Directors and senior management. In compliance with Rules 5.05A, 5.05(1) and (2) of the GEM Listing Rules, the Company has appointed three independent non-executive Directors, representing more than one-third of the Board. The Group has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to the requirements under Rule 5.09 of the GEM Listing Rules. Based on such confirmation, the Company is of the view that all the Independent Non-executive Directors have met the Independence Guidelines set out in Rule 5.09 of the GEM Listing Rules and considers that they are independent.

## BOARD COMMITTEES

The Board has established three committees, namely the audit committee (the "**Audit Committee**"), remuneration committee (the "**Remuneration Committee**") and nomination committee (the "**Nomination Committee**") on 26 September 2016, to oversee particular aspects of the Group's affairs. Each of the three committees has sufficient resources, and its specific terms of reference that are approved by the Board relating to its responsibilities, duties, powers and functions, are posted to Stock Exchange's website at *www.hkexnews.hk* and the Company's website at *www.altus.com.hk*.

All board committees are provided with sufficient resources to perform their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstance at the Company's expenses. The board committees will regularly report back to the Board on decisions or recommendations made.

## CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for the corporate governance functions under code provision D.3.1 of the CG Code. Its responsibilities include:

(i) developing and reviewing the Group's policies and practices on corporate governance;

(ii) reviewing and monitoring the training and continuous professional development of Directors and senior management;

(iii) reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements;

(iv) developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and Directors; and

(v) reviewing the Group's compliance with the CG Code and relevant disclosure.

The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with its effectiveness.

## AUDIT COMMITTEE

The Company has established the Audit Committee pursuant to a resolution of the Board passed on 26 September 2016 with written terms of reference in compliance with the CG Code and Rules 5.28 of the GEM Listing Rules. The primary duties of the Audit Committee are (i) to make recommendations to the Board on the appointment and removal of external auditors; (ii) to review and revise the financial statements and render advice in respect of financial reporting; (iii) to oversee internal control procedures and corporate governance of the Group; (iv) to supervise internal control and risk management systems of the Group; and (v) to monitor continuing connected transactions (if any).

The Audit Committee currently consists of all three of our independent non-executive Directors, namely Mr. Chao Tien Yo, Mr. Chan Sun Kwong and Mr. Lee Shu Yin and the chairman is Mr. Chan Sun Kwong, who holds the appropriate professional qualifications as required under Rules 5.05(2) and 5.28 of the GEM Listing Rules.

The following is a summary of work performed by the Audit Committee during the Relevant Period:

(a) reviewed the unaudited financial statements for three months ended 30 June 2017, six months ended 30 September 2017 and nine months ended 31 December 2017;

(b) reviewed the audited financial statements for the year ended 31 March 2018;

(c) monitored the Group's financial controls, internal control and risk systems;

(d) reviewed the remuneration and the appointment and the terms of engagement of the external auditor and internal control adviser; and

(e) reviewed the audit scope proposed by the external auditor and its independence.

The attendance record of the members of the Audit Committee meeting during the year under review is set out below:

| **Name of members** | **Attendance/No. of Meetings** |
|---|---|
| Mr. Chan Sun Kwong *(Chairman)* | 5/5 |
| Mr. Chao Tien Yo | 5/5 |
| Mr. Lee Shu Yin | 5/5 |

## REMUNERATION COMMITTEE

The Company has established the Remuneration Committee pursuant to a resolution of the Board passed on 26 September 2016 with written terms of reference in compliance with the CG Code and Rule 5.34 and 5.35 of the GEM Listing Rules. The primary duties of the Remuneration Committee are (i) to review and make recommendations to the Board on the overall remuneration policy and structure relating to all Directors, senior management and the general staff of the Company; (ii) to review other remuneration-related matters, including benefits in-kind and other compensation payable to the Directors; and (iii) to review the performance-based remunerations and to establish a formal and transparent procedure for developing policy in relation to remuneration.

The Remuneration Committee currently consists of one executive Director, Mr. Arnold Ip Tin Chee, and all three independent non-executive Directors, namely Mr. Chao Tien Yo, Mr. Chan Sun Kwong and Mr. Lee Shu Yin. It is currently chaired by Mr. Lee Shu Yin.

One Remuneration Committee meeting was held during the Relevant Period to consider the bonus system and remuneration package for the Directors and senior management. The attendance record of the members of the Remuneration Committee meeting is set out below:

| Name of members | Attendance/No. of meeting |
|---|---|
| Mr. Lee Shu Yin *(Chairman)* | 2/2 |
| Mr. Chao Tien Yo | 2/2 |
| Mr. Chan Sun Kwong | 2/2 |
| Mr. Arnold Ip Tin Chee | 2/2 |

## NOMINATION COMMITTEE

The Group has established the Nomination Committee pursuant to a resolution of the Board passed on 26 September 2016 with written terms of reference in compliance with the CG Code. The primary duties of the Nomination Committee are (i) to review the structure, size, composition and diversity of the Board on a regular basis; (ii) to identify individuals suitably qualified to become Board members; (iii) to assess the independence of independent non-executive Directors; (iv) to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors; and (v) to make recommendations to the Board regarding the candidates to fill vacancies on the Board.

The Nomination Committee currently consists of one executive Director, Mr. Arnold Ip Tin Chee, and all three independent non-executive Directors, namely Mr. Chao Tien Yo, Mr. Chan Sun Kwong and Mr. Lee Shu Yin. It is currently chaired by Mr. Chao Tien Yo.

One Nomination Committee meeting was held during the Relevant Period to consider the retirement of directors, to review the independence of the independent non-executive directors and the current structure, size and diversity of the Board. The attendance record of the members of the Nomination Committee meeting is set out below:

| Name of members | Attendance/No. of Meeting |
|---|---|
| Mr. Chao Tien Yo *(Chairman)* | 1/1 |
| Mr. Chan Sun Kwong | 1/1 |
| Mr. Lee Shu Yin | 1/1 |
| Mr. Arnold Ip Tin Chee | 1/1 |

## TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of our executive Directors has entered into a service agreement with the Company on 26 September 2016 for an initial term of three years commencing from the date of the Listing (the "**Listing Date**"). Either party may terminate the service agreement by giving to the other not less than three months' prior notice in writing at any time during the initial term.

Each of the independent non-executive Directors has signed a letter of appointment on 26 September 2016 for a term of three years commencing from the Listing Date. The independent non-executive Directors may terminate their letter of appointment by giving a minimum of three months' notice in writing to the Company.

According to Article 84 of the Company's articles of association (the "**Articles**"), one-third of the Directors for the time being (or, if the number of Directors is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. In the upcoming annual general meeting, one Executive Director, being Ms. Leung Churk Yin Jeanny and one independent non-executive Director, being Mr. Chan Sun Kwong, would retire and be subject to re-election.

## BOARD MEETINGS

Code provision A.1.1 of the CG Code states that Board meeting should be held at least four times each year at approximately quarterly intervals with active participation, either in person or through electronic means of communication by the majority of the Directors entitled to be present. The Board delegates necessary powers and authorities to the executive Directors to facilitate the efficient day-to-day management of the Group's businesses. Directors who are considered having conflict of interests or material interests in proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting on the relevant resolutions subject to certain exceptions set out in the Articles. The company secretary is responsible for facilitating the Board process as well as communications among Board members. Any Director, Audit Committee member, Remuneration Committee member and Nomination Committee member of the Company may take independent professional advice at the expense of the Company should they so wish.

The attendance record of each Director at Board meetings during the year under review is set out below:

| Name of Directors | Attendance/No. of Meetings |
|---|---|
| Mr. Arnold Ip Tin Chee *(Chairman)* | 9/10 |
| Mr. Chang Sean Pey | 8/10 |
| Ms. Leung Churk Yin Jeanny | 10/10 |
| Mr. Chao Tien Yo | 8/10 |
| Mr. Chan Sun Kwong | 9/10 |
| Mr. Lee Shu Yin | 7/10 |

As stated in code provision A.1.3, notice of regular Board meetings will be given to all Directors at least 14 days prior to the scheduled Board meeting. For all other Board meetings, reasonable notice would be given.

## TRAINING FOR DIRECTORS AND COMPANY SECRETARY AND CONTINUING PROFESSIONAL DEVELOPMENT

According to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. For the year ended 31 March 2018, all Directors participated in training courses regarding directors' responsibilities and obligations under the GEM Listing Rules, which covered among other topics, the CG Code, as well as the GEM listed company's and directors' continuing obligations. In addition, during the Relevant Period, each of the Directors has from time to time reviewed updates on laws, rules and regulations which might be relevant to their roles, duties and functions as a director of a listed company.

Ms. Tse Sui Man, the company secretary of the Company, has complied with the relevant training requirement under Rule 5.15 of the GEM Listing Rules during the Relevant Period.

## AUDITOR'S REMUNERATION

The remuneration paid/payable to the auditor of the Company and its affiliate companies for the year ended 31 March 2018 is set out as follows:

| Services rendered | HK$ |
|---|---|
| Audit service | 950,000 |
| Non-audit services | 385,200 |
| Total | 1,335,200 |

## COMPANY SECRETARY

Please refer to the section headed "Biographical details of directors and senior management" of this Annual Report for biographical details of the company secretary of the Company.

## COMPLIANCE OFFICER

Ms. Leung Churk Yin Jeanny, an executive Director, was appointed as the compliance officer of the Company on 8 April 2016. Please refer to the section headed "Biographical details of directors and senior management" of this Annual Report for biographical details of the compliance officer.

## DIRECTORS' RESPONSIBILITY IN PREPARING THE FINANCIAL STATEMENTS

The Directors acknowledge that it is their responsibility to prepare the financial statements for the year ended 31 March 2018 which give a true and fair view of the state of affairs of the Group. In preparing the consolidated financial statements for the year ended 31 March 2018, the Board has selected suitable accounting policies and applied them consistently, and made judgments and estimates that are fair and reasonable.

As at 31 March 2018, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon our Group's ability to continue as a going concern. Therefore, the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

The responsibility of the external auditors is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. The independent auditor's report by external auditor, SHINEWING (HK) CPA LIMITED, about their reporting responsibility on the consolidated financial statements of our Group is set out in the independent auditor's report of this Annual Report.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the Directors' remuneration, five highest paid individual and senior management's emoluments are set out in note 15 to the consolidated financial statements of this Annual Report.

## SHAREHOLDERS' RIGHTS AND INVESTOR RELATIONS

An annual general meeting of the Company shall be held each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting.

The annual general meeting of the Company will provide a forum for the Board and the Shareholders to communicate. The Board will answer questions raised by Shareholders at the annual general meeting. For the purpose of effective communication, the Company also includes the latest information relating to the Group on its website at *www.altus.com.hk*.

There are no provisions in the Articles for members to put forward new resolutions at general meetings. However, members of the Company who wish to propose resolutions are requested to follow Article 17 of the Articles to make a requisition for an extraordinary general meeting. According to Article 58 of the Articles, any one or more members of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

The requisition must be deposited for the attention of the Board or the company secretary of the Company via mail to the principal place of business of the Company in Hong Kong at 21 Wing Wo Street, Central, Hong Kong or via email (co.sec@altus.com.hk), requiring an extraordinary general meeting to be called by the Board and specifying the business that the shareholder(s) wish to discuss.

If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

# CORPORATE GOVERNANCE REPORT

## CONSTITUTIONAL DOCUMENTS

The Company adopted the amended and restated Memorandum and Articles of Association of the Company on 26 September 2016 to comply with the GEM Listing Rules in Hong Kong.

A copy of the amended and restated Memorandum and Articles of Association of the Company is posted on the Stock Exchange's website at *www.hkexnews.hk* and the Company's website at *www.altus.com.hk*.

The Articles was adopted on 26 September 2016 and took effect on the Listing Date. The Articles is available on the Company's website and the Stock Exchange's website. During the year under review, there has been no change in the Company's memorandum and articles of association.

The procedures for proposing a person for election as a director of the Company is available on the website of the Company.

## RISK MANAGEMENT AND INTERNAL CONTROLS

It is the responsibility of the Board to ensure that a sound and effective risk management and internal control system is in place for safeguarding the interests of the Shareholders. The Board has overall responsibility for the risk management and internal control system of the Group. However, such systems are designed to manage the Group's risk within an acceptable risk profile, rather than to eliminate the risk of failure to achieve business objectives of the Group, and can only provide reasonable assurance and not absolute assurance against material misstatement or loss.

For the year ended 31 March 2018, the Board conducted a review of the effectiveness of the risk management and internal control system, which covered the areas of financial, operational, compliance and risk management. The Board considered the system of the Group to be adequate and effective during the year ended 31 March 2018. For the year ended 31 March 2018, the Company did not have an internal audit function. As at the date of this Annual Report, the Group has engaged an independent internal control consultant to review the effectiveness of the Group's internal control system. The internal control consultant has directly reported to the Audit Committee. Going forward, the Directors will continue to regularly assess and review the effectiveness of the Group's risk management and internal control system.

The Group has also established a set of risk management policies and measures. The Group's risk management process starts with identifying the major risks associated with its business, industry and market in the ordinary course of business. The Board and senior management are responsible for identifying and analysing the risks associated with their respective functions, preparing and measuring risk mitigation plans and reporting the status of risk management.

## PROCEDURES FOR RAISING ENQUIRIES

Written enquiries may be sent to the Company or the Board through the company secretary of the Company whose contact details are as follows:

Address: 21 Wing Wo Street, Central, Hong Kong
Fax: (852) 2522 6992
E-mail: co.sec@altus.com.hk

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Arnold Ip Tin Chee（葉天賜）(“Mr. Ip”)**, aged 55, founded our Group in September 2000. He has been the Chairman and Executive Director of the Company since April 2016. Mr. Ip is charged with (i) formulating our Group’s corporate strategy and overall business development; (ii) overseeing the operational (including corporate finance activities) and financial matters of our Group; (iii) handling compliance matters; and (iv) client referrals and relationship management. Mr. Ip also acts as chairman of our investment committee and is able to draw from his experiences in the disciplines of corporate finance and fund management (as further elaborated below) to ensure that our investment activities are in line with our investment strategy and business development plan. Mr. Ip is also a member of our Group’s Remuneration Committee and Nomination Committee.

Mr. Ip obtained a Bachelor of Arts degree and a Master of Arts degree from the University of Cambridge in the United Kingdom in June 1984 and November 1988 respectively. Subsequently, he joined Standard Chartered Asia Limited and had acted as a director. Mr. Ip later joined Yuanta Securities (Hong Kong) Company Limited and had been a director until January 2001. In September 2000, Mr. Ip founded our Group. Throughout the 2000s, he helped found and oversee the management teams of several funds as well as Saizen REIT, a real estate investment trust previously listed in Singapore, which focused on Japanese real estate investment property. Mr. Ip was the Chairman and non-executive director of Japan Residential Assets Manager Limited, the manager of Saizen REIT.

Mr. Ip is currently licensed by the SFC to act as a responsible officer to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (“**SFO**”). He is also a principal of Altus Capital Limited (“**Altus Capital**”) for sponsorships. He was admitted to membership of The Institute of Chartered Accountants in England and Wales in July 1988. Mr. Ip is the spouse of Ms. Ho Shuk Yee Samantha (“**Ms Ho**”), a member of our senior management.

Mr. Ip’s directorships in other companies listed on the Stock Exchange are set out below:

| Company | Principal business during tenure | Position | Period |
|---|---|---|---|
| Pioneer Global Group Limited (stock code: 0224) | Investment holdings | Independent non-executive director | 23 June 1999 to present |
| Pak Fah Yeow International Limited (stock code: 0239) | Manufacture, marketing and distribution of medicated embrocation under “Hoe Hin” brand and property and treasury investment | Independent non-executive director | 8 September 2004 to present |
| Sam Woo Construction Group Limited (stock code: 3822) | Provision of foundation works and ancillary services | Independent non-executive director | 15 September 2014 to present |
| Icicle Group Holdings Limited (stock code: 8429) | Provision of marketing production and ancillary services | Independent non-executive director | 16 November 2017 to present |

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Chang Sean Pey（曾憲沛）("Mr. Chang")**, aged 46, has been with our Group since February 2001. Mr. Chang works with the chairman of our Group to oversee our Group's overall operations, strategic direction and business development and is responsible for (i) managing daily operations and supervising staff; (ii) providing corporate finance services; (iii) handling compliance matters; and (iv) client referrals and relationship management. Mr. Chang, with experience in corporate finance as well as real estate investment and divestment, is a member of our investment committee.

After graduating from the National University of Singapore in Singapore with a Degree of Bachelor of Engineering (Mechanical) in July 1996, Mr. Chang began his career as a management trainee, and thereafter worked in the corporate finance services division of the investment banking department at the Development Bank of Singapore Limited, specialising in fund raising activities in the equity capital markets from July 1996 to April 2000 where his last position was manager. In April 2000, he joined a former subsidiary of our Group in Hong Kong. Throughout the 2000s, he was involved in overseeing the management teams of several funds as well as Saizen REIT, a real estate investment trust previously listed in Singapore, which focused on Japanese real estate investment property. Mr. Chang was previously an executive director of Japan Residential Assets Manager Limited, the manager of Saizen REIT.

Mr. Chang is currently licensed by the SFC to act as a responsible officer to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. He is also a principal of Altus Capital for sponsorships.

**Ms. Leung Churk Yin Jeanny（梁綽然）("Ms. Leung")**, aged 53, was appointed as a Director on 3 March 2016 and was redesignated as an executive Director on 8 April 2016. Ms. Leung works with the chairman of our Board to oversee our Group's overall operations, strategic direction and business development and in her capacity as compliance officer, oversees all compliance matters. She provides corporate finance services to our clients and is responsible for management of the transaction teams as well as client referral and relationship management. Ms. Leung is also a member of our investment committee. She is able to draw on her vast experience in corporate finance, as well as executive management in listed entities as further elaborated below, in carrying out this role.

After graduating with a degree of Bachelor of Science from the University of Toronto in Canada in November 1986, Ms. Leung began her career at the Listing Division of the Stock Exchange from May 1987 and has since been involved in the corporate finance field, garnering and honing her expertise through her time at Standard Chartered Asia Limited from October 1990 to July 1994 with her last position as an assistant director of the corporate finance department, JP Morgan Securities (Asia) Limited from August 1994 as a vice president of the corporate finance department and Yuanta Securities (Hong Kong) Company Limited from November 1995 as an executive director. From February 1998 to January 1999 she served as an executive director for Top Form International Limited (stock code: 333). She then rejoined Yuanta Securities (Hong Kong) Company Limited from March 1999 to July 2000 as the managing director. In August 2000, she co-founded Access Capital Limited, a then licensed corporation to carry out certain regulated activities under the SFO where she served in the capacity as managing director. From September 2007 to December 2010, she served as executive director of several companies of the Lai Sun Group, consisting of Lai Sun Garment (International) Limited (stock code: 191), Lai Sun Development Company Limited (stock code: 488), Lai Fung Holdings Limited (stock code: 1125) and eSun Holdings Limited (stock code: 571). From January 2011 to August 2011, she was redesignated as a non-executive director of Lai Sun Garment (International) Limited and eSun Holdings Limited. From March 2008 to August 2010 and May 2011 until July 2015, with her extensive corporate finance experience, Ms. Leung had acted as licensed representative for Altus Capital and Altus Investments Limited ("**Altus Investments**") respectively prior to serving as responsible officer from July 2015 onwards and joining us as an employee on 1 January 2016.

Ms. Leung is currently licensed by the SFC to act as a responsible officer to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under SFO. She is also a principal of Altus Capital for sponsorships.

Ms. Leung also holds the position of director in another company listed on the Stock Exchange, as set out below:

| Company | Principal business during tenure | Position | Period |
|---|---|---|---|
| Top Form International Limited (stock code: 333) | Design, manufacture and distribution of ladies' intimate apparel, principally brassieres | Independent non-executive director | 19 September 2008 to present |

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chao Tien Yo（趙天岳）("Mr. Chao")**, aged 63, joined the Company as an independent non-executive Director on 26 September 2016. Mr. Chao qualified as a solicitor in England and Wales in October 1983 and in Hong Kong in March 1984. After a legal career of over thirty years with international and Hong Kong law firms, he retired from professional private legal practice in 2015. He serves now as Chief Legal Officer with CPG Overseas Company Limited. Mr. Chao worked previously in the corporate group of Linklaters, as a consultant partner from May 2014 to June 2015 and as partner from August 2011 to April 2014. His earlier work experience includes acting as partner in the corporate department of Morrison & Foerster from January 2003 to July 2011. Prior to this, Mr. Chao co-founded the Hong Kong law firm Chao and Chung in 1994 and was a partner of the firm until it ceased practice at the end of 2002, where he mainly handled corporate work.

