



Annual
Report

2018



TRILLION GRAND
CORPORATE COMPANY LIMITED

(Incorporation in the Cayman Islands with limited liability)
(Stock Code: 8103)

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (THE "GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the main board of the Stock Exchange 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 Trillion Grand Corporate Company Limited (the "Company", together with its subsidiaries, the "Group") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (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.



Contents

Corporate Information	3
Management Discussion and Analysis	5
Directors and Senior Management Profile	13
Corporate Governance Report	15
Environmental, Social and Governance Report	25
Directors' Report	29
Independent Auditor's Report	38
Consolidated Statement of Profit or Loss and Other Comprehensive Income	43
Consolidated Statement of Financial Position	45
Consolidated Statement of Changes in Equity	47
Consolidated Statement of Cash Flows	48
Notes to the Consolidated Financial Statements	50
Five Year Summary	114

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Lau Kelly (*Chief Executive Officer*)
 Mr. Leung Chung Nam
 Mr. Wong Kam Kwan
(resigned on 1 January 2018)
 Ms. Ho Chi Na (*appointed on 1 November 2017*)

Non-executive Director

Ms. Jim Ka Man (*resigned on 1 November 2017*)

Independent non-executive Directors

Dr. Wan Ho Yuen, Terence
 Ms. Yeung Mo Sheung, Ann
(resigned on 1 November 2017)
 Mr. Hau Chi Kit
 Mr. Yuen Koon Tung (*appointed on 1 November 2017*)

COMPANY SECRETARY

Mr. Chung Man Wai, Stephen

COMPLIANCE OFFICER

Mr. Lau Kelly

AUTHORISED REPRESENTATIVES

Mr. Leung Chung Nam
 Mr. Chung Man Wai, Stephen

AUDIT COMMITTEE

Dr. Wan Ho Yuen, Terence (*Chairman*)
 Ms. Yeung Mo Sheung, Ann
(resigned on 1 November 2017)
 Mr. Hau Chi Kit
 Mr. Yuen Koon Tung (*appointed on 1 November 2017*)

REMUNERATION COMMITTEE

Dr. Wan Ho Yuen, Terence (*Chairman*)
 Ms. Yeung Mo Sheung, Ann
(resigned on 1 November 2017)
 Mr. Hau Chi Kit
 Mr. Yuen Koon Tung (*appointed on 1 November 2017*)

NOMINATION COMMITTEE

Dr. Wan Ho Yuen, Terence (*Chairman*)
 Ms. Yeung Mo Sheung, Ann
(resigned on 1 November 2017)
 Mr. Hau Chi Kit
 Mr. Yuen Koon Tung (*appointed on 1 November 2017*)

AUDITOR

Elite Partners CPA Limited

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit B, 29/F.,
 CKK Commercial Centre,
 289–295 Hennessy Road,
 Wanchai, Hong Kong

PRINCIPAL BANKER

Hang Seng Bank Limited

Corporate Information

PRINCIPAL SHARE REGISTRAR

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

HONG KONG BRANCH SHARE REGISTRAR

Union Registrars Limited
Suites 3301-04, 33/F.
Two Chinachem Exchange Square
338 King's Road, North Point
Hong Kong

STOCK CODE

08103

WEBSITE

www.trilliongrand.com

Management Discussion and Analysis

FINANCIAL PERFORMANCE

During the year ended 31 March 2018, the Group recorded a turnover of approximately HK\$241.2 million (2017: HK\$183.7 million) representing an increase of approximately 31% as compared to that of the corresponding year in 2017. The overall increase in turnover was due to OTT service income arising from the completion of acquisition of Full Wealthy International limited and its wholly owned subsidiaries (collectively the “**FWI Group**”) on 28 June 2017. Other expenses increased to approximately HK\$19.7 million as compared to approximately HK\$19.5 million of the previous corresponding year, representing an increase of approximately 1%. Finance costs increased to approximately HK\$32.3 million as compared to approximately HK\$9.7 million as compared of the previous corresponding year, representing an increase of approximately 233%. Loss attributable to the owners was approximately HK\$86.1 million for the year ended 31 March 2018 (2017: loss of approximately HK\$39.7 million).

BUSINESS PERFORMANCE AND PROSPECT

System development and professional services

The Company was facing the fierce competition of thermal powered electricity supply market in the People’s Republic of China (“**PRC**”) during the year ended 31 March 2018 and management expects this phenomenon will continue in the foreseeable future. This was explained by the PRC government promoting the use of renewable and/or clean energy with direct subsidies and has implemented the benchmark for reduction of omission of carbon dioxide in various cities in the PRC. As a result, the number and amount of new contracts have decreased compared with the corresponding year in 2017. Professional services recorded a decrease in revenue compared with the corresponding year in 2017 due to decrease in demand from data center services. In view of the change of business environment, the Company has strategically broadened our services in business valuation, cyber security services and solutions.

Our professional service team provide services and solutions in cyber security, including ramp up model advisory, physical and cyber security assessments, build and design of secured IT architecture, implementation of security devices and IT business policy controls.

Our professional service team specialises in enterprise cyber security solutions and risk management, providing a full range of security services and solutions to corporations in the Greater China and Asia Pacific region.

Our Professional Service Team also provide a series of highly skilled services including all level Penetration testing, complete coverage of Vulnerability management as well as DDoS protection.

Our MSS team can provide a full scale security Managed Security Services, from Firewall healthiness, critical patch management, Attack and Alert, incident management and change management, to endpoint management in order to cover the end-user machines.

Management Discussion and Analysis

Our professional service team mainly provides four major information security services which are summarised as follows:

1. IT Security General Control Review and Security Risk Assessment

We adopt a proven, four-phase security methodology to conduct IT Security General Control Review and Security Risk Assessment services. This methodology has proved itself through many global case studies and offers a repeatable solution with predictable results time after time. Below is an illustration of the methodology:

- a) Discovery — The objective of this phase is to ‘footprint’ the current security status of the scoped IT Systems components;
- b) Analysis — The objectives of this phase are to determine the risk level of identified loophole, and to determine the possible attack scenarios;
- c) Exploitation — Upon discovery of any loophole that could further be penetrated, exploitation will be carried out to determine the penetration depth of the loophole;
- d) Remediation and Auditing — upon completion of the security risk assessment and analysis, we will provide a complete report listing.

2. External and Internal Penetration Tests

Our Network Security Assessment is conducted through Internet targeting towards the customer’s Internet facing external network (e.g. public domain or sub-domains) and from Internal network to all internal servers. The focus of this test is to simulate an attack from a skillful black-hat attacker, in order to dig out the vulnerabilities.

3. Risk-based cyber security protection safeguard and implementation

Our risk-based cyber security approach will evaluate best practices and technology solutions or services to address the top priority security risks of the client through:

- a) Gathering and verifying requirement;
- b) Design system Architecture;
- c) Procure the best-fit technology solutions or services;
- d) Implement, configure and strengthen the technology solutions or services;
- e) To assist our client to reengineer IT and business processes based on best practices.

Management Discussion and Analysis

4. 24x7 Managed IT and Security Services Outsourcing

We aim to assist our clients to maintain a healthy IT environment by monitoring, managing, operating IT assets such as:

- a) General IT Assets: desktops, servers, network devices;
- b) IT Security assets: firewall, IPS, malware protection;
- c) Provide a dedicated client single point of contact (SPOC) for IT and cyber security related services, problem and incidents enquires;
- d) Incident and problem response and management.

Proprietary trading business

In relation to the Group's proprietary trading business, the global market has been highly volatile in 2018. Although Asian market including Hong Kong has attracted capital inflow across the world, the market is still filled with a lot of uncertainties such as the trigger of trade war and the effect of contractionary monetary policy from US. The turnover in proprietary trading business recorded approximately HK\$188.0 million for the year ended 31 March 2018 (2017: HK\$147.5 million). The securities investment portfolio amounted to approximately HK\$62.8 million as at 31 March 2018 (2017: HK\$84.4 million). The Group is actively seeking opportunities in securities investment which will create value and will be beneficial to the Group and Shareholders. The Group also maintains a risk management policy in which key risk factors such as government and politic risks, country risks, price risks, interest rate risks, currency risks and economic risks have been identified and will be closely monitored.

Money lending business

Though the loan and credit market became very active and intense competition existed during the past few years as a result of the rapid booming housing market in Hong Kong and the global low interest rate environment, the Board is confident that through its long established relationship, history, reputation, network and synergy, the Group is able to participate in the market share of the money lending business and it will become one of the driver of its future profits of the Group. In view of the above, the Board will invest more resources into the business once financing resources have been obtained. In addition to the consumable loan, the Company is planning to offer a variety of loan products to secured mortgage loans to individual, unsecured loan, small and medium sized enterprises loans, debts consolidation loan and corporate loans. Despite the above, the money lending business is suffering from political risk, regulatory risk, credit risk, economic risk and industry risk. The interest income in money lending business recorded approximately HK\$0.3 million for the year ended 31 March 2018 (2017: HK\$1.1 million). The loan portfolio amounted HK\$0.5 million as at 31 March 2018 (2017: HK\$10 million).

Property investment

The property situated at the 9th Floor, Global Trade Square, No. 21 Wong Chuk Hang Road, Hong Kong, together with 3 car parking spaces at Global Trade Square (together the "**Property**"). The area of the office floor is approximately 7,906 square feet. The recognised rental income amounted to approximately HK\$2.4 million (2017: HK\$0.3 million). The Company believes that there will be increasing demand for office space in the area where the Property is located which is driven by the establishment of the South Island Line (East). The Directors therefore believe that the Property will benefit from potential value appreciation and surging demand for high-grade office buildings in the area. In light of the above, the Board is of the view that the Property is a sound investment opportunity and become an important asset of the Company.

Management Discussion and Analysis

OTT Services

Upon completion of the acquisition of FWI Group on 28 June 2017, it is principally engaged in the business of providing multi-media related services and content in the PRC via different platforms. In view of the growing penetration and expansion of multi-media segment, the Group is optimistic to such business segment. In addition, consumers are moving beyond traditional media, the multi-media platform is an option used by many companies to brand and market their products. As such, the multi-media platform is playing an increasingly vital role in business marketing strategy. The revenue in OTT services business recorded approximately HK\$30.4 million for the year ended 31 March 2018 (2017: HK\$ Nil).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2018, the deficit attributable to owners of the Company amounted to approximately HK\$54.7 million (2017: HK\$12.8 million). Current assets amounted to approximately HK\$118.5 million (2017: HK\$158.2 million), of which approximately HK\$5.7 million (2017: HK\$6.1 million) were cash and cash equivalents and approximately HK\$1 million were pledged bank deposit (2017: HK\$5.5 million). Current liabilities were approximately HK\$378.9 million (2017: HK\$311.9 million) mainly include trade and other payables, bank and other borrowings and amounts due to customers for contract work. Bank and other borrowings amounted to approximately HK\$207.8 million as at 31 March 2018 (2017: HK\$212.2 million).