Mr. Chao holds the degrees of Bachelor of Arts, Bachelor of Linguistics and Master of Arts from the University of Hong Kong (1975), the University of Manchester (1977) in the United Kingdom, and the University of Keele (1976) in the United Kingdom, respectively.

**Mr. Chan Sun Kwong（陳晨光）("Mr. Chan")**, aged 51, joined the Company as an independent non-executive Director on 26 September 2016.

Mr. Chan has over 25 years of experience in accounting, auditing, banking and company secretarial fields. For the period from January 1992 to March 1998, Mr. Chan had served in UDL Management Limited from January 1992 to March 1998 and his last position was a financial controller. He had also served as company secretary of UDL Holdings Limited (now known as DTXS Silk Road Investment Holdings Company Limited) (stock code: 620) from January 1992 to September 1997 and as company secretary of KEL Holdings Limited (now known as Chinese People Holdings Company Limited) (stock code: 681) from March 1997 to September 1997. He has been the sole proprietor of Ken Chan & Co. Certified Public Accountants, since July 1998. He had also served as company secretary of Ming Hing Holdings Limited (now known as Peace Map Holding Limited) (stock code: 402) from November 2005 to October 2006, an independent non-executive director of Anex International Holdings Limited (now known as Sustainable Forest Holdings Limited) (stock code: 723) from February 2006 to January 2008 and company secretary of Powerwell Pacific Holdings Limited (now known as China Trustful Group Limited) (stock code: 8265) from December 2010 to September 2014. He had been the company secretary and an executive director of Sam Woo Holdings Limited (now known as Noble Century Investment Holdings Limited) (stock code: 2322) from March 2003 to June 2011. Mr. Chan had served as an independent non-executive director of Creative Energy Solutions Holdings Limited (now known as Kirin Group Holdings Limited) (stock code: 8109) from July 2010 to November 2010, Megalogic Technology Holdings Limited (stock code: 8242) from December 2011 to April 2015 and Pak Tak International Limited (stock code: 2668) from December 2014 to August 2016.

Mr. Chan obtained a diploma of business administration from the Hong Kong Shue Yan College (now known as Hong Kong Shue Yan University). He is a fellow member of the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administrators in the United Kingdom, the Institute of Chartered Accountants in England and Wales. the Association of Chartered Certified Accountants in the United Kingdom in and the Hong Kong Institute of Certified Public Accountants. Mr. Chan is accredited as a mediator of The Hong Kong Mediation Centre.

Mr. Chan currently holds the following positions in other companies listed on the Stock Exchange as follows:

| Company | Principal business during tenure | Position | Period |
|---|---|---|---|
| Sam Woo Construction Group Limited (stock code: 3822) | Provision of foundation works and ancillary services in Hong Kong and Macau | Company secretary | January 2013 to present |
| KPa-BM Holdings Limited (stock code: 2663) | (i) Provision of structural engineering works with a focus on design; (ii) supply and installation of building material products and (iii) trading of building material products predominately in Hong Kong | Company secretary | June 2015 to present |
| M&L Holdings Group Limited (stock code: 8152) | Provision of integrated engineering solutions in connection with specialised cutting tools and parts for construction equipment with particular focus on disc cutters | Joint Company secretary | June 2017 to present |
| Universe Printshop Holdings Limited (stock code: 8448) | Provision of printing service | Company secretary | June 2017 to present |

**Mr. Lee Shu Yin（李樹賢）("Mr. Lee")**, aged 51, joined the Company as an independent non-executive Director on 26 September 2016. Mr. Lee has over twenty years of experience in real estate, corporate finance, investment and management. He is currently the chief executive of Asiasec Properties Limited, prior to which he was an executive director of Tian An China Investments Limited. He was the chief investment officer of Grand River Properties (China) Ltd, a company he co-founded in 2003. Mr Lee's experience includes serving as a vice president and director of JP Morgan Securities Limited/Robert Fleming Securities while based in London, New York and Boston and as an executive director of Goldman Sachs International in Hong Kong. He obtained a Degree of Master of Science in Finance in September 1999 from the London Business School of the University of London in the United Kingdom, and Bachelor of Arts Degree and Bachelor of Science Degree from Stanford University (officially the Leland Stanford Junior University) in the United States in June 1989. Mr. Lee was accredited as a chartered financial analyst by the Institute of Chartered Financial Analysts.

Mr. Lee also holds the position of director in another company listed on the Stock Exchange, as set out below:

| Company | Principal business during tenure | Position | Period |
|---|---|---|---|
| Tian An China Investments Company Limited (stock code: 0028) | Development of apartments, villas, office buildings and commercial properties, property investment and property management in the PRC | Non-executive director<br>Executive director | 18 March 2011 to 14 June 2017<br>15 June 2017 to 3 January 2018 |
| Asiasec Properties Limited (stock code: 0271) | Investment in properties | Chief Executive<br>Executive director | 4 January 2018 to present |

## DISCLOSURE OF RELATIONSHIPS

Save for Mr. Ip and Ms. Ho, an executive Director and a member of the senior management of our Group respectively, who are spouses, each of our Directors and senior management are independent from and not related to any of our Directors or senior management.

Save as disclosed above and elsewhere in this Annual Report, each of our Directors confirmed with respect to himself/herself that: (i) apart from our Company, he has not held directorships in the last three years in other public companies the securities of which are listed on any securities market in Hong Kong or overseas; (ii) save as disclosed in the section headed "Directors' Report" in this Annual Report, he does not have any interests in the shares within the meaning of Part XV of the SFO; (iii) there is no other information that should be disclosed for himself pursuant to Rule 17.50(2) of the GEM Listing Rules; and (iv) to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointment of our Directors that need to be brought to the attention of the Shareholders as at the date of this Annual Report.

## SENIOR MANAGEMENT

**Ms. Ho Shuk Yee Samantha（何淑懿）("Ms. Ho")**, aged 53, joined our Group in May 2014. In her capacity as chief investment officer and a member of the investment committee, Ms. Ho is responsible for advising the executive Directors on our Group's investment strategy and assessing and making decision on the purchase and/or disposal of our investment in accordance with our investment strategy. Ms. Ho has over 25 years' of experience in the finance industry, specialising in fund management. Prior to joining our Group, she had served as a director of the board of Hong Kong Securities and Investment Institute from December 2008 to December 2014. She had acted as investment director at Invesco Hong Kong Limited from November 2004 to August 2012. From April 2003 to June 2004, she was a licensed representative for Manulife Asset Management (Hong Kong) Limited. Her other experience prior to this includes working at SEB Investment Management from January 1994 to March 2000 and Jardine Fleming Securities Limited from October 1989 to December 1993.

Ms. Ho obtained a degree of Master of Business Administration from The Faculty of the John E. Anderson Graduate School of Management of the University of California in the United States in June 1988 and a degree of Bachelor of Arts from Bryn Mawr College in the United States in May 1985. She is a chartered financial analyst accredited by The Institute of Chartered Financial Analysts in September 1998 in addition to being licensed under the SFC to act as a Responsible Officer to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO. Ms. Ho has also been a senior fellow of the Hong Kong Securities & Investment Institute since September 2014. Ms. Ho is the spouse of Mr. Ip, our chairman and an executive Director.

**Ms. Khoo Wing Pui Charlotte（邱詠培）("Ms. Khoo")**, aged 29, joined our Group in September 2011 and has been appointed as Executive Director of Altus Capital Limited effective from 25 June 2018. Alongside her duties as Altus Capital Limited's principal for sponsorships and responsible officer for Type 6 (advising on corporate finance) regulated activity, which involve supervising and leading the execution of corporate finance projects, clients' relationship management and project origination, she also works with our executive management on talent cultivation and continuous enhancement of our practices and processes.

Prior to joining our Group, Ms. Khoo worked at KPMG Tax Limited where her last position was as a tax consultant. She obtained a degree of Bachelor of Science (Hons) in Economics from University College London in the United Kingdom in August 2010. Ms. Khoo is a certified public accountant of the Hong Kong Institute of Certified Public Accountants. She is licensed to carry out Type 6 (advising on corporate finance) regulated activities as a responsible officer and Type 1 (dealing in securities) and Type 9 (asset management) regulated activities as a licensed representative under the SFO. She is also a principal of Altus Capital Limited for sponsorships.

**Mr. Tam Ho Kei Leo（譚浩基）("Mr. Tam")**, aged 33, joined our Group in October 2014 and currently serves as an assistant director. Mr. Tam provides corporate finance services to our clients and oversees the day-to-day execution work of transaction teams. In addition, he assists (i) the investment committee on the implementation of our Group's investment strategy, the ongoing monitoring and review of our investment portfolio; and (ii) the executive management with regards to internal control matters. In May 2007, he obtained a degree of Bachelor of Commerce in Accounting and International Business from The University British Columbia in Canada. From September 2007 to April 2014, he worked at Ernst & Young where his last position was an audit manager. Mr. Tam has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since January 2013. He is licensed to carry out Type 6 (advising on corporate finance) regulated activity as a responsible officer and Type 1 (dealing in securities) and Type 9 (asset management) regulated activities as a licensed representative under the SFO.

**Ms. Tse Sui Man（謝瑞敏）("Ms. Tse")**, aged 29, joined our Group in September 2017 as a financial controller and also become our company secretary in December 2017. Ms. Tse is responsible for the review of our Group's finance and accounting functions and company secretarial matters. In July 2012, she obtained a degree of Bachelor of Business Administration (Hons) in Accountancy and Management Information System from City University of Hong Kong. Prior to joining our Group, Ms. Tse had served as an audit senior associate with Pricewaterhouse Coopers, CPA from December 2013 to August 2016. Ms. Tse is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.

## COMPANY SECRETARY

**Ms. Tse（謝瑞敏）** is our company secretary. For details of their background, please refer to the paragraph headed "Senior Management" above.

## COMPLIANCE OFFICER

**Ms. Leung（梁綽然）** was appointed as the compliance officer (pursuant to Rule 5.19 of the GEM Listing Rules) of our Company on 8 April 2016. Please refer to the paragraph headed "Executive Directors" above for details about Ms. Leung's qualifications and experience.

## AUTHORISED REPRESENTATIVES

Mr. Ip and Mr. Chang are the authorised representatives of our Company for the purpose of the GEM Listing Rules.

The Directors are pleased to present their report and the audited consolidated financial statements of the Company and the Group for the year ended 31 March 2018.

## CORPORATE REORGANISATION AND LISTING

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 11 November 2015 under the Companies Law of the Cayman Islands. Pursuant to the corporate reorganisation of the Group to rationalise the group structure in preparation for the Listing, the Company became the holding company of the Group on 26 September 2016. Further details of the corporate reorganisation of the Group are set out in the section headed "History, Reorganisation and corporate structure" of the Prospectus.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is principally engaged in the provision of corporate finance services and property investments. Details of the principal activities of its subsidiaries are set out in note 39 to the consolidated financial statements. There were no significant changes in the nature of our Group's principal activities during the year ended 31 March 2018.

## PRINCIPAL PLACE OF BUSINESS

The Company is a limited liability company incorporated in the Cayman Islands and its principal place of business is 21 Wing Wo Street, Central, Hong Kong.

## BUSINESS REVIEW

Discussion and analysis of the business of the Group, outlook of the business and the analysis of the Group's performance for the year ended 31 March 2018 and important events affecting the Group can be found out in the sections headed "Chairman's statement" and "operation review and financial review" of this Annual Report.

## RESULTS AND DIVIDEND

The results of the Group for the year ended 31 March 2018 are set out in the section headed "Consolidated Statement of Profit or Loss and Other Comprehensive Income" of this Annual Report.

The Board had recommended an interim dividend of HK0.2 cent per share for the financial year ended 31 March 2018 (2017: Nil) which was paid on 19 December 2017.

The Board now recommends a final dividend of Hong Kong 0.2 cent (2017: Hong Kong 0.2 cent) per share and a special dividend of Hong Kong 0.05 cent (2017: Nil) per share for the year ended 31 March 2018. The special dividend is recommended having considered the robustness of the Company's corporate finance services business in the past year. The proposed final dividend and special dividend, if approved at the forthcoming annual general meeting of the Company, will be payable on 28 September 2018 to the Shareholders whose names appear on the register of members of the Company on 5 September 2018. Shares of the Company will be traded ex-dividend as from 29 August 2018.

# DIRECTORS' REPORT

## ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company ("**AGM**") will be held at 9:30 a.m. on Wednesday, 8 August 2018. The register of members of the Company will be closed from Friday, 3 August 2018 to Wednesday, 8 August 2018 (the "**Closure Period**"), both days inclusive, for the purposes of determining the entitlements of the Shareholders to attend and vote at the forthcoming AGM. During this Closure Period, no transfer of the Company's shares will be registered. In order to qualify for attending and voting at the AGM, all transfers, accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 2 August 2018.

The register of members of the Company will be closed from Friday, 31 August 2018 to Wednesday, 5 September 2018, both days inclusive, during which period no transfer of shares will be registered. Subject to the approval by the Shareholders of the proposed final dividend and special dividend at the AGM, the final dividend and special dividend will be paid on Friday, 28 September 2018 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 5 September 2018. For the entitlement to the proposed final dividend and special dividend, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Thursday, 30 August 2018.

## USE OF NET PROCEEDS FROM THE LISTING

The shares of the Company were listed on GEM on 17 October 2016. As part of the Listing, 200,000,000 new shares of the Company were placed at the placing price of HK$0.425 per share, raising gross proceeds of HK$85.0 million. Net proceeds raised from the Listing of HK$67.0 million had been fully utilised on repayment of debts, enhancement of human resources, working capital and other general corporate purposes of the Group after Listing.

## REASONS FOR THE CHANGE OF USE OF NET PROCEEDS

As previously announced, with the changing environment of offering mechanisms and consequential changes to the work expected for underwriters and placing agents in underwriting and placing activities for initial public offerings, the Directors decided to remain focus on sponsorship and financial advisory services, and not to expand into the underwriting business. The proceeds of approximately HK$10.0 million previously designated for such purpose were therefore used for repayment of debt in November 2017.

## COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

As set out in the paragraph headed "Business strategies" under the section headed "Business" of the Prospectus, the Group's business objectives and strategies are, amongst others, (i) to grow the Group's existing corporate finance activities through enhancing human resources as well as broadening the scope of corporate finance services; (ii) to enhance the Group's recurring income stream by diversifying into different types of properties and geographical locations; and (iii) to retain our recurring income by reducing financing costs.

In respect of item (i) above, the Group has since the Listing continued to recruit suitable candidates for its corporate finance activities. Meanwhile, considering the changing environment of offering mechanisms and consequential changes to the work excepted for underwriters and placing agents in underwriting and placing activities for initial public offerings, the previous planned expansion into this area of activities has not been proceeded. Details are set out in the paragraphs headed "Use of net proceeds from the Listing" and "Reasons for the change of use of net proceeds" respectively.

In respect of item (ii) and (iii) above, the Group has since the Listing made several acquisitions of properties which cater to different tenant groups in different locations in Japan. The Group had also repaid certain bank loans using proceeds from the Listing.

## SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets and liabilities of the Group for the last three years is set out in the section headed "Financial highlights" of this Annual Report.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year ended 31 March 2018 are set out in note 18 to the consolidated financial statements of this Annual Report.

## PROPERTIES

Particulars of properties held by the Group as at 31 March 2018 are set out on pages 128 to 130.

## INVESTMENT PROPERTIES

The investment properties were revalued at 31 March 2018 and the resulting fair value change of approximately HK$12,707,000 has been credited to the consolidated income statement.

Details of the movements during the year in the investment properties of the Group are set out in note 19 to the consolidated financial statements of this Annual Report.

## SHARE CAPITAL

Details of the movements in the Company's share capital for the year ended 31 March 2018 are set out in note 29 to the consolidated financial statements of this Annual Report.

## RESERVES

Details of the movements in the reserves of the Company and the Group are set out in note 38 to the consolidated financial statements of this Annual Report.

# DIRECTORS' REPORT

## DISTRIBUTABLE RESERVES

As at 31 March 2018, there was no reserve available for distribution to the members of the Company.

## PURCHASE, SALES OR REDEMPTION OF THE COMPANY'S LISTED SHARES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year under review.

## DIRECTORS

The Directors during the Relevant Period were:

*Executive Directors*
Mr. Arnold Ip Tin Chee *(Chairman)*
Mr. Chang Sean Pey
Ms. Leung Churk Yin Jeanny

*Independent non-executive Directors*
Mr. Chao Tien Yo
Mr. Chan Sun Kwong
Mr. Lee Shu Yin

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules.

## DIRECTORS' AND SENIOR MANAGEMENT MEMBER BIOGRAPHIES

Biographical details of the Directors and the senior management members of the Group are set out in the section headed "Biographical details of directors and senior management" of this Annual Report.

## DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors, being Mr. Arnold Ip Tin Chee, Mr. Chang Sean Pey and Ms. Leung Churk Yin Jeanny, entered into a service agreement with the Company on 26 September 2016 for an initial term of three years commencing from the Listing Date. Either party may terminate the service agreement by giving to the other not less than three months' prior notice in writing at any time during the initial term.

Each of the independent non-executive Directors, being Mr. Chao Tien Yo, Mr. Chan Sun Kwong and Mr. Lee Shu Yin, entered into a letter of appointment with the Company on 26 September 2016 for a term of three years commencing from the Listing Date and may terminate their letter of appointment by giving a minimum of three months' notice in writing to the Company.

According to Article 84 of the Articles, one-third of the Directors for the time being (or, if the number of Directors is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. Any Director appointed to fill a casual vacancy shall, subject to Article 83, hold office only until the next following general meeting of the Company and such Director shall then be eligible for re-election at the relevant general meeting by the Shareholders. In the upcoming annual general meeting, one executive Director and one Independent non-executive Director will retire and be subject to re-election.

None of the Directors who are proposed for re-election at the annual general meeting has an unexpired service agreement with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## PERMITTED INDEMNITY PROVISION

According to Article 164 of the Articles, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duties; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors.

The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against the Directors during the year ended 31 March 2018 and such permitted indemnity provision for the benefits of the Directors is currently in force.

## CONTRACTS OF SIGNIFICANCE

Save as those disclosed in note 37 to the consolidated financial statement, there was no contract of significance in relation to the Group's business to which any member of the Group was a party and in which a Director had a material interest, whether directly or indirectly, during the year ended 31 March 2018.

Save as those disclosed in note 37 to the consolidated financial statement, there was no contract of significance between the Company, or any of its subsidiaries, and a controlling Shareholder or any of its subsidiaries during the year ended 31 March 2018.

Save as those disclosed in note 37 to the consolidated financial statement, there was no contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries during the year ended 31 March 2018.

## CONTRACTUAL ARRANGEMENT

Saved for the property "Rakuyukan 36", the Group has adopted tokumei kumiai structure (the "**TK structure**") for its investments in Japan's properties.

A TK arrangement is a contractual arrangement defined in the Commercial Code of Japan. As disclosed under the paragraph headed "Common Japanese real estate investment structures for foreigners" in the section headed "Regulatory overview" of the Prospectus, the TK structure is one of the typical investment structures adopted by foreign investors when investing in Japan, utilised primarily for (i) tax benefits; (ii) non-recourse financing advantage; (iii) control over acquisition and disposal of properties; and (iv) limited legal liability.

For further details of the TK arrangement, please refer to the section headed "Our TK Arrangements" of the Prospectus.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2018, the Group had 28 staff (31 March 2017: 25). The Group's remuneration policy takes into consideration the relevant Director or member of senior management's duties, responsibilities, experiences, skills, time commitment, performance of the Group and are made with reference to those paid by comparable companies. Its employees are remunerated with monthly salaries and discretionary bonuses based on individual performance, market performance, our Group's profit as a whole and comparable market levels. Apart from salary payments, other staff benefits include provident fund contributions, medical insurance coverage, other allowances and benefits.

## DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS AND REMUNERATION POLICY

Details of the Directors' remuneration and five highest paid individuals of the Group are set out in note 15 to the consolidated financial statements. The remuneration policy of the Company can be found in the subsection headed on "Employees and Remuneration Policy" in this section. The Remuneration Committee has reviewed the overall remuneration policy and structure relating to all Directors and senior management members of the Group with reference to the Group's operating results and individual performance.

## MANAGEMENT CONTRACTS

During the year ended 31 March 2018 and up to the date of this Annual Report, other than the service contracts of the Directors, the Company did not enter into or have any management and administrative contracts in respect of the whole or any substantial part of the principal businesses of the Company.

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

As at 31 March 2018, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) held by the Directors and chief executives of the Company which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or have been entered into the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules are as follows:

### Interest or short positions in the shares of the Company:

| Name of Director | Notes | Number of shares interested (Note 3) | Approximate percentage of the total issued share capital of the Company (%) |
|---|---|---|---|
| Mr. Ip | 1 | 600,000,000 (L) | 75.0 |
| | | 37,800,000 (S) | 4.7 |
| Mr. Chang | 2 | 24,900,000 (L) | 3.1 |
| Ms. Leung | 2 | 12,900,000 (L) | 1.6 |

Notes:

1. KHHL is deemed to be interested in the Company through its wholly-owned subsidiary Flying Castle Limited. KHHL is owned as to 20.0% by Ms. Chan Kit Lai, Cecilia ("**Ms. Chan**") and as to 80.0% by Landmark Trust Switzerland SA ("**the Trustee**") on behalf of The Hecico 1985 Trust, of which Ms. Chan is the founder and Mr. Ip and Ms. Lam Ip Tin Wai Chyvette ("**Ms. Ip**") are beneficiaries. By virtue of the SFO, the Trustee, Ms. Chan, Mr. Ip and Ms. Ip are deemed to be interested in all the shares of the Company held by KHHL.

2. Pursuant to the Option Deeds (as defined in the Prospectus) entered into between KHHL and each of Mr. Chang and Ms. Leung, KHHL granted call options to Mr. Chang and Ms. Leung, entitling them to purchase from KHHL up to 24,900,000 and 12,900,000 Option Shares, representing approximately 3.1% and 1.6% of the issued share capital of the Company (without taking into account any shares which may be issued pursuant to the exercise of any options which may be granted under the share option scheme), at the exercise price of HK$0.00004 per Option Share (subject to adjustment).

3. The letters "L" and "S" denote a long position and a short position in the shares of the Company respectively.

### Interests in associated corporations of the Company:

| Name | Name of associated corporation | Nature of interest | Interests in shares (Note 1) | Approximate percentage shareholding (%) |
|---|---|---|---|---|
| Mr. Ip | KHHL (Note 2) | Beneficiary of a trust | 204 (L) | 80.0 |
| | I Corporation (Note 3) | Interest of spouse | 14 (L) | 20.0 |
| Ms. Leung | Residence Motoki Investment Limited ("**Residence**") | Beneficial owner | 10 (L) | 0.33 |
| Mr. Chang | Residence | Beneficial owner | 5 (L) | 0.17 |

Notes:

1. The letter "L" denotes a long position in the shares of the Company.

2. KHHL is deemed to be interested in the Company through its wholly-owned subsidiary Flying Castle Limited. KHHL is a company which is owned as to 20% by Ms. Chan and as to 80% by the Trustee on behalf of The Hecico 1985 Trust, of which Mr. Ip is one of the beneficiaries. By virtue of the SFO, Mr. Ip is deemed to be interested in the shares of KHHL held by the Trustee.

3. Pursuant to the SFO, Mr. Ip, the spouse of Ms. Ho, is deemed to be interested in the shares of I Corporation held by Ms. Ho.

Save as disclosed above, as at 31 March 2018, none of the Directors and chief executives of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as 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 Part XV of the SFO or the GEM Listing Rules.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above and "Share Option Scheme" below, at no time during year ended 31 March 2018 was the Company, or any of its subsidiaries or associated corporations, a party to any arrangement to enable the Directors and chief executives of the Company (including their respective spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2018, substantial shareholders (not being the Directors or chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

### (a) Interests or short positions in the shares of the Company

| Name of shareholder | Nature of interest | Number of shares interested (Note 1) | Approximate percentage of the total issued share capital of the Company (%) |
|---|---|---|---|
| Flying Castle Limited (Note 2) | Beneficial owner | 600,000,000 (L)<br>37,800,000 (S) (Note 3) | 75.0<br>4.7 |
| KHHL (Note 2) | Interest in a controlled corporation | 600,000,000 (L)<br>37,800,000 (S) (Note 3) | 75.0<br>4.7 |
| The Trustee | Trustee | 600,000,000 (L)<br>37,800,000 (S) (Note 3) | 75.0<br>4.7 |
| Ms. Chan (Note 2) | Founder of a discretionary trust | 600,000,000 (L)<br>37,800,000 (S) (Note 3) | 75.0<br>4.7 |
| Mr. Ip (Note 2) | Beneficiary of a trust | 600,000,000 (L)<br>37,800,000 (S) (Note 3) | 75.0<br>4.7 |
| Ms. Ip (Note 2) | Beneficiary of a trust | 600,000,000 (L)<br>37,800,000 (S) (Note 3) | 75.0<br>4.7 |
| Ms. Ho (Note 4) | Interest of spouse | 600,000,000 (L)<br>37,800,000 (S) (Note 3) | 75.0<br>4.7 |
| Yuanta Asia Investment Limited | Beneficial owner | 44,250,000 (L) | 5.5 |

Notes:

1. The letters "L" and "S" denote a long position and a short position in the shares of the Company respectively.

2. KHHL is deemed to be interested in the Company through its wholly-owned subsidiary Flying Castle Limited. KHHL is owned as to 20.0% by Ms. Chan and as to 80.0% by The Trustee on behalf of The Hecico 1985 Trust, of which Ms. Chan is the founder and Mr. Ip and Ms. Ip are beneficiaries. By virtue of the SFO, the Trustee, Ms. Chan, Mr. Ip and Ms. Ip are deemed to be interested in all the shares of the Company held by KHHL.

3. Pursuant to the Option Deeds entered into between KHHL and each of Mr. Chang and Ms. Leung, KHHL granted call options to Mr. Chang and Ms. Leung, entitling them to purchase from KHHL up to 24,900,000 and 12,900,000 Option Shares, representing approximately 3.1% and 1.6% of the issued share capital of our Company (without taking into account any shares which may be issued pursuant to the exercise of any options which may be granted under the share option scheme), at the exercise price of HK$0.00004 per Option Share (subject to adjustment).

4. Pursuant to the SFO, Ms. Ho, the spouse of Mr. Ip, is deemed to be interested in all the shares of the Company in which Mr. Ip is deemed to be interested in.

## (b) Interests or short positions in other members of the Group

| Name of shareholder | Name of member of our Group | Nature of interest | Number of shares(Note) | Percentage of shareholding (%) |
|---|---|---|---|---|
| Ms. Ho | I Corporation | Beneficial owner | 14 (L) | 20.0 |
| Mr. Henry Shih | Smart Tact Property Investment Limited | Beneficial owner | 922 (L) | 10.0 |
| | Residence | Beneficial owner | 300 (L) | 10.0 |
| | Lynton Gate | Beneficial owner | 1 (L) | 10.0 |
| Mr. Richard Lo | Residence | Interest in controlled corporations | 300 (L) | 10.0 |
| | EXE Rise Shinadori Investor Limited | Beneficial owner | 10 (L) | 10.0 |

Note: The letter "L" denotes a long position in the shares.

Save as disclosed above, the Directors and chief executives of the Company are not aware that there is any party who, as at 31 March 2018, had or deemed to have, an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

## SHARE OPTION SCHEME

The purpose of the share option scheme approved and adopted by the Company through shareholder resolution passed on 26 September 2016 is for the Group to attract, retain and motivate talented persons to strive for future developments and expansion of the Group.

Unless otherwise cancelled or amended, the Board shall be entitled at any time within the period of 10 years from the date of adoption of the share option scheme to make an offer to (i) any executive or non-executive Director including any independent non-executive Director or any employee (whether full-time or part-time) of any member of the Group; (ii) any trustee of a trust (whether family, discretionary or otherwise) whose beneficiaries or objects include any employee or business associate of the Group; (iii) any adviser or consultant (in the areas of legal, technical, financial or corporate management) to the Group; (iv) any provider of goods and/or services to the Group; and (v) any other person who the Board considers, in its sole discretion, has contributed to the Group to take up options (together, the "Participants").

The total number of shares which may be issued upon exercise of all options to be granted under the share option scheme and any other share option schemes of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at the Listing Date, being 80,000,000 shares (or such numbers of shares as shall result from a subdivision or a consolidation of such 80,000,000 shares from time to time). Subject to Shareholders' approval in general meeting, the Board may (i) refresh this limit at any time to 10% of the shares in issue as at the date of the approval by the Shareholders in general meeting; and/or (ii) grant options beyond the 10% limit to Participants specially approved by the Shareholders in general meeting and the Participants are specifically identified by the Company before such approval is sought.

The total number of shares issued and to be issued upon exercise of the options granted to each Participant (including both exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue. Any further grant of options to a Participant in excess of the 1% limit shall be subject to approval by Shareholders in general meeting with such Participant and his or her close associates (or his or her associates if such Participant is a connected person) abstaining from voting.

Offer of an option shall be deemed to have been accepted by the grantee when the duplicate of the relevant offer letter comprising acceptance of the option duly signed by the grantee together with a remittance in favor of our Company of HK$1.00 by way of consideration for the grant thereof, is received by our Company within 28 days from the date of the offer.

The subscription price for the shares under the share option scheme shall be a price determined by the Board at its sole discretion and notified to the Participant and shall be no less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an option is granted; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date on which an option is granted; and (iii) the nominal value of a share.

During the year under review, no share options were granted by the Company and there was no share option outstanding under the share option scheme as at 31 March 2018.

# DIRECTORS' REPORT

## CONNECTED TRANSACTIONS

The Company has complied with disclosure requirements, to the extent they are not waived by the Stock Exchange, in accordance with Chapter 20 of the GEM Listing Rules with respect to the connected transaction entered into by the Group during the year ended 31 March 2018.

On 16 November 2017, Starich Resources Limited, an indirect wholly-owned subsidiary of the Company disposed of (the "**Disposal**") 10.0% of the issued share capital of Lynton Gate Limited, a wholly-owned subsidiary of the Company prior to the Disposal, to a purchaser for a consideration of JPY 79,451,349 (approximately HK$5.8 million) for improving the liquidity of the Group. As the purchaser is a director and a substantial shareholder of Residence Motoki Investment Limited and Smart Tact Property Investment Limited (both being indirect non wholly-owned subsidiaries of the Company), he is a connected person at the subsidiary level of the Company. As such, the Disposal constituted a connected transaction of the Company under the GEM Listing Rules and was subject to the reporting and announcement requirements but was exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 20.99 of the GEM Listing Rules. Details of the Disposal are set out in an announcement of the Company dated 16 November 2017.

A summary of the related party transactions entered into by the Group during the year ended 31 March 2018 is contained in note 37 to the consolidated financial statements in this Annual Report. The transactions summarised in such note do not fall under the definition of "connected transactions" or "continuing connected transactions" under Chapter 20 of the GEM Listing Rules.

## COMPETING INTERESTS

Save as disclosed in the Prospectus, none of the Directors, substantial shareholders and their respective associates (as defined in the GEM Listing Rules) has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group during the reporting period and the Relevant Period.

## DEED OF NON-COMPETITION

On 26 September 2016, each of the controlling shareholders of the Company (the "**Controlling Shareholders**"), namely KHHL, Ms. Chan, Mr. Ip and Ms. Ip had entered into a deed of non-competition (the "**Deed of Non-Competition**") in favour of the Company (for itself and as trustee for each of its subsidiaries), pursuant to which the Controlling Shareholders had jointly and severally, irrevocably and unconditionally undertaken to and covenanted with the Company that during the continuation of the Deed of Non-Competition he/she/it would not, and would procure that his/her/its close associates (other than any member of the Group) would not, whether on his/her/its own account or in conjunction with or on behalf of any person, firm or company, whether directly or indirectly, carry on a business, or be interested or involved or engaged in or acquire or hold any right or interest, or otherwise involved in (in each case whether as a shareholder, partner, principal, agent, director, employee or otherwise and whether for profit, reward or otherwise) any business, which competes or is likely to compete directly or indirectly with the business currently and from time to time engaged in by the Group (including but not limited to (i) the provision of corporate finance services, and (ii) property investment activities in Japan, Hong Kong and any other country or jurisdiction). Further details of the Deed of Non-Competition are set out in the section headed "Relationship with our Controlling Shareholders" of the Prospectus.

The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the abovementioned Deed of Non-Competition have been complied with by the Controlling Shareholders up to the date of this Annual Report.

## LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

On 18 May 2018, the Group had signed a revised banking facilities letter (the "**Facility Letter**") with a licensed bank. Such licensed bank as lender agreed to make available a revised revolving loan facility in the amount of HK$47,650,000 to an indirectly wholly-owned subsidiary of the Group, Starich Resources Limited.

Under the revised Facility Letter, the Company has undertaken that (i) Mr. Ip shall remain as chairman of the Board and maintain control over the management and business of the Company; and (ii) his beneficial interest in the Company, as required to be disclosed pursuant to the disclosure requirements under the GEM Listing Rules and the Securities and Future Ordinance, should be maintained at not less than 60.0%.

## MAJOR CUSTOMERS

The Group's top five customers for the year ended 31 March 2018 were corporate finance clients and they in aggregate accounted for approximately HK$18.7 million (2017: approximately HK$12.0 million), representing approximately 26.4% (2017: approximately 23.2%) of the Group's total revenue. The Group's largest customer for the year ended 31 March 2018 accounted for approximately HK$5.6 million or 7.8% of total revenue.

As at the date of this Annual Report, as far as the Company is aware, none of the Directors, their close associates or any Shareholder owning more than 5.0% of the Company's share capital had any interest in the Group's customers as mentioned above.

## MAJOR TENANTS AND SUPPLIERS

The Group leases units of its properties to individuals and corporations in Japan and Hong Kong. The Group's property investments account for an insignificant share of the overall Japanese real estate market. During the year ended 31 March 2018, the Group leased a unit in Hong Kong to an independent third party and the rental revenue received from this party accounted for approximately 2.4% of total revenue (2017: 3.5%).

The Group engages property and asset managers to assist with the maintenance of its properties in Japan. In this regard, the suppliers are all based in Japan. During the year ended 31 March 2018, services obtained from the Group's largest supplier and the five largest suppliers accounted for approximately 7.6% and 16.1% of property expenses respectively, as compared with approximately 7.7% and 17.3% for the year ended 31 March 2017.

## SUFFICIENCY OF PUBLIC FLOAT

Based on public information available to the Company and to the best knowledge of the Directors as at the date of this Annual Report, the Company has maintained the public float as required under GEM Listing Rules since the Listing Date.

# DIRECTORS' REPORT

## INTEREST OF THE COMPLIANCE ADVISER

As at the date of this Annual Report, Success New Spring Capital Limited ("**Success New Spring Capital**") (formerly known as New Spring Capital Limited) is the compliance adviser of the Company. Save for (i) Success New Spring Capital's participation as the sponsor in relation to the Listing, and (ii) the compliance adviser agreement entered into between the Company and Success New Spring Capital dated 8 April 2016, neither Success New Spring Capital nor its directors, employees or close associates had any interest in relation to the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

## PRE-EMPTIVE RIGHTS

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

## DONATIONS

During the year ended 31 March 2018, donations of approximately HK$15,000 (2017: HK$20,000) were made by the Group.

## AUDITOR

The consolidated financial statements for the year ended 31 March 2018 has been audited by SHINEWING (HK) CPA LIMITED. SHINEWING (HK) CPA LIMITED will retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

Since the incorporation of the Company up to the date of this Annual Report, there has been no change in auditor of the Company.

By order of the Board
**Arnold IP Tin Chee**
*Chairman and Executive Director*

Hong Kong, 22 June 2018

信永中和
ShineWing

**SHINEWING** (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

**TO THE SHAREHOLDERS OF ALTUS HOLDINGS LIMITED**
*(incorporated in the Cayman Islands with limited liability)*

## Opinion

We have audited the consolidated financial statements of Altus Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 49 to 127, 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, consolidated statement of changes in equity and 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 those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Valuation of investment properties

Refer to note 19 to the consolidated financial statements and the accounting policies on page 67.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| The directors of the Company have estimated the fair value of the Group's investment properties amounted to approximately HK$595,973,000 as at 31 March 2018 with a net increase in fair value of investment properties of approximately HK$12,707,000 recorded in the consolidated statement of profit or loss and other comprehensive income during the year ended 31 March 2018. Independent external valuations were obtained in respect of the entire portfolio in order to support management's estimates.<br><br>We consider valuation of investment properties as a key audit matter because of its significance to the consolidated financial statements and the valuations are dependent on certain key assumptions that require significant judgement including capitalisation rates and recent market transactions. | Our audit procedures in relation to the valuation of investments properties included assessing the valuation methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry in Hong Kong and Japan. We had also checked, on a sample basis, the accuracy and relevance of the input data used. |

## Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than 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 the Directors of the Company and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

- Conclude on the appropriateness of the Company's 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The engagement partner on the audit resulting in this independent auditor's report is *Wong Hon Kei, Anthony*.