During the year under review and until the date of this report, the Company has made the following issue for cash of equity securities:

On 28 June 2017, a total of 23,035,000 consideration shares have been issued at the price of HK\$2.06 per share pursuant to the terms and conditions of the sale and purchase agreement to acquire 85% of issue share capital of FWI Group at the share consideration of HK\$47.45 million.

The Board continues to look for opportunities to attract more investors, extend the shareholders base, reduce the accumulated loss and improve the flexibility of fund raising.

Management Discussion and Analysis

GEARING RATIO

The gearing ratio was calculated on the basis of total liabilities over shareholders' equity. Since the Company recorded a deficit attributable to owners of the Company in 31 March 2017 and 2018, the gearing ratio was not applicable for the both years.

FOREIGN CURRENCY EXPOSURE

During the year ended 31 March 2018, the Group experienced only immaterial exchange rate fluctuations, as the Group's operations were mainly denominated in Hong Kong dollars and Renminbi. As the risk on exchange rate difference considered being minimal, the Group did not employ any financial instruments for hedging purposes.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES DURING THE YEAR UNDER REVIEW

Pursuant to the announcement of the Company dated 17 October 2016, the wholly owned subsidiary of the Company as the purchaser and the vendor has entered into the sale and purchase agreement to acquire 50% of issued share capital of Billion Ray Investments Limited and its subsidiary (collectively the "**BRI Group**") at the consideration of HK\$280 million ("**First Agreement**"). On 30 December 2016, the purchaser and the vendor has entered into a Termination Deed pursuant to which the parties mutually agreed to forthwith irrevocably, unconditionally and absolutely terminate the First Agreement. After termination of the First Agreement, the purchaser and the vendor entered into a Second Agreement to acquire 20% of issued capital of BRI Group at the consideration of HK\$100 million. The consideration will be satisfied by issuance of the promissory note to the vendor by the Company upon Completion. The BRI Group is principally engaged in the operation of the project, a Build-Operate-Transfer Project of Shantou City Chaoren Port Cultural Park (汕頭市潮人碼頭文化公園特許經營項目). The BRI Group has been granted an exclusive right to build and operate the Project over 42.25 years. The acquisition was completed on 9 May 2017.

Pursuant to the announcement of the Company dated 29 May 2017, the wholly owned subsidiary of the Company as the purchaser and the vendor has entered in to the sale and purchase agreement to acquire 85% of issued share capital of the FWI Group at share consideration of HK\$47.45 million. The consideration will be satisfied by the issue and allotment of the 23,035,000 new shares at share price of HK\$2.06 per new share by the Company upon completion. The FWI Group is principally engaged in the business of providing multi-media related services and content in the Greater China via different platforms like cable TV. The acquisition was completed on 28 June 2017.

Save as disclosed above, the Company has not completed any material acquisitions or disposal during the year.

The Company entered into the swap agreement on 9 May 2018 with the creditor pursuant to which the Company has conditionally agreed to swap the entire issued share capital of Top Insight Holdings Limited ("**Target Share**") at the consideration of HK\$136 million with the creditor for (i) the Loan and (ii) the provision of the credit facility such that immediately after the completion, the creditor (or its nominee) shall acquire the Target Share in exchange of the assignment of the Loan and provision of the credit facility to the Company (the "**Swap**"). The Top Insight Holdings Limited through its wholly-owned subsidiary, which is the legal and beneficial owner of the situated at the 9th Floor, Global Trade Square, No. 21 Wong Chuk Hang Road, Hong Kong, together with 3 car parking spaces at Global Trade Square. The Creditor is the legal and beneficial owner of the Loan. Immediately after the signing of the swap agreement, the Company and the creditor have entered into the credit facility agreement pursuant to which the creditor grants the credit facility to the Company. The Swap has not completed up to the date of this report.

The Company and the purchaser entered into the sale and purchase agreement on 21 May 2018 pursuant to which the purchaser has conditionally agreed to acquire the entire issued share capital of Jovial Tycoon Holdings Limited, the indirectly wholly owned subsidiary of the Company at the consideration of HK\$100 million. Jovial Tycoon Holdings Limited

Management Discussion and Analysis

owns 20% shareholding interest of the project group which is principally engaged in the operation of the project, a Build-Operate-Transfer Project of Shantou City Chaoren Port Cultural Park (汕頭市潮人碼頭文化公園特許經營項目). The consideration of HK\$100,000,000 will be satisfied upon Completion by way of setting off with the principal value of 100 million promissory note which issued by the Company in favour of the purchaser in full. Moreover, upon Completion, the purchaser will waive all interest accrued on the promissory note payable by the Company to the purchaser. The transaction has not completed up to the date of this report.

Company	Year ended 31 March 2018	As at 31 March 2018	
	Realised and unrealised gain/(loss) HK\$'000	Market Value HK\$'000	Approximate percentage of financial assets at fair value through profit or loss
Goldin Financial Holdings Limited ("GF")	1,522		
Goldin Properties Holdings Limited	2,758		
Inno-tech Holdings Limited ("IT")	2,728		
Code Agriculture (Holdings) Limited ("CA")	(10,254)		
CNC Holdings Limited ("CNC")	143		
Solartech International Holdings Limited ("SI")	4,304		
Others	(6,278)		
Net realised loss	(5,077)		
GF	3,510	31,865	50.7%
IT	(16,265)	7,357	11.7%
CNC	235	3,838	6.1%
SI	3,689	2,075	3.3%
Celebrate International Holdings Limited ("CI")	(211)	5,600	8.9%
Others	(383)	12,106	19.3%
Net unrealised loss	(9,425)		
	(14,502)	62,841	100.0%

GF is principally engaged in the provision of factoring services, financial investments, winery and wine related business, property developments and investments and publication.

IT is principally engaged in buses and bus stations advertising business in the PRC and event management and marketing services.

CNC is principally engaged in the provision of waterworks engineering services for the public sector in Hong Kong, television broadcasting business in the Asia-Pacific region (excluding the PRC) in return for advertisement and related revenue and large outdoor display screen advertisement in the PRC.

SI is principally engaged in manufacturing and trading of cables, wires and copper rods, trading of metallurgical grade bauxite and properties investment.

CI is principally engaged in trading of food and beverage, money lending, provision of health care services, securities investment and trading and property investment.

Management Discussion and Analysis

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group will continue to look for opportunities to create shareholders' value through making investments into and/or acquiring interests in companies or projects that have promising outlooks and prospects. The Group is broadening its perspective beyond the IT sector and potentially also invest into and/or make acquisitions in other industries (including renewable energy and other "green" businesses, the financial industry, and more traditional non-IT businesses) so long as such investments/acquisitions can bring value and are beneficial to the Company and its shareholders as a whole. It goes without saying that the Company will also continue to focus on existing business to bring further value to shareholders.

SEGMENT INFORMATION

During the year under review, the Group was principally engaged in six operating segments. The Group presents its segmental information based on the nature of the products and services and has reportable segments as follows:

- systems development;
- professional services;
- proprietary trading;
- money lending;
- property investment; and
- OTT services.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2018, the Group hired 27 employees including the executive Directors (2017: 24). Total staff costs including Directors' remuneration for the year under review amounted to approximately HK\$10.3 million (2017: HK\$5.9 million).

Employees' remunerations are determined in accordance with their experiences, competence, qualifications and nature of duties and the current market trend. Apart from the basic salary, discretionary bonus and other incentives may be offered to the employees of the Group to reward their performance and contributions. The emoluments of the Directors are determined by the remuneration committee of the Company having regard to the performance of the individuals and market trend. The Group provides mandatory provident fund scheme for the employees employed under the jurisdiction of the Hong Kong Employment Ordinance.

The Group has not made any changes to its remuneration policy during the year under review.

Management Discussion and Analysis

The Company adopted a share option scheme pursuant to which eligible persons may be granted options to subscribe for the shares of the Company.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

Details of charges on the Group's assets and contingent liabilities are set out in Note 34 and Note 43 to the consolidated financial statements respectively.

Directors and Senior Management Profile

The biographical details in respect of the Directors and the senior management of the Company as at the date of this report are as follows:

EXECUTIVE DIRECTORS

Mr. Lau Kelly, aged 39, was appointed as an executive Director on 31 December 2015 and re-designated as chief executive officer of the Company on 1 August 2016. He has worked with the Hong Kong Police Force for twelve years receiving commendations from Secretary of Civil Service and Secretary of Home Affairs for highly rated performances during his tenure. Mr. Lau has worked with Easy Finance Limited as Principal Consultant from 1 May 2011 to 31 October 2015 responsible for all regulatory and legal compliances.

Mr. Leung Chung Nam, aged 30, was appointed as an executive Director on 1 March 2016. He obtained a Bachelor degree of Business Administration in Accountancy from the City University of Hong Kong in 2010. He is a CFA charterholder, member of the Association of Chartered Certified Accountants and an associate member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He has extensive experience in business and financial management.

Ms. Ho Chi Na, aged 38, was appointed as an executive Director on 1 November 2017. Ms. Ho is currently a director of Anyplex Hong Kong Limited and Anyplex Taiwan Limited, subsidiaries of the Group. She was a Head of IPTV department in Hong Kong Broadband Network Limited from 2009 to 2012. Ms. Ho received her bachelor's degree in business administration with a concentration in information systems from the City University of Hong Kong in 2001 and master degree in business administration from University of Hong Kong in 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Wan Ho Yuen, Terence, aged 51, was appointed as an independent non-executive Director on 31 December 2015. He is currently the director of an accounting firm based in Hong Kong and an independent non-executive Director of Union Asia Enterprise Holdings Limited (stock code: 8173) and Goal Rise Logistics (China) Holdings Limited (stock code: 8457), all being companies whose shares are listed on the GEM of the Stock Exchange. Dr. Wan was an independent non-executive Director of China Railmedia Corporation Limited, a company listed on the Main Board of the Stock Exchange (stock code: 745) from 17 January 2014 to 8 April 2015. Dr. Wan obtained a bachelor of law degree from Tsing Hua University, the PRC in January 2004; and a doctorate degree of philosophy in business administration from Bulacan State University, Philippines in May 2006. Dr. Wan is a certified public accountant (Practicing) of Hong Kong Institute of Certified Public Accountants. Dr. Wan has over 10 years of experiences in taxation advisory, business management and accounting with several professional accounting firms and companies.