**SHINEWING (HK) CPA Limited**
*Certified Public Accountants*
**Wong Hon Kei, Anthony**
Practising Certificate Number: P05591

Hong Kong
22 June 2018

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2018

| | NOTES | **2018** **HK$'000** | 2017 HK$'000 |
|---|---|---|---|
| Revenue | 9 | **70,961** | 51,761 |
| Other income | 11 | **3,048** | 5,629 |
| Net increase in fair value of investment properties | 19 | **12,707** | 24,986 |
| Changes in fair value of derivative financial liabilities | | **(302)** | 25 |
| Impairment loss on available-for-sale investments | | **(182)** | (468) |
| Property expenses | | **(11,162)** | (8,073) |
| Administrative and operating expenses | | **(36,454)** | (47,717) |
| Share of results of associates | | **(568)** | (1,893) |
| Finance costs | 12 | **(5,493)** | (3,520) |
| Profit before tax | | **32,555** | 20,730 |
| Income tax expense | 13 | **(5,690)** | (7,682) |
| Profit for the year | 14 | **26,865** | 13,048 |
| **Other comprehensive income (expense) for the year** | | | |
| *Items that will be subsequently reclassified to profit or loss* | | | |
| Change in fair value of available-for-sale investments | | **(183)** | 424 |
| Exchange differences arising on translating foreign operations | | **20,934** | 4,779 |
| Share of translation reserve of associates | | **732** | (8) |
| Other comprehensive income for the year | | **21,483** | 5,195 |
| Total comprehensive income for the year | | **48,348** | 18,243 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | **26,295** | 12,356 |
| Non-controlling interests | | **570** | 692 |
| | | **26,865** | 13,048 |
| Total comprehensive income for the year attributable to: | | | |
| Owners of the Company | | **47,054** | 17,330 |
| Non-controlling interests | | **1,294** | 913 |
| | | **48,348** | 18,243 |
| Earnings per share (HK cents) | 17 | | |
| – Basic and diluted | | **3.29** | 1.79 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2018

| | NOTES | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 18 | **43,855** | 44,663 |
| Investment properties and investment property under construction | 19 | **597,660** | 429,001 |
| Interests in associates | 20 | **2,945** | 6,248 |
| Available-for-sale investments | 21 | **4,395** | 3,081 |
| Deposit paid for acquisition of investment properties | | **–** | 2,085 |
| Prepayment | 22 | **111** | – |
| | | **648,966** | 485,078 |
| Current assets | | | |
| Trade and other receivables | 22 | **6,212** | 4,383 |
| Deposits placed in financial institution | 23 | **602** | 382 |
| Bank balances and cash | 23 | **51,056** | 81,424 |
| | | **57,870** | 86,189 |
| Current liabilities | | | |
| Trade and other payables | 24 | **12,283** | 10,114 |
| Amount due to a director | | **–** | 483 |
| Tax payable | | **4,005** | 2,886 |
| Secured bank borrowings | 25 | **74,770** | 72,672 |
| | | **91,058** | 86,155 |
| Net current (liabilities) assets | | **(33,188)** | 34 |
| Total assets less current liabilities | | **615,778** | 485,112 |
| Non-current liabilities | | | |
| Secured bank borrowings | 25 | **137,344** | 65,324 |
| Derivative financial instruments | 26 | **836** | 686 |
| Other payables – tenant deposits – over 1 year | 24 | **2,324** | 92 |
| Provision for long service payment | 27 | **–** | 168 |
| Deferred tax liabilities | 28 | **23,266** | 20,123 |
| | | **163,770** | 86,393 |
| | | **452,008** | 398,719 |
| Capital and reserves | | | |
| Share capital | 29 | **8,000** | 8,000 |
| Reserves | | **429,685** | 382,047 |
| Equity attributable to owners of the Company | | **437,685** | 390,047 |
| Non-controlling interests | | **14,323** | 8,672 |
| | | **452,008** | 398,719 |

The consolidated financial statements on pages 49 to 127 were approved and authorised for issue by the board of directors on 22 June 2018 and are signed on its behalf by:

| | |
|---|---|
| **Arnold Ip Tin Chee**<br>*Director* | **Chang Sean Pey**<br>*Director* |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

| | Attributable to owners of the Company | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium (note i) HK$'000 | Other reserve (note ii) HK$'000 | Investment revaluation reserve HK$'000 | Shareholder contribution (note iii) HK$'000 | Exchange reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| At 1 April 2017 | 8,000 | 71,288 | 98,747 | 424 | 5,289 | (22,034) | 228,333 | 390,047 | 8,672 | 398,719 |
| Profit for the year | – | – | – | – | – | – | 26,295 | 26,295 | 570 | 26,865 |
| Other comprehensive income (expense) for the year: | | | | | | | | | | |
| – Change in fair value of available-for-sale investments (note 21) | – | – | – | (183) | – | – | – | (183) | – | (183) |
| – Exchange differences arising on translating of foreign operations | – | – | – | – | – | 20,210 | – | 20,210 | 724 | 20,934 |
| – Share of translation reserve of associates | – | – | – | – | – | 732 | – | 732 | – | 732 |
| | – | – | – | (183) | – | 20,942 | – | 20,759 | 724 | 21,483 |
| Total comprehensive income for the year | – | – | – | (183) | – | 20,942 | 26,295 | 47,054 | 1,294 | 48,348 |
| Contribution from shareholder (note 40) | – | – | – | – | 3,719 | – | – | 3,719 | – | 3,719 |
| Acquisition of additional interest in a subsidiary (note 31) | – | – | 85 | – | – | – | – | 85 | (1,427) | (1,342) |
| Contribution from non-controlling shareholders | – | – | – | – | – | – | – | – | 280 | 280 |
| Disposal of partial interest in a subsidiary without losing control (note 31) | – | – | (20) | – | – | – | – | (20) | 5,833 | 5,813 |
| Dividends paid to non-controlling shareholders by subsidiaries | – | – | – | – | – | – | – | – | (329) | (329) |
| Dividends paid (note 16) | – | – | – | – | – | – | (3,200) | (3,200) | – | (3,200) |
| At 31 March 2018 | 8,000 | 71,288 | 98,812 | 241 | 9,008 | (1,092) | 251,428 | 437,685 | 14,323 | 452,008 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2018

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HK$'000 | Share premium (note i) HK$'000 | Other reserve (note ii) HK$'000 | Special reserve (note ii) HK$'000 | Investment revaluation reserve HK$'000 | Shareholder contribution (note iii) HK$'000 | Exchange reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 | Non-controlling interests HK$'000 | Total HK$'000 |
| At 1 April 2016 | 50,195 | 98,065 | 6 | (41,511) | – | 357 | (26,584) | 218,984 | 299,512 | 11,055 | 310,567 |
| Profit for the year | – | – | – | – | – | – | – | 12,356 | 12,356 | 692 | 13,048 |
| Other comprehensive income (expense) for the year: | | | | | | | | | | | |
| – Change in fair value of available-for-sale investments (note 21) | – | – | – | – | 424 | – | – | – | 424 | – | 424 |
| – Exchange differences arising on translating of foreign operations | – | – | – | – | – | – | 4,558 | – | 4,558 | 221 | 4,779 |
| – Share of translation reserve of associates | – | – | – | – | – | – | (8) | – | (8) | – | (8) |
| | – | – | – | – | 424 | – | 4,550 | – | 4,974 | 221 | 5,195 |
| Total comprehensive income for the year | – | – | – | – | 424 | – | 4,550 | 12,356 | 17,330 | 913 | 18,243 |
| Issue of shares to ultimate holding company (note iv) | 98,983 | – | – | (71,979) | – | – | – | – | 27,004 | – | 27,004 |
| Capitalisation issue (note 29) | 6,000 | (6,000) | – | – | – | – | – | – | – | – | – |
| Issue of shares by way of placing (note 29) | 2,000 | 83,000 | – | – | – | – | – | – | 85,000 | – | 85,000 |
| Transaction costs attributable to issue of shares | – | (5,712) | – | – | – | – | – | – | (5,712) | – | (5,712) |
| Contribution from shareholder (note 40) | – | – | – | – | – | 4,932 | – | – | 4,932 | – | 4,932 |
| Acquisition of a subsidiary (note 30) | – | – | – | – | – | – | – | – | – | 1,426 | 1,426 |
| Acquisition of additional interest in a subsidiary (note 31) | – | – | (12) | – | – | – | – | – | (12) | (236) | (248) |
| Arising from Reorganisation | (149,178) | (98,065) | 133,753 | 113,490 | – | – | – | – | – | – | – |
| Dividends paid to non-controlling shareholders by subsidiaries | – | – | – | – | – | – | – | (3,007) | (3,007) | (4,486) | (7,493) |
| Dividends paid (note 16) | – | – | (35,000) | – | – | – | – | – | (35,000) | – | (35,000) |
| At 31 March 2017 | 8,000 | 71,288 | 98,747 | – | 424 | 5,289 | (22,034) | 228,333 | 390,047 | 8,672 | 398,719 |

Notes:

(i) Share premium represents the difference between the shareholders' contribution and the issued capital and it is distributable.

(ii) Other reserve and special reserve mainly include (i) the difference between the nominal value of the issued share capital of the Company and its subsidiaries and the net assets value of the subsidiaries of the Group, upon completion of the group reorganisation on 26 September 2016; and (ii) the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received arising from changes in the Group's ownership interests in existing subsidiaries that do not result in the loss of control and they are accounted for as equity transactions.

(iii) Amounts represent the employee benefits borne by the ultimate holding company, details of which are set out in note 40 to the consolidated financial statements.

(iv) The amount represented the issuance by a subsidiary of the Group, Altus Investments, of 999,996 ordinary shares to the ultimate holding company, Kinley-Hecico Holdings Limited ("KHHL") for settling the amount due to KHHL of approximately HK$27,004,000.

# CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 MARCH 2018

| | NOTE | **2018 HK$'000** | 2017 HK$'000 |
|---|---|---|---|
| OPERATING ACTIVITIES | | | |
| Profit before tax | | **32,555** | 20,730 |
| Adjustments for: | | | |
| Finance costs | | **5,493** | 3,520 |
| Bank interest income | | **(37)** | (26) |
| Reversal of impairment losses of trade receivables | | **(5)** | (16) |
| Depreciation of property, plant and equipment | | **1,318** | 1,287 |
| Share based payments | | **3,719** | 4,932 |
| Gain on disposal of held for trading investments | | **(42)** | – |
| Loss on disposal of an associate | | **–** | 1,274 |
| Impairment loss on an available-for-sale investments | | **182** | 468 |
| Gain on bargain purchase | | **–** | (824) |
| Changes in fair value of derivative financial liabilities | | **302** | (25) |
| Share of results of associates | | **568** | 1,893 |
| Net increase in fair value of investment properties | | **(12,707)** | (24,986) |
| Dividend income from available-for-sale investments | | **(292)** | (557) |
| Reversal of provision for long service payment | | **(168)** | – |
| Operating cash flows before movements in working capital | | **30,886** | 7,670 |
| (Increase) decrease in trade and other receivables | | **(1,935)** | 100 |
| Increase (decrease) in trade and other payables | | **4,383** | (1,966) |
| Increase in held-for-trading investments | | **42** | – |
| CASH GENERATED FROM OPERATIONS | | **33,376** | 5,804 |
| Income tax paid | | **(2,668)** | (4,511) |
| NET CASH FROM OPERATING ACTIVITIES | | **30,708** | 1,293 |
| INVESTING ACTIVITIES | | | |
| Purchase of investment properties | | **(124,168)** | (29,596) |
| Acquisition of available-for-sale investments | | **(1,679)** | (1,791) |
| Purchase of property, plant and equipment | | **(510)** | (419) |
| Repayments from associates | | **–** | 1,229 |
| Repayments from a director | | **–** | 2,098 |
| Interest received | | **37** | 26 |
| Proceed from disposal of an associate | | **–** | 10,941 |
| Dividend received from associates | | **3,467** | 3,989 |
| Dividend received from available-for-sale investments | | **292** | 8,395 |
| Deposit paid for acquisition of investment properties | | **–** | (2,085) |
| Acquisition of a subsidiary | 30 | **–** | (6,798) |
| NET CASH USED IN INVESTING ACTIVITIES | | **(122,561)** | (14,011) |

# CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 MARCH 2018

| | NOTES | Year ended 31 March<br>2018<br>HK$'000 | <br>2017<br>HK$'000 |
|---|---|---|---|
| FINANCING ACTIVITIES | | | |
| New borrowings raised | | **144,821** | 62,437 |
| Interest paid | | **(5,475)** | (3,666) |
| Proceeds from disposal of partial interest in a subsidiary without losing control | 31 | **5,813** | – |
| Repayments of borrowings | | **(78,922)** | (53,559) |
| Dividends paid | | **(3,529)** | (42,493) |
| Repayments to ultimate holding company | | **–** | (4,480) |
| Acquisition of additional interest in a subsidiary | 31 | **(1,342)** | (248) |
| Contribution from non-controlling shareholders | | **280** | – |
| Repayments to associates | | **–** | (37) |
| Proceeds from issue of shares by way of placing | | **–** | 85,000 |
| Transaction costs attributable to issue of shares | | **–** | (5,712) |
| Repayments to a director | | **(483)** | – |
| NET CASH FROM FINANCING ACTIVITIES | | **61,163** | 37,242 |
| Net (decrease) increase in cash and cash equivalents | | **(30,690)** | 24,524 |
| Cash and cash equivalents at the beginning of the year | | **81,806** | 53,813 |
| Effect of foreign exchange rate changes | | **542** | 3,469 |
| Cash and cash equivalents at the end of the year | | **51,658** | 81,806 |
| Analysis of components of cash and cash equivalents: | | | |
| Deposits placed in financial institution | | **602** | 382 |
| Bank balances and cash | | **51,056** | 81,424 |
| | | **51,658** | 81,806 |

## 1. General

The Company was incorporated as an exempted company with limited liability on 11 November 2015 in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 17 October 2016. The addresses of the registered office and the principal place of business of the Company are detailed in the section headed "Corporate Information" of the annual report.

The Company is engaged in investment holding and the Group's major operating subsidiaries are mainly engaged in the provision of corporate finance services and property investments. Its subsidiaries invest in Japan properties by entering into Japanese tokumei kumiai arrangements ("TK Agreement") as a tokumei kumiai operators with Japanese limited liability companies known as tokumei kumaia operators ("TK Operators"), which are the property holding companies.

The ultimate holding company is KHHL, a company incorporated in the British Virgin Islands ("BVI") with limited liability. KHHL is deemed to be interested in the Company through its wholly-owned subsidiary, Flying Castle Limited. KHHL is ultimately controlled by two parties, Chan Kit Lai, Cecilia and Landmark Trust Switzerland SA, which the beneficiaries of the trust are Arnold Ip Tin Chee and Lam Ip Tin Wai Chyvette.

The consolidated financial statement is presented in Hong Kong dollars ("HK$") which is same as the functional currency of the Company. Other than those subsidiaries incorporating in Japan, whose functional currency is Japanese Yen ("JPY"), the functional currency of the Company and other subsidiaries is HK$.

## 2. Basis of presentation of consolidated financial statements

### A) Reorganisation

Pursuant to the reorganisation as described in the section headed "History, Reorganisation and corporate structure" in the prospectus of the Company dated 30 September 2016 (the "Prospectus"), the Company became the holding company of the companies now comprising the Group on 26 September 2016 (the "Reorganisation").

The Group was under the common control and beneficially owned by KHHL throughout the period from 1 April 2016 or since their respective dates of incorporation up to 26 September 2016. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group have been prepared and presented on the basis as if the Company had always been the holding company of the companies now comprising the Group throughout the year ended 31 March 2017 by using the principles of merger accounting with reference to Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA.

## 2. Basis of presentation of consolidated financial statements *(Continued)*

### A) Reorganisation *(Continued)*

Accordingly, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows including the results and cash flows of the companies now comprising the Group have been prepared as if the current group structure had been in existence throughout the year ended 31 March 2017.

### B) Going Concern

Notwithstanding that the Group has incurred net current liabilities of approximately HK$33,188,000 as at 31 March 2018, the consolidated financial statements as at 31 March 2018 have been prepared on a going concern basis as the Directors are satisfied that the liquidity of the Group can be maintained in the coming year after taking into consideration of:

i) As at 31 March 2018, the Group has unutilised available banking facilities of approximately HK$25,500,000. Subsequent to the end of the reporting period, additional HK$13,000,000 banking facility has been obtained from a bank in Hong Kong.

ii) The bank borrowings of approximately HK$20,000,000 with the repayment on demand clause which are not repayable within one year from the end of the reporting period according to the repayment schedule were classified as current liabilities in accordance with Hong Kong IFRS Interpretations Committee (the "IFRIC") – Interpretation 5 – Presentation of Financial Statement – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause issued by the HKICPA. Such bank borrowings were pledged against the investment property at fair value of approximately HK$73,500,000 owned by the Group as at 31 March 2018, hence, its repayment is expected to be fully recovered through the realisation of the asset by sale should the repayment on demand clause be exercised.

Accordingly, the Directors consider that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next twelve months from 31 March 2018. The Directors are satisfied that it is appropriate to prepare these financial statements on a going concern basis. The consolidated financial statements as at 31 March 2018 do not include any adjustments relating to the carrying amount and reclassification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

## 3. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs, which include HKFRSs, Hong Kong Accounting Standards ("HKAS(s)"), amendments and interpretations ("Int(s)"), issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

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

Except as described below, the application of other new and revised 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.

## 3. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

### Amendment to HKAS 7 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 prescribe a specific method to fulfill the new disclosure requirements. However, the amendments indicate that one way is to provide a reconciliation between the opening and closing balances for liabilities arising from financing activities.

The application of amendments to HKAS 7 has resulted in additional disclosures on the Group's financing activities, especially a reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities is provided in note 36. On initial application of the amendments, the Group is not required to provide comparative information for preceding periods. Apart from the additional disclosure in note 36, the Directors considered that these amendments have had no impact on the Group's consolidated financial statements.

### New and revised HKFRSs issued but not yet effective

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 | Employee Benefits[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.

The Directors anticipate that, except as described below, the application of other new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

## 3. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

### HKFRS 9 (2014) Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 and includes the requirements for the classification and measurement of financial liabilities and for derecognition. In 2013, HKFRS 9 was further amended to bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements. A finalised version of HKFRS 9 was issued in 2014 to incorporate all the requirements of HKFRS 9 that were issued in previous years with limited amendments to the classification and measurement by introducing a "fair value through other comprehensive income" ("FVTOCI") measurement category for certain financial assets. The finalised version of HKFRS 9 also introduces an "expected credit loss" model for impairment assessments.

Key requirements of HKFRS 9 (2014) are described as follows:

- All recognised financial assets that are within the scope of HKFRS 9 (2014) to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under HKFRS 9 (2014), entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 (2014) requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' 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 was presented in profit or loss.

## 3. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

**HKFRS 9 (2014) Financial Instruments** *(Continued)*

- In the aspect of impairment assessments, the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit were added. Those requirements eliminate the threshold that was in HKAS 39 for the recognition of credit losses. Under the impairment approach in HKFRS 9 (2014), it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, expected credit losses and changes in those expected credit losses should always be accounted for. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition and, consequently, more timely information is provided about expected credit losses.

- HKFRS 9 (2014) introduces a new model which is more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risk exposures. As a principle-based approach, HKFRS 9 (2014) looks at whether a risk component can be identified and measured and does not distinguish between financial items and non-financial items. The new model also enables an entity to use information produced internally for risk management purposes as a basis for hedge accounting. Under HKAS 39, it is necessary to exhibit eligibility and compliance with the requirements in HKAS 39 using metrics that are designed solely for accounting purposes. The new model also includes eligibility criteria but these are based on an economic assessment of the strength of the hedging relationship. This can be determined using risk management data. This should reduce the costs of implementation compared with those for HKAS 39 hedge accounting because it reduces the amount of analysis that is required to be undertaken only for accounting purposes.

HKFRS 9 (2014) will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The Directors have performed a preliminary analysis of the Group's financial instruments as at 31 December 2017 based on the fact and circumstances existing at that date. The Directors have assessed the impact of adoption of HKFRS 9 (2014) on the Group's results and financial position, including the classification categories and the measurement of financial assets, and disclosures, as follows:

***(a) Classification and measurement***

The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated with irrevocable election to present in other comprehensive income the changes in fair value. For the available-for-sale equity investments that are not held for trading and are currently stated at cost less impairment, the Group has made an irrevocable election to present in other comprehensive income the changes in fair value.

## 3. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

### HKFRS 9 (2014) Financial Instruments *(Continued)*

***(b) Impairment***

The Directors expect to apply the simplified approach and record lifetime expected credit losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The application of the expected credit loss model may result in earlier recognition of credit loss for trade and other receivables and increase the amount of impairment allowance recognised for these items.

The Directors will perform a more detailed analysis which considers all reasonable and supportable information for the estimation of the effect of adoption of HKFRS 9 (2014). Based on the preliminary assessment, the Directors expect that the adoption of HKFRS 9 (2014) will not have other material impact on amounts reported in the Group's consolidated financial statements.

### HKFRS 15 Revenue from Contracts with Customers

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. Thus, HKFRS 15 introduces a model that applies to contracts with customers, featuring a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The five steps are as follows:

i) Identify the contract with the customer;

ii) Identify the performance obligations in the contract;

iii) Determine the transaction price;

iv) Allocate the transaction price to the performance obligations; and

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

HKFRS 15 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows 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.

## 3. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

### HKFRS 15 Revenue from Contracts with Customers *(Continued)*

HKFRS 15 will become effective for annual periods beginning on or after 1 January 2018 with early application permitted.

The major sources of revenue of the Group are provision of services and rental income. Under HKFRS 15, revenue is recognised for each of the performance obligations when control over the services is transferred to a customer. The Directors have preliminarily assessed each type of performance obligations and consider that the performance obligations are similar to the current identification of separate revenue components under HKAS 18 Revenue.

Furthermore, HKFRS 15 requires the transaction price be allocated to each performance obligation on a relative stand-alone selling price basis, which may affect the timing and amounts of revenue recognition, and results in more disclosures in the consolidated financial statements.

However, the Directors expect that the adoption of HKFRS 15 will not have a material impact on the timing and amounts of revenue recognised based on the existing business model of the Group as at 31 March 2018.