Mr. Hau Chi Kit, aged 46, was appointed as an independent non-executive Director on 4 March 2016. He is currently an independent non-executive director of China Zenith Chemical Group Limited (stock code: 362) and eForce Holdings Limited (stock code: 943), all being companies whose shares are listed on the Main Board of the Stock Exchange. He is also an independent non-executive director of Code Agriculture (Holdings) Limited whose shares are listed on the GEM of the Stock Exchange. He was a barrister-at-law in private practice in Hong Kong from 2001 to 2008. Prior to becoming a barrister, Mr. Hau worked at the Securities and Futures Commission. During the past three years, he was an independent non-executive director of CNC Holdings Limited (stock code: 8356) from May 2011 to May 2015 and Celebrate International Holdings Limited (stock code: 8212) from May to November 2015, all being companies whose shares are listed on the GEM of the Stock Exchange. Mr. Hau is a solicitor.

Directors and Senior Management Profile

Mr. Yuen Koon Tung, aged 44, was appointed as an independent non-executive Director on 1 November 2017. Mr. Yuen is currently an executive director of Chinese Food and Beverage Group Limited, a company listed on the GEM of the Stock Exchange (stock code: 8272) since 26 January 2017. He is also an associate director of Convoy Financial Services Limited since January 2003. Mr. Yuen worked in the investment banking department of Core Pacific-Yamaichi Capital Limited and the compliance department and corporate finance department in Credit Agricole Indosuez. Mr. Yuen worked in the Listing Division of the Stock Exchange from September 1997 to June 2000 and the audit department of Ernst & Young from September 1994 to April 1997. Mr. Yuen received his bachelor's degree in business administration with a concentration in finance from the Chinese University of Hong Kong in 1994. He was admitted as a member of the American Institute of Certified Public Accountants on 30 April 2000.

Mr. Yuen was an independent non-executive director of DreamEast Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 593) from 7 March 2014 to 30 June 2014.

SENIOR MANAGEMENT

Mr. Lau Kelly, aged 39, is the compliance officer of the Company. Mr. Lau, an executive Director of the board of Directors, was appointed as the Company's compliance officer on 29 April 2016. Please refer to the sub-section headed "Executive Directors" above for Mr. Lau's biographical details.

Mr. Chung Man Wai, Stephen, aged 39, was appointed as a company secretary of the Company on 3 December 2015. He was the chief financial officer and company secretary of UKF (Holdings) Limited (stock code: 1468) before joining the Company. Mr. Chung holds a Bachelor's degree of Science in Applied Accountancy from Oxford Brookes University in United Kingdom. He is a member of Hong Kong Institute of Certified Public Accountants and has extensive experience in the professional field of accounting and audit.

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance in the interest of its shareholders. It has continued and will continue to identify and adopt the best corporate governance practices appropriate to the Company.

The Company has adopted the code provisions of the Corporate Governance Code (the “**Code**”) contained in Appendix 15 of the GEM Listing Rules as its own code on corporate governance practices. Save as disclosed below, in the opinion of the Directors, the Company has complied with the code provisions as set out in the Code and there have been no material deviations from the Code during the year.

Code provision A.6.7-(i) One non-executive Director and three independent non-executive Directors were unable to attend the extraordinary general meetings of the Company held on 28 April 2017 and (ii) one non-executive Director and three independent non-executive Directors were unable to attend the annual general meeting of the Company held on 18 July 2017 as they had other engagements.

Under code provision A.2.1 of the CG code, the role of chairman (the “**Chairman**”) and chief executive officer (the “**CEO**”) of the Company should be separated and should not be performed by the same individual to ensure their respective independence, accountability and responsibility. To ensure a balance of power and authority, the Company has a clear and defined division of the responsibilities between the Chairman and the CEO in accordance with the Code. The Chairman is responsible for the Group’s strategic planning and the management of the operations of the Board, while the CEO takes the lead in the Group’s operations and business development.

Subsequent to the resignation of former Chairman, the post has been vacant as at 31 March 2018. The Board will keep reviewing the current structure of the Board from time to time and the Company will make appointment with suitable knowledge, skill and experience to fill the post of the Chairman as appropriate.

DIRECTORS’ SECURITIES TRANSACTIONS

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 Directors’ transactions in securities of the Company.

Having made specific enquiry, all Directors have confirmed that they have complied with the required standard of dealings and there is no event of non-compliance throughout the year ended 31 March 2018.

Corporate Governance Report

BOARD OF DIRECTORS

The Board is responsible for the formulation of strategies and policies, including an oversight of the management. The management of the Company is responsible for the day-to-day operations of the Company under the leadership of the chief executive officer.

The Board also assumes the corporate governance duties of the Company, which include:

- (i) developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;
- (ii) reviewing and monitoring the training and continuous professional development of Directors and senior management;
- (iii) reviewing and monitoring the Company's policies and practices in compliance with the 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 Company's compliance with the Code and disclosure in the corporate governance report enclosed in the annual report of the Company.

Throughout the year under review, the Board has assumed the above corporate governance duties by discussing and considering the above matters.

As at 31 March 2018, the Board comprised of six Directors, including (i) three executive Directors, namely Mr. Lau Kelly, Mr. Leung Chung Nam and Ms. Ho Chi Na; and (ii) three independent non-executive Directors, namely Dr. Wan Ho Yuen, Terence, Mr. Hau Chi Kit and Mr. Yuen Koon Tung. All of the independent non-executive Directors have appropriate professional qualifications, or accounting or related financial management expertise.

In determining the independence of independent non-executive Directors, the Board has followed the requirements set out in the GEM Listing Rules. The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to 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.