### HKFRS 16 Leases

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

## 3. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") *(Continued)*

### HKFRS 16 Leases *(Continued)*

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 Property, Plant and Equipment, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

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

HKFRS 16 will become effective for annual periods beginning on or after 1 January 2019 with early application permitted provided that the entity has applied HKFRS 15 Revenue from Contracts with Customers at or before the date of initial application of HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of approximately HK$567,000 as disclosed in note 32. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in the measurement, presentation and disclosure as indicated above. The Directors are in the process to determine the amounts of right-of-use assets and lease liabilities to be recognised in the consolidated statement of financial position, after taking into account all practical expedients and recognition exemption under HKFRS 16. The Directors expect that the adoption of HKFRS 16 will not have material impact on the Group's result but certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

## 4. Significant accounting policies

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and investment properties that are measured at fair values.

Historical cost is generally based on the fair value of the consideration given in exchange for 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 in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

### 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 Group:

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

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

## 4. Significant accounting policies *(Continued)*

**Basis of consolidation** *(Continued)*

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Income and expenses of subsidiaries 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 of subsidiaries are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income or expense 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 the Group's accounting policies.

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

**Changes in the Group's ownership interests in existing subsidiaries**

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

**Merger accounting for business combination involving entities under common control**

The consolidated financial statements incorporate the financial statements items of the combining entities or business in which the common control combination occurs as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

## 4. Significant accounting policies *(Continued)*

### Business combination

Business combinations are accounted for by applying the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs incurred to effect a business combination are 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.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group'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. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a gain on bargain purchase. Non-controlling interests, unless as required by another standards, are measured at acquisition-date fair value except for non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets on a transaction-by-transaction basis.

### Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but 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. Under the equity method, investments in associates are initially recognised at cost. The Group's share of the profit or loss and changes in the other comprehensive income of the associates are recognised in profit or loss and other comprehensive income respectively after the date of acquisition. If the Group's share of losses of an associate equals or exceeds its interest in the associate, which determined using the equity method together with 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 provided for, and a liability is recognised, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

After application of the equity method, including recognising the associate's losses (if any), the Group determines whether it is necessary to recognise any additional impairment loss with respect to its investments in associates. The entire carrying amount of the investment is tested for impairment 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 in the associate. Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

When the investment ceases to be an associate upon the Group losing significant influence over the associate, the Group discontinues to apply equity method. Any amount previously recognised in other comprehensive income in relation to that investment is reclassified to profit or loss or retained earnings on the same basis as it would have been required if the investee had directly disposed of the related assets or liabilities.

Gain and losses resulting from transactions between the Group and its associate are recognised in consolidated financial statements only to the extent of unrelated investors' interests in the associate. The Group's share in the associate's gains or losses resulting from these transactions is eliminated.

## 4. Significant accounting policies *(Continued)*

### Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services rendered in the normal course of business.

Corporate finance service income is recognised when the underlying services have been provided or the significant acts have been achieved, in accordance with the terms of the service agreement.

Rental income is recognised on a straight-line basis over the terms of the relevant leases.

Administrative fee income and marketing service income is recognised in accordance with the terms of contract when the relevant services have been rendered.

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

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

### Property, plant and equipment

Property, plant and equipment including leasehold land and building (classified as finance leases) held for administrative purposes are stated in the consolidated statement of financial position 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 over their estimated useful lives, using the straight-line method. The estimated useful lives 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 profit or loss.

## 4. Significant accounting policies *(Continued)*

### Investment properties and investment property under construction

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment property under construction are capitalised as part of the carrying amount of the investment property under construction.

Investment property under construction is measured at cost, including any directly attributable expenditure until either its fair value becomes reliably determinable measurable or construction is completed, whichever is earlier.

### Leasing

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

### The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

### The Group as lessee

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

### Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease. To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid lease payments in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

## 4. Significant accounting policies *(Continued)*

### Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because 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 deferred tax 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.

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

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 the 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 taxes are recognised in profit or loss.

## 4. Significant accounting policies *(Continued)*

### 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 at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period.

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$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve.

### Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets 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. Where 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 expense immediately in profit or loss.

## 4. Significant accounting policies *(Continued)*

### Impairment losses on tangible assets *(Continued)*

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

### Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

### Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date.

### Cash and cash equivalents

Cash in the consolidated statement of financial position comprise cash at banks and financial institution and on hand with a maturity of three months or less.

For the purpose of the cosolidated statement of cash flows, cash and cash equivalents represent cash as defined above.

### Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets 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.

## 4. Significant accounting policies *(Continued)*

### Financial instruments *(Continued)*

***Financial assets***

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

Effective interest method

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

Interest income is recognised on an effective interest basis for debt instruments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated debentures and club memberships as available-for-sale financial assets on initial recognition.

Equity securities held by the Group that are classified as available-for-sale financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investment revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment of financial assets below).

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

The fair value of available-for-sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset.

Available-for-sale equity and debt investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period (see the accounting policy in respect of impairment of financial assets below).

## 4. Significant accounting policies *(Continued)*

**Financial instruments** *(Continued)*

***Financial assets*** *(Continued)*

Financial assets 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.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss on the financial assets was recognised directly in profit or loss (excluding any dividend or interest earned) and is included in the other income/administrative expense in the consolidated statement of profit or loss and other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, deposits placed in financial institution and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy in respect of impairment of financial assets below).

Impairment of financial assets

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

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

## 4. Significant accounting policies *(Continued)*

**Financial instruments** *(Continued)*

***Financial assets*** *(Continued)*

Impairment of financial assets *(Continued)*

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

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable and other 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.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

## 4. Significant accounting policies *(Continued)*

**Financial instruments** *(Continued)*

***Financial assets*** *(Continued)*

Impairment of financial assets *(Continued)*

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment 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.

Impairment losses on available-for-sale equity investments will not be reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income and accumulated in investment revaluation reserve.

For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in fair value of investment can be objectively related to an event occurring after the recognition of impairment loss.

***Financial liabilities and equity instruments***

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements 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 an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

The Group's financial liabilities are classified into other financial liabilities including trade and other payables, amounts due to a director and secured bank borrowings are subsequently measured at amortised cost, using the effective interest method.

## 4. Significant accounting policies *(Continued)*

### Financial instruments *(Continued)*

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

***Derecognition***

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

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

### Derivative financial instruments

Derivatives are initially recognised at fair value at the date when a derivative contract is entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

### 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.

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

## 4. Significant accounting policies *(Continued)*

### Share-based payment transactions

***Equity-settled share-based payment transactions***

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity.

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

### Fair value measurement

When measuring fair value except for the Group's share-based payment transactions, the Group takes into account the characteristics of the assets or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the assets in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. Specifically, the Group categorised the fair value measurements into three levels, based on the characteristics of inputs, as follow:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 – Valuation techniques for which the lowest level inputs that is significant to the fair value measurement is unobservable.

At the end of the reporting period, the Group determines whether transfer occur between levels of the fair value hierarchy for assets or liabilities which are measured at fair value on recurring basis by reviewing their respective fair value measurement.

## 5. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 4 above, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### Critical judgements in applying accounting policies

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

***Control in the TK Operators***

The Group invests in the certain investment properties located in Japan by entering into Japanese tokumei kumiai arrangements ("TK Arrangement") as a tokumei kumiai investor ("TK Investor") with Japanese limited liability companies known as TK Operators, which are the property holding companies. The relationship between the TK Operators and TK Investors is governed by TK Agreements, whereby the TK Investors provide funds to the TK Operators in return for income derived from the investments properties held by the TK Operators. Under the TK Agreements, profits or losses generated from TK Operators will be returned to the Group periodically. Therefore, the Group is exposed to the substantial of risks and rewards from its agreements with the TK Operators and the underlying property holding business. Besides, the Group exercises its' control over the TK Operators by making decisions to direct the relevant activities, e.g. investment decision making (including acquisition and disposal of the properties and financing activities), monitoring of the leasing status and rental return from the properties, etc. Based on the substances of the arrangement and the legal advice, the Directors are of the view that the Group is able to exercise control in the TK Operators during the years ended 31 March 2017 and 2018.

***Going concern and liquidity***

The assessment of the going concern assumptions involves making judgement by the Directors, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The Directors consider that the Group has ability to continue as a going concern and the major events or conditions, which may give rise to business risks, that individually or collectively may cast significant doubt about the going concern assumptions are set out in note 2.

## 5. Critical accounting judgements and key sources of estimation uncertainty

*(Continued)*

***Key source of estimation uncertainty***

The followings 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.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The determination of the useful lives involve management's estimation. The Group assesses annually the useful lives of the property, plant and equipment and if the expectation differs from the original estimates, such a difference may impact the depreciation in the year and the estimate will be changed in the future period.

Estimated impairment loss on land and building included in property, plant and equipment

The impairment loss on property, plant and equipment are recognised for the amounts by which the carrying amounts exceed their recoverable amounts, in accordance with the Group's accounting policy. The recoverable amounts of land and building included in property, plant and equipment have been determined based on fair value less cost of disposal. The Directors select an appropriate technique to determine the recoverable amounts of property, plant and equipment. These calculations require the use of estimates such as market comparables in similar areas and the relevant adjustments (e.g. size, age of the property, location, etc.). As at 31 March 2018, the carrying values of land and building included in property, plant and equipment were approximately HK$43,276,000 (2017: HK$44,260,000). No impairment loss was recognised during the years ended 31 March 2018 and 2017.

Fair value of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on a method of valuation which involves certain estimates of market conditions. In relying on the valuation reports, the Directors have exercised their judgement and are satisfied that the assumptions used in valuation have reflected the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties being recognised in profit or loss. The carrying amount of investment properties measured at fair value at 31 March 2018 was approximately HK$595,973,000 (2017: HK$429,001,000).

## 6. Capital risk management

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

The capital structure of the Group mainly consists of net debt which includes the secured bank borrowings disclosed in note 25, net of cash and cash equivalent and equity attributable to owners of the Company, comprising share capital and reserves.

The Directors review the capital structure periodically. As a part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as new debt issues and repayment of existing debts.

For the wholly-owned subsidiaries of the Company, Altus Investments and Altus Capital Limited ("Altus Capital"), they are licensed entities under and regulated by Securities and Futures Commission (the "SFC") and are required to comply with certain minimum capital requirements according to the rules of the SFC. The directors of Altus Investments and Altus Capital monitor, on a daily basis, these subsidiaries' liquid capital level to ensure they meet the minimum liquid capital requirement in accordance with the Securities and Futures (Financial Resources) Rules. The minimum liquid capital requirements of Altus Investments and Altus Capital is HK$3,000,000 and HK$100,000 respectively or 5% of their own total adjusted liabilities, whichever is higher.

There is no non-compliance of the capital requirements of Altus Investments and Altus Capital imposed by the Securities and Futures (Financial Resources) Rules during the years ended 31 March 2018 and 2017.

## 7. Financial risk management objectives and policies

### a. Categories of financial instruments

| | **At 31 March 2018 HK$'000** | At 31 March 2017 HK$'000 |
|---|---|---|
| **Financial assets** | | |
| Available-for-sale investments | **4,395** | 3,081 |
| Loans and receivables (including cash and cash equivalents) | **56,577** | 85,319 |
| **Financial liabilities** | | |
| At amortised cost | **224,680** | 147,299 |
| **Derivative financial liabilities** | **836** | 686 |

## 7. Financial risk management objectives and policies *(Continued)*

### b. Financial risk management objectives and policies

The Group's major financial instruments include available-for-sale investments, trade and other receivables, deposits placed in financial institution, bank balances and cash, amount due to a director, trade and other payables, secured bank borrowings and derivative financial instruments. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

#### *(i) Currency risk*

Apart from certain subsidiaries of the Group which are operated in Japan, whose functional currency are denominated in JPY and not subjected to any currency risk, the Group has certain foreign currency operations, which expose the Group to foreign currency risk. The currency giving rise to this risk is primarily JPY and Singapore Dollar ("**SGD**"). The Group currently 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.

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

| | **Assets** | | **Liabilities** | |
|---|---|---|---|---|
| | **As at 31 March 2018 HK$'000** | As at 31 March 2017 HK$'000 | **As at 31 March 2018 HK$'000** | As at 31 March 2017 HK$'000 |
| SGD | – | 947 | – | – |
| JPY | **9,358** | 403 | – | 4,031 |

## 7. Financial risk management objectives and policies *(Continued)*

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

#### *(i) Currency risk (Continued)*

Sensitivity analysis

The Group is mainly exposed to the currency of JPY and SGD.

The following table details the Group's sensitivity to a 5% (2017: 5%) increase and decrease in HK$ against SGD and 10% (2017: 10%) increase and decrease in HK$ against JPY. The 5% and 10% are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 5% and 10% (2017: 5% and 10%) change in foreign currency rates. The sensitivity analysis includes external loans where the denomination of the loan is in a currency other than the functional currency of the borrower.

A positive number below indicates an increase in post-tax profit where HK$ weakening 5% and 10% against the relevant currency. For a 5% and 10% strengthen of HK$ against the relevant currency, there would be an equal and opposite impact on the post-tax profit, and the balances below would be negative.

| | **SGD** | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| Profit or loss | – | 40 |

| | **JPY** | |
|---|---|---|
| | **2018** | 2017 |
| | **HK$'000** | HK$'000 |
| Profit or loss | **781** | (303) |

## 7. Financial risk management objectives and policies *(Continued)*

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

#### *(ii) Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances, secured bank borrowings and derivative financial instruments. As at 31 March 2018, approximately HK$72,759,000 (2017: HK$76,435,000) of the Group's secured bank borrowings were carried at variable rates.

The Group is also exposed to fair value interest rate risk in relation to fixed-rate deposit placed in financial institutions and secured bank borrowings. The Directors do not anticipate any significant interest rate exposure so that no sensitivity analysis is prepared for fair value interest rate risk.

The Group currently does not have an interest rate hedging policy. However, management monitors interest rate exposures and will consider hedging significant interest rate exposure should the need arise. The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group cashflow interest risk is mainly concentrated on the fluctuation of Hong Kong Inter-bank Offered Rate ("HIBOR") arising from the Group's HK$ denominated bank borrowings and the fluctuation of Tokyo Inter-bank Offered Rate ("TIBOR") arising from the Group's JPY denominated bank borrowings.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative financial instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis point (2017: 100 basis point) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If the interest rate on variable bank borrowings had been 100 basis points (2017: 100 basis points) higher or lower and all other variables held constant, the Group's post-tax profit for the year ended 31 March 2018 would decrease or increase by approximately HK$595,000 (2017: HK$616,000). This is mainly attributable to the Group's exposure to interest rates on its secured bank borrowings.

## 7. Financial risk management objectives and policies *(Continued)*

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

#### *(iii) Other price risk*

The Group is exposed to equity price risk through its investments in listed equity securities. The Directors manage this exposure by maintaining the investments with appropriate risk level. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

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

As at 31 March 2018 and 31 March 2017, if the price of the respective listed equity instruments held had been 10% higher/lower:

Investment revaluation reserve as at 31 March 2018 would increase/decrease by approximately HK$274,000 (2017: HK$158,000), as a result of the changes in fair values of available-for-sale investments.

#### *(iv) Credit risk*

At 31 March 2018 and 31 March 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

As at 31 March 2018, the Group's concentration of credit risk by geographical locations is mainly in Hong Kong, which accounted for 99% (2017: 95%) of total trade receivables.

As at 31 March 2017 and 2018, no trade receivables was due from the Group's largest customers. As at 31 March 2018, 55% (2017: nil) of the total trade receivables were due from the five largest customers within the corporate finance services segment.

## 7. Financial risk management objectives and policies *(Continued)*

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

#### *(iv) Credit risk (Continued)*

The credit risk on deposits placed in financial institution and bank balances are limited because the counterparties are banks and financial institution with high credit-ratings assigned by international credit-ratings agencies.

None of the Group's financial assets are secured by collateral or other credit enhancements.

#### *(v) Liquidity risk*

As at 31 March 2018, the Group is exposed to liquidity risk as the Group had net current liabilities of approximately HK$33,188,000. In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants. The Group did not breach any of loan covenants during the two years ended 31 March 2018.

The Group finances its working capital requirements through a combination of funds generated from operations and bank borrowings.

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

The table included both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

## 7. Financial risk management objectives and policies *(Continued)*

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

#### *(v)* ***Liquidity risk*** *(Continued)*

Liquidity tables

| | On demand or within 1 year HK$'000 | More than 1 year but less than 2 years HK$'000 | More than 2 years but less than 5 years HK$'000 | More than 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount HK$'000 |
|---|---|---|---|---|---|---|
| **At 31 March 2018** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Trade and other payables | 10,242 | 2,324 | – | – | 12,566 | 12,566 |
| Secured bank borrowings | 57,819 | 12,647 | 33,547 | 116,615 | 220,628 | 192,114 |
| Secured bank borrowings – not repayable within one year from the end of the reporting period but contain a repayment on demand clause | 20,000 | – | – | – | 20,000 | 20,000 |
| | 88,061 | 14,971 | 33,547 | 116,615 | 253,194 | 224,680 |
| **Derivatives – net settlement** | | | | | | |
| Interest rate swaps | 11 | 10 | 30 | 29 | 80 | 836 |

## 7. Financial risk management objectives and policies *(Continued)*

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

#### *(v)* ***Liquidity risk*** *(Continued)*

Liquidity tables *(Continued)*

| | On demand or within 1 year HK$'000 | More than 1 year but less than 2 years HK$'000 | More than 2 years but less than 5 years HK$'000 | More than 5 years HK$'000 | Total undiscounted cash flows HK$'000 | Carrying amount HK$'000 |
|---|---|---|---|---|---|---|
| **At 31 March 2017** | | | | | | |
| **Non-derivative financial liabilities** | | | | | | |
| Trade and other payables | 8,728 | 92 | – | – | 8,820 | 8,820 |
| Amount due to a director | 483 | – | – | – | 483 | 483 |
| Secured bank borrowings | 60,490 | 6,923 | 19,248 | 47,290 | 133,951 | 125,080 |
| Secured bank borrowings – not repayable within one year from the end of the reporting period but contain a repayment on demand clause | 12,916 | – | – | – | 12,916 | 12,916 |
| | 82,617 | 7,015 | 19,248 | 47,290 | 156,170 | 147,299 |
| **Derivatives – net settlement** | | | | | | |
| Interest rate swaps | 7 | 7 | 20 | 20 | 54 | 686 |

Secured bank borrowings with a repayment on demand clause are included in the "on demand or within 1 year" time band in the above maturity analysis. As at 31 March 2018, the aggregate undiscounted principal amounts of these secured bank borrowings amounted to approximately HK$20,000,000 (2017: HK$12,916,000). Taking into account the Group's financial position, the Directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The Directors believe that such secured bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows will amount to approximately HK$23,675,000 (2017: HK$17,490,000).

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.

## 8. Fair value measurements recognised in the consolidated statement of financial position

### Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table provides an analysis of financial instruments that are measured at fair value at the end of each reporting period for recurring measurement, grouped into level 1 to 3 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

| | Fair value as at | | Fair value hierarchy | Valuation technique and key inputs |
|---|---|---|---|---|
| | **31 March 2018 HK$'000** | 31 March 2017 HK$'000 | | |
| **Financial asset** | | | | |
| Available-for-sale investments | **2,737** | 1,577 | Level 1 | Quoted bid prices in an active market |
| **Financial liability** | | | | |
| Interest rate swaps | **836** | 686 | Level 2 | Quoted from banks using discounted cash flows with observable forward interest rates from the market |

The fair value measurement of the interest rate swaps is based on the discounted cash flows calculated using the observable forward interest rates at the end of the reporting period and interest swap rates, discounted at a rate that reflects the credit risk of various counterparties.

There were no transfers between levels of fair value hierarchy during the years ended 31 March 2018 and 2017.

The Directors consider that the carrying amounts of other current financial assets and liabilities recorded at amortised cost in the consolidated financial statements approximate to their corresponding fair values due to short-term maturities. The carrying amounts of non-current liabilities recorded at amortised cost in the consolidated financial statements approximate to their corresponding fair value due to the applicable interest rate are based on prevailing market interest rates or current interest rates offered for similar financial instruments appropriate for the remaining term to maturity. The carrying amounts of such financial instruments are not materially different from their fair values.