Pursuant to the articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not more than one-third, shall retire from office by rotation provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

The Board meets regularly, and at least four times a year of approximately quarterly internals. Between scheduled meetings, senior management of the Company from time to time meets with Directors to discuss the businesses of the Company. In addition, Directors have full access to information on the Group and independent professional advice whenever deemed necessary by the Directors.

Corporate Governance Report

During the financial year ended 31 March 2018, the Board held thirteen board meetings and three general meetings and the attendance records of these meetings are set out below:

	Attendance	
	Board meeting	General meeting
Executive Directors		
Mr. Lau Kelly	16/16	2/2
Mr. Leung Chung Nam	15/16	2/2
Mr. Wong Kam Kwan (<i>resigned on 1 January 2018</i>)	14/14	2/2
Ms. Ho Chi Na (<i>appointed on 1 November 2017</i>)	3/5	N/A
Non-executive Director		
Ms. Jim Ka Man (<i>resigned on 1 November 2017</i>)	5/10	0/2
Independent non-executive Directors		
Dr. Wan Ho Yuen, Terence	7/16	0/2
Ms. Yeung Mo Sheung, Ann (<i>resigned on 1 November 2017</i>)	1/10	0/2
Mr. Hau Chi Kit	8/16	0/2
Mr. Yuen Koon Tung (<i>appointed on 1 November 2017</i>)	5/5	N/A

Each of the non-executive Director were appointed for a term of one year from the date of his/her appointment or re-appointment as a Director.

There is no relationship (including financial, business, family or material/relevant relationship(s)) among members of the Board.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to the code provision A.6.5 of the Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills so as to ensure their contribution to the Board remains informed and relevant. The Company should be responsible for arranging and funding suitable training, placing an appropriate emphasis on the roles, functions and duties of the Director.

During the year under review, all Directors have been provided with and read the materials prepared by the Company relating to their roles, functions and duties as directors of a listed issuer.

Corporate Governance Report

The Directors also provided their training record to the Company in respect of their participation in other training activities such as attending trainings and/or seminars, or reading newspapers, journals and updates relevant to the Group's businesses or to their duties and responsibilities as directors of a listed company, particulars of which are as follows:

Name	Trainings
Executive Directors	
Mr. Lau Kelly	✓
Mr. Leung Chung Nam	✓
Mr. Wong Kam Kwan (<i>resigned on 1 January 2018</i>)	✓
Ms. Ho Chi Na (<i>appointed on 1 November 2017</i>)	✓
Non-executive Director	
Ms. Jim Ka Man (<i>resigned on 1 November 2017</i>)	✓
Independent non-executive Directors	
Dr. Wan Ho Yuen, Terence	✓
Ms. Yeung Mo Sheung, Ann (<i>resigned on 1 November 2017</i>)	✓
Mr. Hau Chi Kit	✓
Mr. Yuen Koon Tung (<i>appointed on 1 November 2017</i>)	✓

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Company's consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company and of the results and cash flows of the Group for that year. In preparing the consolidated financial statements for the year ended 31 March 2018, the Board has selected suitable accounting policies and applied them consistently; made judgements and estimates that are prudent, fair and reasonable and prepared the accounts on a going concern basis.

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

The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for ensuring an effective system of risk management and internal control be maintained and for reviewing on an annual basis its effectiveness to safeguard the Company's assets and the Shareholders' interests.

The Audit Committee have been established under the Board, which is responsible for monitoring and reviewing the risk management procedures and internal control system of the Group.

The purpose of the Company's risk management process is to identify and manage risks in such a way that the Company is able to meet its strategic and financial targets. The Group formulated risk management procedures by taking into account adequately the eight elements of this risk management framework: Internal Environmental, Objective Setting, Event Identification, Risk Assessment, Risk Respond, Control Activities, Information and Communication and Monitoring.

Corporate Governance Report

The Group aims to develop risk awareness and control responsibility as our culture and the foundation of our internal control system. The internal control system applies to the Group's critical business processes including strategy development, business planning, investment decisions, capital allocation and day-to-day operations.

At beginning of each year, the Group conducts a risk assessment on the existing or potential risks that may impact the achievement of business objectives over the course of business operation. The assessment includes potential likelihood and impact of the identified risks. For the risks identified, the management determines the action plans and management targets in the expected time of completion according to the risk assessment result. The management is also responsible for managing their respective day-to-day operating risks, implementing measures to mitigate such risks.

The internal control system is designed and implemented to reduce the risks associated with the business accepted by the Group and minimise the adverse impact resulted from the risks. The risk management and internal control system are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

For the year ended 31 March 2018, the Group has engaged an external advisory firm to undertake the internal audit function to ensure the effectiveness and efficiency of the risk management and internal control system of the Group. There is no significant deficiency and weakness on the internal control system has been identified by the external advisory firm for the year ended 31 March 2018.

The Board considered that, for the year ended 31 March 2018, the risk management and internal control system and procedures of the Group, covering all material controls were reasonably effective and adequate.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") was established in 2005 with written terms of reference. As at 31 March 2018, the chairman of the Remuneration Committee was Dr. Wan Ho Yuen, Terence, an independent non-executive Director, and the other members were Mr. Hau Chi Kit and Mr. Yuen Koon Tung. All members were independent non-executive Directors.

Pursuant to the terms of reference of the Remuneration Committee, the Remuneration Committee is mainly responsible for:

- (i) making recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- (ii) having the delegated responsibility to determine the specific remuneration packages of all executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board of the remuneration of non-executive Directors, and the Remuneration Committee should consider factors such as salaries paid by comparable companies, time commitment and responsibilities of the Directors, employment conditions elsewhere in the group and desirability of performance-based remuneration;
- (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time;
- (iv) reviewing and approving the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment to ensure that such compensation is determined in accordance with relevant contractual terms and that such compensation is otherwise fair and not excessive for the Company;

Corporate Governance Report

- (v) reviewing and approving compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that such arrangements are determined in accordance with relevant contractual terms and that any compensation payment is otherwise reasonable and appropriate;
- (vi) ensuring that no Director or any of his associates is involved in deciding his own remuneration; and
- (vii) advising shareholders on how to vote with respect to any service contracts of Directors that require shareholders' approval under Rule 17.90 of the GEM Listing Rules.

During the financial year ended 31 March 2018, the Remuneration Committee held one meeting, and the attendance records of these meetings are set out below:

	Attendance
Dr. Wan Ho Yuen, Terence (<i>Chairman</i>)	1/1
Ms. Yeung Mo Sheung, Ann (<i>resigned on 1 November 2017</i>)	N/A
Mr. Hau Chi Kit	1/1
Mr. Yuen Koon Tung (<i>appointed on 1 November 2017</i>)	N/A

During the year under review, the Remuneration Committee has considered and reviewed the existing terms of appointment of the Directors. The Remuneration Committee considers that the existing terms of appointment of the Directors are fair and reasonable.

NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") was established in 2012 with written terms of reference. As at 31 March 2018, the Chairman of the Nomination Committee was Dr. Wan Ho Yuen, Terence, an independent non-executive Director, and the other members were Mr. Hau Chi Kit and Mr. Yuen Koon Tung. All members were independent non-executive Directors.

Pursuant to the terms of reference of the Nomination Committee, the Nomination Committee is mainly responsible for:

- (i) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the board regarding any proposed changes;
- (ii) identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- (iii) assessing the independence of independent non-executive Directors; and
- (iv) making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for directors in particular the chairman and the chief executive officer.

Corporate Governance Report

During the financial year ended 31 March 2018, the Nomination Committee held one meeting, and the attendance records of these meetings are set out below:

	Attendance
Dr. Wan Ho Yuen, Terence (<i>Chairman</i>)	1/1
Ms. Yeung Mo Sheung, Ann (<i>resigned on 1 November 2017</i>)	N/A
Mr. Hau Chi Kit	1/1
Mr. Yuen Koon Tung (<i>appointed on 1 November 2017</i>)	N/A

The Company adopted a board diversity policy which sets out the approach to achieve diversity on the Board and the factors (including but not limited to age, gender, cultural and educational background, professional experience, skill and knowledge) to be considered in determining the optimum composition of the Board so as to contribute to the achievement of the Company's corporate goals and strategic objectives. The Nomination Committee will review the board diversity policy when appropriate to ensure its effectiveness and will discuss any revisions that may be required to be considered and approved by the Board.

The Nomination Committee is of the view that the current diversity of the Board is appropriate.

During the year under review, the Nomination Committee has considered and reviewed the policy for the nomination of Directors, the process and criteria to select and recommend candidates for directorship. The Nomination Committee considers that the existing policy for nomination, selection and recommendation for directorship are suitable.

AUDIT COMMITTEE

In full compliance with Rule 5.28 of the GEM Listing Rules, the audit committee of the Company (the "**Audit Committee**") was established in 2000 with written terms of reference. As at 31 March 2018, the chairman of the Audit Committee was Dr. Wan Ho Yuen, Terence, an independent non-executive Director, and the other members were Mr. Hau Chi Kit and Mr. Yuen Koon Tung. All members were independent non-executive Directors.

Pursuant to the terms of reference of the Audit Committee, the Audit Committee is mainly responsible for:

- (i) considering the appointment of the external auditor, the performance of the external auditors, the audit fee and any questions of resignation or dismissal of the external auditor;
- (ii) reviewing with the Group's management, external auditors and internal auditors, the adequacy of the Group's policies and procedures regarding internal controls (including financial, operational and compliance controls) and any statement by the Directors on such system to be included in the annual accounts prior to endorsement by the Board;
- (iii) having familiarity, through the individual efforts of its members, with the financial reporting principles and practices applied by the Group in preparing its financial statements;
- (iv) prior to its commencement, reviewing the scope of the external audit, including the engagement letter, and the review should include an understanding, from the external auditors of the factors considered by them in determining their audit scope, and negotiating the external auditors' fees with management;
- (v) reviewing the extent of non-audit services provided by the external auditors in relation to their independence;

Corporate Governance Report

- (vi) reviewing the quarterly, interim and annual report prior to approval by the Board, with particular focus on:
 - (a) any changes in accounting policies and practices;
 - (b) major judgmental areas;
 - (c) significant adjustments resulting from the audit;
 - (d) compliance with accounting standards;
 - (e) compliance with the listing requirements of the Stock Exchange and legal requirements;
 - (f) the fairness and reasonableness of any connected transaction and the impact of such transaction on the profitability of the Group;
 - (g) whether all relevant items have been adequately disclosed in the Group's financial statements and whether the disclosures give a fair view of the Group's financial conditions;
 - (h) the cash flow position of the Group; and
 - (i) providing advice and comments thereon to the Board;
- (vii) reviewing the draft representation letter prior to approval by the Board;
- (viii) reviewing and considering the budget, revised budget prepared by the Board;
- (ix) evaluating the cooperation received by the external auditors, including their access to all requested records, data and information; obtaining the comments of management regarding the responsiveness of the external auditors to the Group's needs; inquiring the external auditors as to whether there have been any disagreements with management which if not satisfactorily resolved would result in the issue of a qualified report on the Group's financial statements;
- (x) discussing with the external auditors any relevant recommendations arising from the audit; and reviewing the draft management letter including management's response to the points raised;
- (xi) when the auditors supply a substantial volume of non-audit services to the Group, keeping the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;
- (xii) discussing with management the risk management and internal control systems and ensure that management has discharged its duty to have effective systems including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function;
- (xiii) appraising the Board of significant developments in the course of performing the above duties;
- (xiv) recommending to the Board any appropriate extensions to, or changes, in the duties of the Audit Committee;
- (xv) considering major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