## 9. Revenue

Revenue represents revenue arising from service rendered and leasing of investment properties during the year. An analysis of the Group's revenue for the year is as follows:

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Corporate finance services | **36,476** | 27,233 |
| Property investment (note) | **34,485** | 24,528 |
| | **70,961** | 51,761 |

Note: An analysis of the Group's net rental income is as follows:

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Gross rental income from investment properties | **34,485** | 24,528 |
| Less: direct operating expenses incurred for investment properties that generated rental income during the year (included in property expenses) | **(11,162)** | (8,073) |
| Net rental income | **23,323** | 16,455 |

## 10. Segment information

Information reported to the chief operating decision maker (the "CODM"), being the Directors, for the purpose of resource allocation and assessment of segment performance focuses on type of services provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

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

(i) Corporate finance services – provision of corporate finance services including sponsorship, financial advisory and compliance advisory services; and

(ii) Property investment – leasing of investment properties for residential and commercial use

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

**Year ended 31 March 2018**

| | Corporate finance services HK$'000 | Property investment HK$'000 | Total HK$'000 |
|---|---|---|---|
| **REVENUE** | | | |
| External revenue and segment revenue | **36,476** | **34,485** | **70,961** |
| **RESULT** | | | |
| Segment profit | **24,210** | **31,360** | **55,570** |
| Other income and expenses | | | **(20,128)** |
| Share of results of associates | | | **(568)** |
| Finance costs | | | **(2,319)** |
| Profit before tax | | | **32,555** |

## 10. Segment information *(Continued)*

Year ended 31 March 2017

| | Corporate finance services HK$'000 | Property investment HK$'000 | Total HK$'000 |
|---|---|---|---|
| **REVENUE** | | | |
| External revenue and segment revenue | 27,233 | 24,528 | 51,761 |
| **RESULT** | | | |
| Segment profit | 11,106 | 38,109 | 49,215 |
| Other income and expenses | | | (25,000) |
| Share of results of associates | | | (1,893) |
| Finance costs | | | (1,592) |
| Profit before tax | | | 20,730 |

## 10. Segment information *(Continued)*

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 4. Segment profit represents the profit earned by each segment without allocation of central administration costs, directors' emoluments, certain other income, share of results of associates and certain finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

*Segment assets and liabilities*

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

**Segment assets**

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Corporate finance services | **4,266** | 2,955 |
| Property investment | **599,386** | 432,194 |
| Total segment assets | **603,652** | 435,149 |
| Unallocated | **103,184** | 136,118 |
| Total assets | **706,836** | 571,267 |

**Segment liabilities**

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Corporate finance services | **215** | 2,334 |
| Property investment | **160,037** | 78,357 |
| Total segment liabilities | **160,252** | 80,691 |
| Unallocated | **94,576** | 91,857 |
| Total liabilities | **254,828** | 172,548 |

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

- all assets are allocated to operating segments other than property, plant and equipment, available-for-sale investments, certain other receivables, interests in associates, deposits placed in financial institution, bank balances and cash and other corporate assets; and

- all liabilities are allocated to operating segments other than certain other payables, tax payable, amount due to director, certain secured bank borrowings, derivative financial liabilities, deferred tax liabilities and other corporate liabilities.

## 10. Segment information *(Continued)*

### Other segment information

| | Corporate finance services | | Property investment | | Unallocated | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| **For the year ended 31 March** | | | | | | | | |
| Amounts included in the measure of segment profit or segment assets: | | | | | | | | |
| Additions to non-current assets (note) | **–** | – | **126,236** | 31,681 | **510** | 419 | **126,746** | 32,100 |
| Net increase in fair value of investment properties | **–** | – | **(12,707)** | (24,986) | **–** | – | **(12,707)** | (24,986) |
| Reversal of impairment losses of trade receivables | **–** | – | **(5)** | (16) | **–** | – | **(5)** | (16) |
| Finance costs | **–** | – | **3,174** | 1,928 | **2,319** | 1,592 | **5,493** | 3,520 |

## 10. Segment information *(Continued)*

| | Corporate finance services | | Property investment | | Unallocated | | Total | |
|---|---|---|---|---|---|---|---|---|
| | **2018 HK$'000** | 2017 HK$'000 | **2018 HK$'000** | 2017 HK$'000 | **2018 HK$'000** | 2017 HK$'000 | **2018 HK$'000** | 2017 HK$'000 |
| **For the year ended 31 March** | | | | | | | | |
| Amounts regularly provided to the CODM but not included in the measure of segment profit or segment assets: | | | | | | | | |
| Bank interest income | – | – | – | – | **(37)** | (26) | **(37)** | (26) |
| Dividend income from available-for-sale investments | – | – | – | – | **(292)** | (557) | **(292)** | (557) |
| Gain on disposal of held-for-trading investments | – | – | – | – | **(42)** | – | **(42)** | – |
| Gain on bargain purchase | – | – | – | – | – | (824) | – | (824) |
| Changes in fair value of derivative financial liabilities | – | – | – | – | **302** | (25) | **302** | (25) |
| Depreciation for property, plant and equipment | – | – | – | – | **1,318** | 1,287 | **1,318** | 1,287 |
| Impairment loss on available-for-sale investments | – | – | – | – | **182** | 468 | **182** | 468 |
| Share of results of associates | – | – | – | – | **568** | 1,893 | **568** | 1,893 |
| Interests in associates | – | – | – | – | **2,945** | 6,248 | **2,945** | 6,248 |
| Loss on disposal of associates | – | – | – | – | – | 1,274 | – | 1,274 |
| Income tax expense | – | – | – | – | **5,690** | 7,682 | **5,690** | 7,682 |

Note: Non-current assets excluded available-for-sale investments and prepayment.

## 10. Segment information *(Continued)*

### Revenue from major services

An analysis of the Group's revenue from provision of corporate finance services and leasing of investment properties is as follows:

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Sponsorship services | **24,955** | 13,084 |
| Financial advisory services | **8,026** | 9,127 |
| Compliance advisory services | **3,275** | 4,087 |
| Other corporate finance services | **220** | 935 |
| | **36,476** | 27,233 |
| Rental income | **34,485** | 24,528 |
| | **70,961** | 51,761 |

### Geographic information

The Group's operations are mainly located in Hong Kong and Japan.

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets, excluding available-for-sale investments and prepayment, is presented based on the geographical location of the assets.

| | **Revenue from external customers** | | **Non-current assets** | |
|---|---|---|---|---|
| | **2018** | 2017 | **2018** | 2017 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Hong Kong | **38,268** | 29,043 | **117,353** | 108,163 |
| Japan | **32,693** | 22,718 | **527,107** | 373,834 |
| | **70,961** | 51,761 | **644,460** | 481,997 |

During the years ended 31 March 2018 and 2017, there was no single customer contributing over 10% of the Group's total revenue.

## 11. Other income

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Bank interest income | 37 | 26 |
| Dividend income from available-for-sale investments | 292 | 557 |
| Gain on bargain purchase | – | 824 |
| Net exchange gain | 1,071 | – |
| Gain on disposal of held-for-trading investments | 42 | – |
| Reversal of impairment losses of trade receivables | 5 | 16 |
| Administrative fee income | 1,601 | 3,892 |
| Marketing service income | – | 66 |
| Sundry income | – | 248 |
| | 3,048 | 5,629 |

## 12. Finance costs

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Interest on amount due to ultimate holding company | – | 22 |
| Interests on secured bank borrowings | 5,493 | 3,498 |
| | 5,493 | 3,520 |

## 13. Income tax expense

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Current tax: | | |
| Hong Kong Profits Tax | | |
| – Current year | **1,672** | 1,474 |
| Japanese Corporate Income Tax | **206** | 52 |
| Japanese Withholding Tax | **1,909** | 1,387 |
| | **3,787** | 2,913 |
| Deferred taxation (note 28) | **1,903** | 4,769 |
| | **5,690** | 7,682 |

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the years ended 31 March 2018 and 2017.

Under the Japan Corporate Income Tax Law, Japanese Corporate Income Tax is calculated at 33.8% of the estimated assessable profits for the years ended 31 March 2018 and 2017. However, regarding to the TK Arrangement, the applicable tax rate of those Japanese subsidiaries is 20.42% for the years ended 31 March 2018 and 2017.

Japanese Withholding Tax was calculated at 20.42% of the distributed income from Japanese subsidiaries for the years ended 31 March 2018 and 2017.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

## 13. Income tax expense *(Continued)*

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

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Profit before tax | **32,555** | 20,730 |
| Tax at the domestic income tax rates in the respective jurisdictions | **6,813** | 6,820 |
| Tax effect of share of results of associates | **94** | 312 |
| Tax effect of expenses not deductible for tax purpose | **1,218** | 3,577 |
| Tax effect of income not taxable for tax purpose | **(1,839)** | (1,139) |
| Income tax on concessionary rate | **(769)** | (1,978) |
| Tax effect of tax losses not recognised | **213** | 130 |
| Effect of tax exemptions granted (note) | **(40)** | (40) |
| Income tax expense | **5,690** | 7,682 |

Details of deferred taxation are set out in note 28.

Note: A tax concession of 75%, subject to a ceiling of $20,000 per company, for the Group's subsidiaries under Hong Kong jurisdiction for both years ended 31 March 2018 and 2017.

## 14. Profit for the year

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Profit for the year has been arrived at after charging (crediting): | | |
| Staff cost, excluding directors' emoluments (note 15a): | | |
| – Salaries, bonus and other benefits | **10,910** | 10,323 |
| – Contributions to retirement benefits scheme | **376** | 320 |
| – Reversal of provision for long service payment | **(168)** | – |
| Total staff costs excluding directors' emoluments | **11,118** | 10,643 |
| Auditors' remuneration | **950** | 900 |
| Depreciation of property, plant and equipment | **1,318** | 1,287 |
| Loss on disposal of an associate (included in administrative and operating expenses) | **–** | 1,274 |
| Share based payments (note 40) | **3,719** | 4,932 |
| Net exchange loss | **–** | 950 |
| Operating lease paid for rented office premises | **197** | – |
| Listing expenses (included in administrative and operating expenses) | **–** | 11,251 |

## 15. Directors' and employees' emoluments

### (a) Directors' emoluments

The emoluments paid or payable by the Group to each of the following Directors are set out as follows:

**Year ended 31 March 2018**

| | Fees HK$'000 | Salaries and other benefits HK$'000 | Discretionary bonus HK$'000 | Contributions to retirement benefits scheme HK$'000 | Share-based payments HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings | | | | | | |
| **Executive directors:** | | | | | | |
| Arnold Ip Tin Chee | – | 600 | – | 18 | – | 618 |
| Chang Sean Pey | – | 1,654 | 2,058 | 18 | 2,450 | 6,180 |
| Leung Churk Yin Jeanny | – | 5,002 | – | 18 | 1,269 | 6,289 |
| **Independent non-executive directors:** | | | | | | |
| Chao Tien Yo | 120 | – | – | – | – | 120 |
| Chan Sun Kwong | 120 | – | – | – | – | 120 |
| Lee Shu Yin | 120 | – | – | – | – | 120 |
| Total emoluments | 360 | 7,256 | 2,058 | 54 | 3,719 | 13,447 |

## 15. Directors' and employees' emoluments *(Continued)*

### (a) Directors' emoluments *(Continued)*

**Year ended 31 March 2017**

| | Fees HK$'000 | Salaries and other benefits HK$'000 | Discretionary bonus HK$'000 | Contributions to retirement benefits scheme HK$'000 | Share-based payments HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| Emoluments paid or receivable in respect of a person's services as a director, whether of the Company and its subsidiary undertakings | | | | | | |
| **Executive directors:** | | | | | | |
| Arnold Ip Tin Chee | – | 600 | – | 18 | – | 618 |
| Chang Sean Pey | – | 1,425 | 2,277 | 17 | 3,249 | 6,968 |
| Leung Churk Yin Jeanny | – | 4,470 | – | 18 | 1,683 | 6,171 |
| **Independent non-executive directors:** | | | | | | |
| Chao Tien Yo (appointed on 26 September 2016) | 55 | – | – | – | – | 55 |
| Chan Sun Kwong (appointed on 26 September 2016) | 55 | – | – | – | – | 55 |
| Lee Shu Yin (appointed on 26 September 2016) | 55 | – | – | – | – | 55 |
| Total emoluments | 165 | 6,495 | 2,277 | 53 | 4,932 | 13,922 |

During the years ended 31 March 2018 and 2017, no director has been appointed as chief executive of the Company.

During the years ended 31 March 2018 and 2017, none of the Directors waived or agreed to waive any emoluments.

During the years ended 31 March 2018 and 2017, no emoluments were paid by the Group to the Directors as an inducement to join or upon joining the Group or as compensation for loss of office.

During the year ended 31 March 2016, the ultimate holding company, KHHL, has issued share options to two of the Directors. During the years ended 31 March 2018 and 2017, the fair value of the share options recognised is amounted to approximately HK$3,719,000 and HK$4,932,000 respectively. Details of the share options are set out in note 40.

The discretionary bonus is reviewed and approved by remuneration committee having regard to his performance and the Company's performance and profitability and the prevailing market conditions.

## 15. Directors' and employees' emoluments *(Continued)*

### (b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, during the years ended 31 March 2018, three (2017: two) were Directors whose emoluments are included in the note 15(a) above. The emoluments of the remaining two (2017: three) individuals were as follows:

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Salaries and other benefits | **1,942** | 3,167 |
| Discretionary bonus | **410** | 410 |
| Contributions to retirement benefits scheme | **36** | 54 |
| | **2,388** | 3,631 |

Their emoluments were within the following bands:

| | **2018** | 2017 |
|---|---|---|
| | **No. of Employees** | No. of Employees |
| Nil to HK$1,000,000 | **–** | 1 |
| HK$1,000,001 to HK$1,500,000 | **2** | 2 |

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

## 16. Dividends

During the year ended 31 March 2017, an interim dividend of HK$35,000,000 was paid by the Company to its then shareholders prior to the completion of the Reorganisation.

During the year ended 31 March 2017, interim dividends of approximately HK$7,493,000 were paid by the subsidiaries of the Group, to its then shareholders prior to the completion of the Reorganisation.

During the year ended 31 March 2018, final dividends of HK$1,600,000 (HK0.2 cent per share) in respect of the year ended 31 March 2017 and interim dividends of HK$1,600,000 (HK0.2 cent per share) in respect of the year ended 31 March 2018 were declared and paid to the shareholders of the Company.

Subsequent to the end of the reporting period, a final dividend of HK$1,600,000 (HK0.2 cent per share) and a special dividend of HK$400,000 (HK0.05 cent per share) in respect of the year ended 31 March 2018 has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming general meeting.

## 17. Earnings per share

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

### Earnings

| | **2018**<br>**HK$'000** | 2017<br>HK$'000 |
|---|---|---|
| Earnings for the purpose of basic earnings per share (Profit for the year attributable to the owners of the Company) | **26,295** | 12,356 |

### Number of shares

| | **2018**<br>**'000** | 2017<br>'000 |
|---|---|---|
| Weighted average number of ordinary shares for the purpose of basic earnings per share | **800,000** | 690,959 |

The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 March 2017 has been retrospectively adjusted for the effects of capitalisation issue as detailed in the section headed "Share capital" in the Prospectus.

Dilutive earnings per share are the same as basic earnings per share for the years ended 31 March 2017 and 2018 as there were no dilutive potential ordinary shares during the years ended 31 March 2017 and 2018.

## 18. Property, plant and equipment

| | Land and building HK$'000 | Leasehold improvement HK$'000 | Furniture, fixtures and equipment HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| COST | | | | |
| At 1 April 2016 | 49,184 | 9,027 | 2,380 | 60,591 |
| Additions | – | 105 | 314 | 419 |
| At 31 March 2017 and 1 April 2017 | 49,184 | 9,132 | 2,694 | 61,010 |
| Additions | – | 129 | 381 | 510 |
| At 31 March 2018 | **49,184** | **9,261** | **3,075** | **61,520** |
| ACCUMULATED DEPRECIATION | | | | |
| At 1 April 2016 | 3,940 | 9,017 | 2,103 | 15,060 |
| Charged for the year | 984 | 39 | 264 | 1,287 |
| At 31 March 2017 and 1 April 2017 | 4,924 | 9,056 | 2,367 | 16,347 |
| Charged for the year | 984 | 69 | 265 | 1,318 |
| At 31 March 2018 | **5,908** | **9,125** | **2,632** | **17,665** |
| CARRYING VALUES | | | | |
| At 31 March 2018 | **43,276** | **136** | **443** | **43,855** |
| At 31 March 2017 | 44,260 | 76 | 327 | 44,663 |

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

| | |
|---|---|
| Land and building | Over the shorter of term of the lease or 50 years |
| Leasehold improvement | Over the shorter of term of the lease or 3 years |
| Furniture, fixtures and equipment | 33% |

The Group has pledged its land and building with a carrying value of approximately HK$43,276,000 (2017: HK$44,260,000) to secure bank borrowings of the Group as at 31 March 2018.

## 19. Investment properties and investment property under construction

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Investment properties stated at fair value (note a) | **595,973** | 429,001 |
| Investment property under construction stated at cost (note b) | **1,687** | – |
| | **597,660** | 429,001 |

Notes:

### a) Investment properties stated at fair value

| | HK$'000 |
|---|---|
| **FAIR VALUE** | |
| At 1 April 2016 | 351,721 |
| Exchange realignment | 1,638 |
| Arising on acquisition of a subsidiary (note 30) | 21,060 |
| Additions | 29,596 |
| Net increase in fair value recognised in profit or loss | 24,986 |
| At 31 March 2017 and 1 April 2017 | 429,001 |
| Exchange realignment | 29,716 |
| Additions | 124,549 |
| Net increase in fair value recognised in profit or loss | 12,707 |
| At 31 March 2018 | **595,973** |

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes and are measured using the fair value model and are classified and accounted for as investment properties.

For the investment property located in Hong Kong, the fair value of investment property at 31 March 2017 and 2018 has been arrived at on the basis of a valuation carried out by an independent qualified professional valuer who is a member of The Hong Kong Institution of Surveyors and has recent experience in the location and category of the investment property being valued. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions. Details of the valuation techniques and assumptions are discussed below.

## 19. Investment properties and investment property under construction *(Continued)*

### a) Investment properties stated at fair value *(Continued)*

For the investment properties located in Japan, the fair value of investment properties at 31 March 2017 and 31 March 2018 has been arrived at on the basis of a valuation carried out by independent qualified professional valuers, who are members of Japan Association of Real Estate Appraisers and have recent experience in the location and category of the investment properties being valued. The valuation was arrived at by using income method – direct capitalisation approach which involves estimation of income and expenses, taking into account of expected future changes in economic and social conditions. Details of the valuation techniques and assumptions are discussed below.

There has been no change from valuation technique used during the years ended 31 March 2017 and 2018. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

### b) Investment property under construction stated at cost

| | HK$'000 |
|---|---|
| **COST** | |
| Construction costs incurred during the year and at 31 March 2018 | **1,687** |

An investment property is located in Japan and under construction as at 31 March 2018 (2017: nil). The property interest held under construction as at 31 March 2018 (2017: nil) is stated at cost as the Directors considered that the fair value of the investment property under construction cannot be reliably measured. Such property is held under operating leases to earn rentals or for capital appreciation purposes once completed.

The Group has pledged its investment properties with a carrying value of approximately HK$570,256,000 (2017: HK$364,018,000) to secure banking facilities granted to the Group as at 31 March 2018.

An analysis of the Group's investment properties that are measured subsequent to initial recognition at fair value, grouped into fair value hierarchy Levels 1 to 3 based on the degree to which the inputs to fair value measurements is observable is as follows:

| | **Level 1<br>HK$'000** | **Level 2<br>HK$'000** | **Level 3<br>HK$'000** | **Fair value as at 31 March 2018<br>HK$'000** |
|---|---|---|---|---|
| Investment properties | **–** | **73,500** | **522,473** | **595,973** |

| | Level 1<br>HK$'000 | Level 2<br>HK$'000 | Level 3<br>HK$'000 | Fair value as at 31 March 2017<br>HK$'000 |
|---|---|---|---|---|
| Investment properties | – | 63,500 | 365,501 | 429,001 |

There were no transfers between levels of fair value hierarchy during the year.

## 19. Investment properties and investment property under construction *(Continued)*

The following table gives information about how the fair values of the investment properties as at 31 March 2018 and 2017 are determined (in particular, the valuation techniques and inputs used):

| | Fair value hierarchy | **Fair value as at 31 March 2018 HK$'000** | Fair value as at 31 March 2017 HK$'000 | Valuation technique and key inputs | Significant unobservable inputs | Range | Relationship key inputs and significant unobservable inputs to fair value |
|---|---|---|---|---|---|---|---|
| Investment property located in Hong Kong | Level 2 | **73,500** | 63,500 | Market Comparison approach – by reference to recent sales price of comparable properties on a price per square feet basis using market data which is publicly available | N/A | N/A | N/A |
| Investment properties located in Japan | Level 3 | **522,473** | 365,501 | Income method – direct capitalisation approach, by reference to capitalised income derived from exiting tenancies and the reversionary potential of the properties | – Capitalisation rate | March 2018: Ranged from 3.0% to 5.8% (March 2017: 3.4% to 6.0%) | The higher the capitalisation rate, the lower the fair value |

The reconciliation of Level 3 fair value measurements of investment properties on recurring basis is as follows:

| | Total HK$'000 |
|---|---|
| At 1 April 2016 | 293,721 |
| Exchange adjustments | 1,638 |
| Additions | 29,596 |
| Arising on acquisition of a subsidiary | 21,060 |
| Net increase in fair value recognised in profit or loss | 19,486 |
| At 31 March 2017 and 1 April 2017 | 365,501 |
| Exchange adjustments | 29,716 |
| Additions | 124,549 |
| Net increase in fair value recognised in profit or loss | 2,707 |
| At 31 March 2018 | **522,473** |

During the year ended 31 March 2018, the net increase in fair value recognised in profit or loss of approximately HK$2,707,000 (2017: HK$19,486,000) are included in net increase in fair value of investment properties. Included in the net increase in fair value is amount of approximately HK$2,707,000 (2017: HK$19,486,000) that is attributable to the change in unrealised gains or losses relating to investment properties held at the end of the reporting period.

## 20. Interests in associates

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Costs of investments in associates, unlisted | **2,752** | 2,752 |
| Share of post-acquisition profits and other comprehensive income, net of dividends received | **193** | 3,496 |
| | **2,945** | 6,248 |

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

| Name of entity | Form of entity | Place of incorporation/ operation | Class of shares held | Proportion of nominal value of issued capital and voting right held by the Group At 31 March 2018 | At 31 March 2017 | Principal activities |
|---|---|---|---|---|---|---|
| *Directly held* | | | | | | |
| Japan Regional Assets Manager Limited ("JRAM") (note i) | Incorporated | Cayman Islands | Ordinary | **40%** | 40% | Investment holding |
| KK Tenyu Asset Management (note ii) | Incorporated | Japan | Ordinary | **40%** | 40% | Asset management |
| *Indirectly held* | | | | | | |
| Japan Residential Assets Manager Limited ("JRAM SG") (note i) | Incorporated | Singapore | Ordinary | **40%** | 40% | Asset management |

Notes:

(i) The Group held 40% equity interests in JRAM. which held 100% equity interests in JRAM SG, therefore, the Group effectively held 40% equity interest in JRAM SG. Subsequent to the end of the reporting period, JRAM SG has been liquidated and JRAM is in the process of liquidation.

(ii) Subsequent to the end of the reporting period, the associate has been liquidated.

## 20. Interests in associates *(Continued)*

### Summarised consolidated financial statements of associates

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

| | **2018 HK$'000** | 2017 HK$'000 |
|---|---|---|
| The Group's share of loss for the year | **(568)** | (2,116) |
| The Group's share of other comprehensive income for the year | **732** | 19 |
| The Group's share of total comprehensive income (expense) for the year | **164** | (2,097) |
| Dividend received by the Group from associates during the year | **3,467** | 3,783 |

| | **2018 HK$'000** | 2017 HK$'000 |
|---|---|---|
| Carrying amount of the Group's interests in immaterial associates | **2,945** | 6,248 |

## 21. Available-for-sale investments

Available-for-sale investments comprise:

| | **2018 HK$'000** | 2017 HK$'000 |
|---|---|---|
| Listed investments (stated at fair value): | | |
| – Equity securities listed in Hong Kong | **2,737** | 1,395 |
| – Equity securities listed in Singapore | **–** | 182 |
| | **2,737** | 1,577 |
| Unlisted investments (stated at cost): | | |
| – Debentures and club memberships | **1,519** | 1,504 |
| – Equity investment | **139** | – |
| | **1,658** | 1,504 |
| Total | **4,395** | 3,081 |

Note:

As at 31 March 2017, the fair value of the equity securities listed in Singapore was lower than the cost of the equity securities and approximately HK$468,000 has been impaired accordingly. During the year ended 31 March 2018, equity securities listed in Singapore had been delisted, therefore, such available-for-sale investment of approximately HK$182,000 has been fully impaired accordingly.

The above unlisted equity investments represent investments in unlisted equity securities issued by private entity incorporated in Japan. They are measured at cost less impairment at the end of the reporting period because the Directors are of the opinion that their fair values cannot be measured reliably.

## 22. Trade and other receivables and prepayment

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Trade receivables (note i) | 3,947 | 1,912 |
| Less: allowances for impairment of trade receivables | – | (5) |
| | 3,947 | 1,907 |
| Other receivables and prepayment (note ii) | 2,376 | 2,476 |
| | 6,323 | 4,383 |

Notes:

(i) As at 31 March 2017, included in trade receivables of approximately HK$247,000 is due from JRAM SG, an associate of the Group. The amount is fully settled during the year ended 31 March 2018.

(ii) As at 31 March 2018, included in other receivables and prepayment of approximately HK$310,000 (2017: HK$292,000) is due from a non-controlling shareholder of the Group. The amount is unsecured, non-interest bearing and repayable on demand.

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Analysed for reporting purpose: | | |
| Current portion | 6,212 | 4,383 |
| Non-current portion | 111 | – |
| | 6,323 | 4,383 |

a) The trade receivables are due upon the issuance of the invoices. The Group does not hold any collateral over these balances. The following is an aged analysis of trade receivables net of allowance for impairment of trade receivables presented based on the invoice date which approximates the respective revenue recognition dates at the end of the reporting period. It also represented the ageing analysis of trade receivables which are past due but not impaired, at the end of the reporting periods.

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| – Within 30 days | 3,914 | 1,606 |
| – More than 30 but within 60 days | 3 | 25 |
| – More than 60 but within 90 days | 30 | – |
| – More than 90 but within 180 days | – | 151 |
| – Over 180 days | – | 125 |
| | 3,947 | 1,907 |

## 22. Trade and other receivables and prepayment *(Continued)*

a) *(Continued)*

Trade receivables that were past due but not impaired were related to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no allowance for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

b) The movement in the allowance for impairment of trade receivables is set out below.

| | **2018**<br>**HK$'000** | 2017<br>HK$'000 |
|---|---|---|
| Balance at the beginning of the year | **5** | 21 |
| Reversal of impairment losses | **(5)** | (16) |
| Balance at the end of the year | **–** | 5 |

Included in the allowance for impairment of trade receivables were individually impaired trade receivables with an aggregate balance of approximately HK$5,000 (2018: nil) as at 31 March 2017 due to long outstanding.

c) The following is an analysis of other receivables and prepayments at the end of the reporting period:

| | **2018**<br>**HK$'000** | 2017<br>HK$'000 |
|---|---|---|
| Deposits | **192** | 382 |
| Prepayments | **1,404** | 869 |
| Other receivables | **780** | 1,225 |
| | **2,376** | 2,476 |

d) Included in other receivables is the following amounts denominated in currency other than the functional currency of the respective reporting entities of the Group:

| | **2018**<br>**HK$'000** | 2017<br>HK$'000 |
|---|---|---|
| SGD | **–** | 911 |

## 23. Deposits placed in financial institution/bank balances and cash

At 31 March 2018 and 2017, the deposits placed in financial institution and bank balances carried at fixed interest rates which ranged from 0.01% to 0.9% (2017: 0.01% to 0.06%) per annum.

Included in deposits placed in financial institution and bank balances and cash are the following amounts denominated in currencies other than the functional currency of the respective reporting entities of the Group:

| | **2018**<br>**HK$'000** | 2017<br>HK$'000 |
|---|---|---|
| JPY | **9,358** | 403 |
| SGD | **–** | 36 |

## 24. Trade and other payables

| | **2018**<br>**HK$'000** | 2017<br>HK$'000 |
|---|---|---|
| Trade payables | **116** | 76 |
| Other payables | **14,491** | 10,130 |
| | **14,607** | 10,206 |
| Analysed for reporting purposes: | | |
| Current portion | **12,283** | 10,114 |
| Non-current portion | **2,324** | 92 |
| | **14,607** | 10,206 |

The trade payables are due upon the receipt of the invoices. All trade payables are aged within 30 days which are based on the invoice date at the end of the reporting period. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

## 25. Secured bank borrowings

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements): | | |
| On demand | **20,000** | 12,916 |
| Within one year | **54,770** | 59,756 |
| After one year but within two years | **9,852** | 5,683 |
| After two years but within five years | **26,229** | 16,015 |
| After five years | **101,263** | 43,626 |
| | **212,114** | 137,996 |
| Carrying amount of bank borrowings that are not repayable on demand or within one year from the end of the reporting period but: | | |
| – Contain a repayment on demand clause | **20,000** | 12,916 |
| Carrying amount repayable within one year | **54,770** | 59,756 |
| Amounts shown under current liabilities | **74,770** | 72,672 |
| Amounts shown under non-current liabilities | **137,344** | 65,324 |
| | **212,114** | 137,996 |
| The exposure of the Group's secured bank borrowings to interest rate risk is as follows: | | |
| Fixed-rate borrowings | **139,355** | 61,561 |
| Variable-rate borrowings | **72,759** | 76,435 |
| | **212,114** | 137,996 |

## 25. Secured bank borrowings *(Continued)*

The ranges of effective interest rates (which are also equal to contracted interest rates) on the Group's secured bank borrowings are as follows:

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Effective interest rate: | | |
| Fixed-rate borrowings | **1.11% to 2.85%** | 1.37% to 3.35% |
| Variable-rate borrowings | **1.65% to 3.53%** | 1.65% to 3.59% |

The Group has variable-rate borrowings which carry interest at HIBOR or TIBOR. Interest is reset regularly.

Included in secured bank borrowings is the following amount denominated in currency other than the functional currency of the respective reporting entity of the Group:

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| JPY | **–** | 4,031 |

As at the end of the reporting period, the Group has the following undrawn borrowing facilities:

| | **At 31 March 2018** | At 31 March 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Floating rate – expiring beyond one year | **25,500** | 27,569 |

During the year, the Group obtained new loans in the amount of approximately HK$144,821,000 (2017: HK$62,437,000) and will be repayable ranged from 2018 to 2043. The proceeds were used for general working capital purpose and to finance the acquisition of investment properties.

The bank borrowings are secured by the land and building and certain investment properties of the Group as disclosed in notes 18 and 19 respectively.

An associate of the Group has provided guarantees to certain banks in respect of the bank borrowings granted to the Group as at 31 March 2017 (2018: N/A).

## 26. Derivative financial instruments

| | **2018** | 2017 |
|---|---|---|
| | **Liabilities** | Liabilities |
| | **HK$'000** | HK$'000 |
| Interest rate swaps | **836** | 686 |

Interest rate swaps forms a part of arrangement of the variable-rate bank borrowings entered into between the Group and borrowing banks in Japan.

Major terms of the interest rate swaps are as follows:

**31 March 2018**

| **Notional amount** | **Maturity** | **Swaps** | |
|---|---|---|---|
| | | **From** | **To** |
| JPY 68,250,000 (equivalent to approximately HK$5,044,000) | **30/9/2024** | **TIBOR + 1.40%** | **2.79%** |
| JPY 111,000,000 (equivalent to approximately HK$8,203,000) | **31/8/2036** | **TIBOR + 1.40%** | **2.26%** |
| JPY 150,000,000 (equivalent to approximately HK$11,085,000) | **30/9/2025** | **TIBOR + 1.20%** | **2.42%** |
| JPY 133,000,000 (equivalent to approximately HK$9,829,000) | **31/8/2027** | **TIBOR + 1.05%** | **2.33%** |

**31 March 2017**

| Notional amount | Maturity | Swaps | |
|---|---|---|---|
| | | From | To |
| JPY 78,750,000 (equivalent to approximately HK$5,473,000) | 30/9/2024 | TIBOR + 1.40% | 2.79% |
| JPY 117,000,000 (equivalent to approximately HK$8,132,000) | 31/8/2036 | TIBOR + 1.40% | 2.26% |
| JPY 170,000,000 (equivalent to approximately HK$11,815,000) | 30/9/2025 | TIBOR + 1.20% | 2.42% |

Details of the fair value measurement are set out in note 8.

## 27. Provision for long service payments

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Long service payments obligation | – | 168 |

The Group makes provision for probable future long service payments to employees in accordance with Hong Kong Employment Ordinance. Pursuant to Chapter 10 of the Hong Kong Employment Ordinance, the long service payment is to be offset with the accrued benefits derived from the Group's contributions made to MPF Scheme for the employees. As at 31 March 2018, the long service payment is covered by the contributions made to MPF scheme for the employees and reversal of the provision of approximately HK$168,000 has been made during the year (2017: nil).

Movement for the year:

| | **2018** | 2017 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Balance at beginning of the year | **168** | 168 |
| Reversal of the provision | **(168)** | – |
| Balance at end of the year | – | 168 |

## 28. Deferred tax liabilities

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the current and prior years:

| | **Accelerated tax depreciation HK$'000** | **Revaluation of investment properties HK$'000** | **Undistributable profits of subsidiaries HK$'000** | **Total HK$'000** |
|---|---|---|---|---|
| At 1 April 2016 | 280 | 11,730 | (139) | 11,871 |
| Charged to profit or loss for the year (note 13) | – | 4,792 | (23) | 4,769 |
| Arising from acquisition of a subsidiary (note 30) | – | 3,342 | – | 3,342 |
| Exchange realignment | – | 141 | – | 141 |
| At 31 March 2017 and 1 April 2017 | 280 | 20,005 | (162) | 20,123 |
| Charged to profit or loss for the year (note 13) | – | 1,903 | – | 1,903 |
| Exchange realignment | – | 1,240 | – | 1,240 |
| At 31 March 2018 | **280** | **23,148** | **(162)** | **23,266** |

## 28. Deferred tax liabilities *(Continued)*

At 31 March 2018, the Group has unused estimated tax losses of approximately HK$2,910,000 (2017: HK$1,620,000), available for offset against future profits. No deferred tax asset has been recognised in respect of such tax losses due to the unpredictability of future profits streams, such losses may be carried forward indefinitely.

## 29. Share capital

| | Number of Ordinary shares | Share capital HK$'000 |
|---|---|---|
| Ordinary share of HK$0.01 each | | |
| *Authorised:* | | |
| At 1 April 2016 | 38,000,000 | 380 |
| Increase on 26 September 2016 (note a) | 4,962,000,000 | 49,620 |
| Authorised at 31 March 2017 and 31 March 2018 | **5,000,000,000** | **50,000** |
| *Issued and fully paid:* | | |
| At 1 April 2016 | 1 | – |
| Issued by capitalisation of the share premium account (note b) | 599,999,999 | 6,000 |
| Issued of shares upon listing (note c) | 200,000,000 | 2,000 |
| Issued and fully paid at 31 March 2017 and 31 March 2018 | **800,000,000** | **8,000** |

Notes:

(a) Pursuant to the written resolutions passed by the shareholders of the Company on 26 September 2016, the authorised share capital of the Company was increased from HK$380,000 to HK$50,000,000 by the creation of additional 4,962,000,000 ordinary shares of HK$0.01 each.

(b) On 26 September 2016, pursuant to the resolution passed by of the then shareholders of the Company, it was approved to issue 599,999,999 ordinary shares of HK$0.01 each to the then shareholders by way of capitalisation of approximately HK$6,000,000 standing to the credit of the share premium account of the Company following the placing of 200,000,000 ordinary shares of the Company. Such shares were issued on 17 October 2016, being the date of the Listing.

(c) In connection with the Company's placing and listing on 17 October 2016, the Company issued 200,000,000 ordinary shares of HK$0.01 each for cash at a price of HK$0.425 per share (the "Placing"). Of the gross proceeds from the Placing of HK$85,000,000, HK$2,000,000 representing the par value credit to the share capital, and HK$83,000,000, before the share issue expenses, were credited to share premium account.

(d) All shares issued during the year ended 31 March 2017 rank pari passu in all respects among themselves and with the then existing shares.

## 30. Acquisition of a subsidiary

On 23 November 2016, the Group acquired additional 64.9% of the issued share capital of Japan Special Situation Investment Limited ("JSSI") for a cash consideration of approximately JPY154,310,000 (equivalent to approximately HK$10,587,000) from the shareholders of JSSI. Prior to the acquisition of the additional equity interest in JSSI, a 80% owned subsidiary, I Corporation ("I Corporation"), had 27.0% equity interest in JSSI which was classified as an associate of the Group. Following the acquisition, I Corporation and a wholly-owned subsidiary, Starich Resources Limited ("Starich") hold 91.9% in aggregate equity interest in JSSI (effectively holding 86.5% of equity interest by the Group). As such, JSSI became a non wholly-owned subsidiary of the Group.

JSSI is principally engaged in the investment property. The acquisition has been accounted for using the acquisition method.

**Consideration**

| | HK$'000 |
|---|---|
| Cash consideration | 10,587 |

Acquisition-related costs were insignificant and have been recognised as an expense in administrative and operating expenses during the year.

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

| | HK$'000 |
|---|---|
| Investment property | 21,060 |
| Trade and other receivables | 97 |
| Bank balances and cash | 3,789 |
| Trade and other payables | (3,888) |
| Income tax payable | (126) |
| Deferred tax liabilities | (3,342) |
| | 17,590 |

The fair value of trade and other receivables at the date of acquisition amounted to approximately HK$97,000 which is same as the gross contractual amounts at the date of acquisition. No estimated uncollectible contractual cash flows were expected at the acquisition date.

## 30. Acquisition of a subsidiary *(Continued)*

**Gain on bargain purchase**

| | HK$'000 |
|---|---|
| Consideration transferred | 10,587 |
| Add: non-controlling interests | 1,426 |
| Add: fair value of previously held interests in an associate (note) | 4,753 |
| Less: net assets acquired | (17,590) |
| Gain on bargain purchase | (824) |

Note: The fair value of the previously held interest 27.0% in JSSI was determined by reference to the fair value of the assets and liabilities at the date of acquisition. The carrying amount of the previously held interest 27.0% in JSSI at the date of acquisition was approximates to its fair value. As a result, no gain or loss was recognised in respect of the deemed disposal of JSSI.

None of the gain on bargain purchase arising on this acquisition is expected to be taxable for tax purpose.

**Net cash outflow on acquisition of JSSI**

| | HK$'000 |
|---|---|
| Cash consideration paid | 10,587 |
| Bank balance and cash acquired | (3,789) |
| | 6,798 |

Included in the profit for the year ended 31 March 2017 is approximately HK$399,000 attributable to the additional business generated by JSSI. Revenue for the year ended 31 March 2017 includes approximately HK$525,000 generated from JSSI.

Had the acquisition been completed on 1 April 2016, the Group's revenue for the year would have been approximately HK$52,818,000, and profit for the year would have been approximately HK$14,807,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 April 2016, nor is it intended to be a projection of future results.

## 31. Changes in ownership interest in a subsidiary

During the year, the Group has the following changes in its ownership interest in a subsidiary that do not result in a loss of control.

### Acquisition of addition interest in a subsidiary

During the year ended 31 March 2017, the Group acquired an additional 1.13% issued share capital of Residence Motoki from the non-controlling shareholders at cash consideration of approximately HK$248,000. This resulted in an increase in the Group's equity interest in Residence Motoki from 77.57% to 78.70%. Approximately HK$12,000, representing the difference between the carrying amounts of the interest acquired of approximately HK$236,000 and the consideration paid for the acquisition of additional interest of approximately HK$248,000, which was recognised in other reserve.

During the year ended 31 March 2018, the Group has acquired an additional 8.1% issued share capital of JSSI from a non-controlling shareholder at cash consideration of approximately JPY23,603,000 (equivalent to approximately HK$1,642,000) and a loan assignment of approximately JPY4,314,000 (equivalent to approximately HK$300,000). This resulted in an increase in the Group's equity interest in JSSI from 86.5% to 94.6%. Approximately HK$85,000 representing the difference between the carrying amounts of the interest acquired of approximately HK$1,427,000 and the consideration paid for the acquisition of additional interest of approximately HK$1,342,000, which was recognised in other reserve. Details of the acquisition are set out in an announcement of the Company dated 26 June 2017.

### Disposal of equity interest in a subsidiary without loss of control

During the year ended 31 March 2018, the Group disposed of 10% equity interest in a wholly-owned subsidiary which was newly incorporated during the year, Lynton Gate Limited ("Lynton Gate"), to a non-controlling shareholder of the Group, at cash consideration of approximately HK$5,813,000. This resulted in a decrease in the Group's equity interest in Lynton Gate from 100% to 90%. Approximately HK$20,000, representing the difference between the carrying amounts of the interest disposed of in Lynton Gate of approximately HK$5,833,000 and the consideration received from the non-controlling shareholder was recognised in other reserve.

## 32. Operating lease commitments

### The Group as lessor

During the years ended 31 March 2018 and 2017, the Group's properties held for rental purpose are expected to generate rental yields of 5.9% and 5.7% respectively, on an ongoing basis. All of the properties held have committed tenants for the next one to twenty years (2017: one to two years).

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Within one year | 4,838 | 2,385 |
| In the second to fifth year inclusive | 2,393 | – |
| | 7,231 | 2,385 |

### The Group as lessee

During the year ended 31 March 2018, the Group leased an office under non-cancellable operating lease agreements. The lease term is 3 years with fixed rental payment. The lease agreement is renewable at the end of the lease period at market rate (2017: N/A).

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

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Within one year | 252 | – |
| In the second to fifth years inclusive | 315 | – |
| | 567 | – |

## 33. Capital commitments

| | 2018<br>HK$'000 | 2017<br>HK$'000 |
|---|---|---|
| Capital expenditure in respect of acquisition of investment properties contracted for but not provided in the consolidated financial statements | – | 71,115 |
| Capital expenditure in respect of construction of an investment property contracted but not provided in the consolidated financial statements | 602 | – |

## 34. Major non-cash transactions

The Group has major non-cash transactions as follows:

a) During the year ended 31 March 2017, Altus Investments issued 1 ordinary share at a consideration of approximately HK$71,979,000 to acquire the interests in TK agreements of GK Choun from KHHL.

b) During the year ended 31 March 2017, Altus Investments issued 999,996 ordinary shares to KHHL for settling the amount due to KHHL of approximately HK$27,004,000.

## 35. Retirement benefits plan

**Hong Kong**

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of the relevant payroll costs, capped at HK$1,500 per month, to the MPF Scheme, in which the contribution is matched by employees.

The total cost charged to profit or loss of approximately HK$430,000 (2017: HK$373,000) represents contributions payable to this scheme by the Group in respect of the current accounting period.

## 36. Reconciliation of liabilities arising from financing activities

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

| | Secured bank borrowings (note 25) HK$'000 | Dividends payable HK$'000 | Interest payable (included in other payables) HK$'000 | Amount due to a director HK$'000 | Contribution from non-controlling shareholders HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| At 1 April 2017 | 137,996 | – | 54 | 483 | – | 138,533 |
| Financing cash flows | | | | | | |
| Addition | 144,821 | – | – | – | 280 | 145,101 |
| Repayment | (78,922) | (3,529) | (5,475) | (483) | – | (88,409) |
| Non-cash changes | | | | | | |
| Finance costs incurred | – | – | 5,493 | – | – | 5,493 |
| Dividends declared | – | 3,529 | – | – | – | 3,529 |
| Additional capital injection in a subsidiary | – | – | – | – | (280) | (280) |
| Exchange realignment | 8,219 | – | – | – | – | 8,219 |
| **At 31 March 2018** | **212,114** | **–** | **72** | **–** | **–** | **212,186** |

## 37. Related party transactions

### (a) Transactions

Except as disclosed elsewhere in the consolidated financial statements, the Group entered into the following transactions with related parties:

| Name of the related party | Relationship | Nature of transactions | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|---|
| KK Tenyu Asset Management | Associate | Marketing service income received (included in other income) | – | 66 |
| | | Listing expenses paid | – | (81) |
| | | Asset management fee paid | **(166)** | (270) |
| | | Guarantee fee paid | **(83)** | (148) |
| JSSI | Former associate | Accountancy fee income received (included in other income) | – | 16 |
| JRAM SG | Associate | Administrative fee income received (included in other income) | **1,601** | 3,892 |
| KHHL | Ultimate holding company | Interest paid | – | (22) |

The above transactions were carried out at terms determined and agreed between the Group and the relevant parties.

### (b) Compensation of key management personnel

The remuneration of Directors and other members of key management during the year was as follows:

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Short-term benefits | **12,061** | 11,810 |
| Share based payments | **3,719** | 4,932 |
| Post-employment benefits | **106** | 106 |
| | **15,886** | 16,848 |

The remuneration of the Directors and key management is determined by the remuneration committee having regard to the performance of individuals and market trends.

## 38. Statement of financial position of the Company

| | 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|
| Non-current asset | | |
| Investments in subsidiaries | **299,510** | 299,510 |
| Prepayment | **70** | – |
| | **299,580** | 299,510 |
| Current assets | | |
| Other receivables and prepayment | **205** | 304 |
| Amounts due from subsidiaries | **70,625** | 60,498 |
| Bank balances and cash | **320** | 11,107 |
| | **71,150** | 71,909 |
| Current liabilities | | |
| Accruals | **780** | 750 |
| Amount due to subsidiaries | **2,000** | 2,000 |
| | **2,780** | 2,750 |
| Net current assets | **68,370** | 69,159 |
| | **367,950** | 368,669 |
| Capital and reserves | | |
| Share capital | **8,000** | 8,000 |
| Reserves (note) | **359,950** | 360,669 |
| | **367,950** | 368,669 |

## 38. Statement of financial position of the Company *(Continued)*

Note: movements of the reserves:

| | Share Premium HK$'000 | Other reserve (note) HK$'000 | Shareholder contribution HK$'000 | (Accumulated loss)/ Retained profit HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| As at 1 April 2016 | – | – | 357 | (357) | – |
| Profit for the year | – | – | – | 19,940 | 19,940 |
| Arising from Reorganisation | – | 299,509 | – | – | 299,509 |
| Dividends paid | – | (35,000) | – | – | (35,000) |
| Issue of shares by way of placing | 83,000 | – | – | – | 83,000 |
| Capitalisation issue | (6,000) | – | – | – | (6,000) |
| Transaction costs attributable to issue of shares | (5,712) | – | – | – | (5,712) |
| Contribution from shareholder | – | – | 4,932 | – | 4,932 |
| 31 March 2017 and 1 April 2017 | 71,288 | 264,509 | 5,289 | 19,583 | 360,669 |
| Loss for the year | – | – | – | (1,238) | (1,238) |
| Dividends paid | – | – | – | (3,200) | (3,200) |
| Contribution from shareholder | – | – | 3,719 | – | 3,719 |
| At 31 March 2018 | **71,288** | **264,509** | **9,008** | **15,145** | **359,950** |

Note:

Other reserve represents the difference between the nominal value of the shares issued for the acquisition of equity interests in the subsidiaries as part of the Reorganisation and the consolidated equity of the subsidiaries acquired by the Company.

## 39. Particulars of subsidiaries of the Group

Details of the Company's subsidiaries as at 31 March 2018 and 2017 are set out below.

| Name of subsidiary | Form of business | Place of incorporation/ operation | Issued and fully paid-up share capital | Percentage of effective equity interest attributable to the Company 2018 | 2017 | Proportion of voting power held by the Company 2018 | 2017 | Principal activity |
|---|---|---|---|---|---|---|---|---|
| *Directly held:* | | | | | | | | |
| Pleasant Hilltop Limited | Incorporated | The BVI | US$1 | **100%** | 100% | **100%** | 100% | Investment holding |
| Whalehunter Investments Limited | Incorporated | The BVI | US$2 | **100%** | 100% | **100%** | 100% | Investment holding |
| *Indirectly held:* | | | | | | | | |
| Altus Capital | Incorporated | Hong Kong | HK$12,500,000 | **100%** | 100% | **100%** | 100% | Financial advisory services and investment holding |
| Altus Investments | Incorporated | Hong Kong | HK$149,178,505 | **100%** | 100% | **100%** | 100% | Investment holding |
| EXE Rise Shimodori Investor Limited | Incorporated | The British Virgin Islands (the "BVI") | JPY100,000 | **90%** | 90% | **90%** | 90% | Investment holding |
| Galaxy Base Limited | Incorporated | Hong Kong | HK$50 | **100%** | 100% | **100%** | 100% | Property investment |
| Godo Kaisha Bohol | Incorporated | Japan | JPY1,000,000 | **87.8%** | 87.8% | **87.8%** | 87.8% | Property investment |
| Godo Kaisha Choun | Incorporated | Japan | JPY10,000 | **100%** | 100% | **100%** | 100% | Property investment |
| Godo Kaisha Yuzuha | Incorporated | Japan | JPY10,000 | **90%** | 100% | **90%** | 100% | Property investment |
| Godo Kaisha Hayama Shouten | Incorporated | Japan | JPY10,000 | **90%** | 90% | **90%** | 90% | Property investment |
| Godo Kaisha Mameha ("GK Mameha") | Incorporated | Japan | JPY210,000 | **78.7%** | 78.7% | **78.7%** | 78.7% | Property investment |
| I Corporation | Incorporated | The BVI | US$70 | **80%** | 80% | **80%** | 80% | Investment holding |
| JSSI | Incorporated | The BVI | US$3,700 | **94.6% (note ii)** | 86.5% (note ii) | **100% (note ii)** | 91.9% (note ii) | Property investment |
| Lynton Gate | Incorporated | The BVI | US$10 | **90% (note iv)** | N/A | **90%** | N/A | Property investment |
| Residence Motoki | Incorporated | The BVI | JPY6,000,000 (2017: JPY3,000,000) (note iii) | **78.7%** | 78.7% (note i) | **78.7%** | 78.70% | Investment holding |
| Smart Tact Property Investment Limited | Incorporated | The BVI | HK$9,220 | **87.8%** | 87.8% | **87.8%** | 87.8% | Investment holding |
| Starich | Incorporated | The BVI | US$8 | **100%** | 100% | **100%** | 100% | Property investment, investment holding and providing administrative service |
| Yugen Kaisha Hourei | Incorporated | Japan | JPY3,000,000 | **100%** | 100% | **100%** | 100% | Property investment |
| Yugen Kaisha Houten | Incorporated | Japan | JPY3,000,000 | **100%** | 100% | **100%** | 100% | Property investment |

## 39. Particulars of subsidiaries of the Group *(Continued)*

Notes:

(i) During the year ended 31 March 2017, the Group acquired an additional 1.13% issued share capital of Residence Motoki from the non-controlling shareholders at cash consideration of approximately HK$248,000. This resulted in an increase in the Group's equity interest in Residence Motoki from approximately 77.6% to 78.7%. Details are set out in note 31.

(ii) On 23 November 2016, Starich acquired additional 64.9% of the issued share capital of JSSI. After the acquisition, JSSI became a non wholly-owned subsidiary of the Group. Further during the year ended 31 March 2018, additional 8.1% of the issued share capital of JSSI has been acquired. Details are set out in notes 30 and 31 respectively.

(iii) During the year ended 31 March 2018, the issued share capital of Residence Motoki has been increased by JPY3,000,000 after the completion of a right issues.

(iv) Lynton Gate is newly incorporated during the year ended 31 March 2018. During the same year, 10% of the equity interest in Lynton Gate has been disposed of to a non-controlling shareholder of the Group. Details are set out in note 31.

(v) None of the subsidiaries had any debt securities outstanding at the end of both years or during both years.

## 40. Equity settled share-based payments transactions

### Share Option

On 4 March 2016, KHHL entered into the option deeds ("Option Deeds") with each of Chang Sean Pey and Leung Churk Yin Jeanny, respectively as the grantees ("Grantees"). Pursuant to the Option Deeds, in consideration of HK$1.00 paid by each Grantee, KHHL granted share options to the Grantees. The exercise of these shares options would entitle the Grantees to purchase the Company's share in aggregate of 37,800,000 shares held by KHHL. The share option is valid for 42 months after the listing date of the Company. According to the Option Deeds, one-third of the shares option may be exercisable after 12 months from the date of listing; another one-third may be exercisable after 24 months of the date of listing; and remaining may be exercisable after 36 months of date of listing.

Details of specific categories of the share options are as followed:

| Date of grant | Number of instruments as at 31 March 2017 and 2018 | Vesting period | Contractual life of options | Exercise price |
|---|---|---|---|---|
| 4 March 2016 | 12,474,000 | 12 months after listing date | 42 months | HK$0.00004 |
| 4 March 2016 | 12,474,000 | 24 months after listing date | 42 months | HK$0.00004 |
| 4 March 2016 | 12,852,000 | 36 months after listing date | 42 months | HK$0.00004 |
| | 37,800,000 | | | |

## 40. Equity settled share-based payments transactions *(Continued)*

**Share Option** *(Continued)*

The estimated fair value of the options granted on the grant date was approximately HK$11,320,000. During the year ended 31 March 2018, the Group recognises the total expense of approximately HK$3,719,000 (2017: HK$4,932,000) in relation to share options granted by KHHL. As at 31 March 2018, 12,474,000 share options are exercisable (2017: nil).

a) The fair value was calculated using the Binomial model. The inputs into the model were as follow:

| | 4 March 2016<br>HK$ |
|---|---|
| Weighted average share price at grant date | HK$0.773 |
| Exercise price | HK$0.00004 |
| Expected terms | 42 months |
| Expected volatility | 60.88% |
| Risk-free rate | 0.99% |
| Expected dividend yield | 2.00% |

Expected volatility was determined with reference to the historical volatility of the Group's comparable companies.

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

# PARTICULARS OF PROPERTIES HELD BY THE GROUP

AT 31 MARCH 2018

| | Particulars | Use | Lease term | Lot No. | Percentage of Group's interest |
|---|---|---|---|---|---|
| | ***Land and buildings*** | | | | |
| 1. | No. 21 Wing Wo Street, Hong Kong | Commercial | Long-term | Sub-section 3 of Section C of Marine Lot No. 63 A | 100.0% |
| | ***Investment properties*** | | | | |
| | **Hong Kong** | | | | |
| 2. | 8th Floor of Nos. 8-10 Duddell Street and No. 20 Ice House Street, Hong Kong | Commercial | Long-term | Inland Lot No. 339 | 100.0% |
| | **Japan** | | | | |
| 3. | Ark Palace Hiragishi | Residential | Freehold | Lot No. 31, Hiragishi 2-jo 7-chome, Toyohira-ku, Sapporo City, Hokkaido Prefecture | 87.8% |
| 4. | Kitano Machikado GH | Residential | Freehold | Lot No. 365-301, Kitano 5-Jo, 4-Chome, Kiyota-ku, Sapporo City, Hokkaido Prefecture | 100.0% |
| 5. | LC One | Residential cum office | Freehold | Lot No. 2-19, Kita 1jo Nishi 19-chome, Chuo-ku, Sapporo City, Hokkaido Prefecture | 87.8% |
| 6. | Libress Hiragishi | Residential cum office | Freehold | Lot No. 3, Hiragishi 3jo 4-chome, Toyohira-ku, Sapporo City, Hokkaido Prefecture | 100.0% |
| 7. | Nouvelle 98 | Residential | Freehold | Lot No. 533-14 and other lot, Minami 9jo Nishi 8-chome, Chuo-ku, Sapporo City, Hokkaido Prefecture | 100.0% |
| 8. | Rakuyukan 36 | Residential | Freehold | Lot No. 250-47, Minami 36jo Nishi 10-chome, Minami-ku, Sapporo City, Hokkaido Prefecture | 94.6% |
| 9. | South 1 West 18 Building | Residential cum office | Freehold | Lot No. 1-2 and other lots, Minami 1jo Nishi 18-chome, Chuo-ku, Sapporo City, Hokkaido Prefecture | 87.8% |

# PARTICULARS OF PROPERTIES HELD BY THE GROUP

AT 31 MARCH 2018

| | Particulars | Use | Lease term | Lot No. | Percentage of Group's interest |
|---|---|---|---|---|---|
| 10. | T. House | Residential | Freehold | Lot No. 614-16 and other lot, Kotoni 3-jo 3-chome, Nishi-ku, Sapporo City, Hokkaido Prefecture | 100.0% |
| 11. | Tommy House Hiragishi | Residential | Freehold | Lot No. 44, Hiragishi 3jo 12-chome, Toyohira-ku, Sapporo City, Hokkaido Prefecture | 100.0% |
| 12. | Uruoi Kawanone | Residential | Freehold | Lot No. 7-1 and other lot, Minami 8jo Nishi 3-chome, Chuo-ku, Sapporo City, Hokkaido Prefecture | 100.0% |
| 13. | White Building A & B | Residential | Freehold | Lot No. 18-316 and other lot, Kita 23jo Nishi 5-chome, Kita-ku, Sapporo City, Hokkaido Prefecture | 87.8% |
| 14. | Azabu Juban Crown Building | Residential | Freehold | Lot No. 2-12, Azabujuban 2-chome, Minato-ku, Tokyo | 100.0% |
| 15. | Azabu Sendaizaka Hills | Residential | Freehold | Lot No. 6-18 and other lot, Minamiazabu 1-chome, Minato-ku, Tokyo | 100.0% |
| 16. | City Court Suginami | Residential | Freehold | Lot No. 46-1 and other lots, Suginamicho, Hakodate City, Hokkaido Prefecture | 100.0% |
| 17. | Residence Motoki | Retail cum residential | Freehold | Lot No. 563, Nishijin 5-chome, Sawara-ku, Fukuoka City, Fukuoka Prefecture | 78.7% |
| 18. | Wealth Fujisaki | Residential | Freehold | Lot No. 55-2 and other lot, Fujisaki 1-chome, Sawara-ku, Fukuoka City, Fukuoka Prefecture | 100.0% |
| 19. | Rise Shimodori EXE | Retail cum residential | Freehold | Lot No. 2-2 and other lots, Chuogai, Chuo-ku, Kumamoto City, Kumamoto Prefecture | 90.0% |

# PARTICULARS OF PROPERTIES HELD BY THE GROUP

AT 31 MARCH 2018

| | Particulars | Use | Lease term | Lot No. | Percentage of Group's interest |
|---|---|---|---|---|---|
| 20. | Rise Fujisakidai | Residential | Freehold | Lot No. 2-30 and other lots, Shinmachi 3-chome, Chuo-ku, Kumamoto City, Kumamoto Prefecture | 90.0% |
| 21. | Rise Kumamoto Station South | Residential | Freehold | Lot No. 130-1, Nihongi 4-chome, Nishi-ku, Kumamoto City, Kumamoto Prefecture | 90.0% |
| 22. | Rise Shimodori | Residential | Freehold | Lot No. 5-4 and other lots, Chuogai, Chuo-ku, Kumamoto City, Kumoto Prefecture | 90.0% |
| 23. | Tenmonkan Building | Commercial | Freehold | Lot No. 5-2 Sennichicho, Kagoshima City, Kagoshima Prefecture, Japan | 90.0% |
| 24. | Shinoro House (Note) | Residential | Freehold | 264-8, Sinoro 9 jo, Kita-ku, Sapporo-shi, Hokkaido | 100.0% |

Note: In November 2017, the Group acquired a parcel of land and subsequently constructed Shinoro House on it. Shinoro House is an investment property under construction as at 31 March 2018. Construction had completed in May 2018 and tenants are expected to progressively move in from July 2018 onwards.