Corporate Governance Report

(xvi) (where an internal audit function exists) reviewing the internal audit program, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Group; and

(xvii) considering other topics, as defined or assigned by the Board from time to time.

During the financial year ended 31 March 2018, the Audit Committee held four meetings, and the attendance records of these meetings are set out below:

	Attendance
Dr. Wan Ho Yuen, Terence (<i>Chairman</i>)	4/4
Ms. Yeung Mo Sheung, Ann (<i>resigned on 1 November 2017</i>)	2/2
Mr. Hau Chi Kit	4/4
Mr. Yuen Koon Tung (<i>appointed on 1 November 2017</i>)	2/2

The audited consolidated results for the year ended 31 March 2017 have been reviewed by the Audit Committee on 12 June 2017. The results for the period ended 30 June 2017, 30 September 2017, and 31 December 2017 have been reviewed by the Audit Committee on 14 August 2017, 13 November 2017 and 12 February 2018 respectively.

The audited consolidated results of the Group for the year ended 31 March 2018 have been reviewed by the Audit Committee as at the date of this report.

AUDITOR'S REMUNERATION

The audit works of the Group for the year ended 31 March 2018 and 2017 were performed by Elite Partners CPA Limited.

The total fee paid/payable in respect of the statutory audit and non-audit services provided by the external auditors is set out in the following table:

	2018 HK\$'000	2017 HK\$'000
— Audit services	740	700
— Non-audit services	265	569
Total	1,005	1,269

COMPANY SECRETARY

Mr. Chung Man Wai Stephen ("**Mr. Chung**") is the company secretary of the Company.

According to the requirements of Rule 5.15 of the GEM Listing Rules, Mr. Chung has taken not less than 15 hours of relevant professional training during the financial year ended 31 March 2018.

SHAREHOLDERS' RIGHTS

Pursuant to article 58 of the articles of association of the Company, any one or more shareholders 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, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of

Corporate Governance Report

such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so 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.

In the event that any shareholders 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 would like to call for an extraordinary general meeting, please make a written requisition to the principal office of the Company in Hong Kong from time to time, making attention to "The Board of Directors and the Company Secretary".

There are no provisions allowing shareholders to put forward proposals at the general meetings under the memorandum and articles of association. If shareholders wish to do so, they may request to convene an extraordinary general meeting as stipulated above and specify the proposals in such written requisition.

For any enquiries, shareholders are welcome to contact the Company by post to the principal office of the Company in Hong Kong, by phone at (852) 3108 0188 or by fax at (852) 3108 0187.

INVESTOR RELATIONS

All corporate communication materials published on the GEM website (<http://www.hkgem.com>) are posted on the Company's corporate website (<http://www.trilliongrand.com>) as soon as practicable after their release. The Company's constitutional documents are also available on both websites. During the year ended 31 March 2018, there have not been any significant changes to the Company's constitutional documents.

Environmental, Social and Governance Report

INTRODUCTION AND SCOPE OF ESG REPORT

The Board is pleased to present the Environmental, Social and Governance (“**ESG**”) report which is prepared in accordance with Appendix 20 Environmental, Social and Governance Reporting Guide (the “**ESG Reporting Guide**”) set out by The Stock Exchange of Hong Kong Limited on GEM Board (“**GEM Board Listing Rule**”). The Board has reviewed and approved of the report and are pleased to present our performance and progress on environmental, social and governance for the year ended 31 March 2018 (the “**Reporting Period**”).

The ESG report of the Group has been presented into two subject areas, Environmental and Social and each subject area will have various aspects to disclose the relevant policies and the status of compliance with relevant laws and regulations as addressed by the ESG Reporting Guide.

The Group understands the importance of ESG report and is committed to making continuous improvements in corporate social responsibility into our business in order to better meet the changing needs of an advancing society. The ESG report of the Group it will present mainly policies, initiatives and performance. The following will show the ESG issues that found material for the Group and the relation to the ESG Reporting Guide:

ESG Guide	Relevant ESG issues to the Group
A. Environmental	
A.1 Emissions	Carbon dioxide emission and waste management
A.2 Use of resources	Energy and water consumption
A.3 Environmental and natural resources	Measures in reducing environmental impact
B. Social	
B.1 Employment	Labour practices
B.2 Health and safety	Workplace health and safety
B.3 Development and training	Employee development and training
B.4 Labour standards	Child labour and forced labor
B.5 Supply chain management	Sub-contract to service provider
B.6 Product responsibility	Client’s data and complaint handling
B.7 Anti-corruption	Anti-corruption and money laundering
B.8 Community investment	Community involvement

THE GROUP

During the Reporting Period, the Group’s operations have diversified to six operating segments including systems development, professional services, proprietary trading, money lending, property investment and over the top (“**OTT**”) services.

A. Environmental

The Group always keeps itself up-to-date on developments in local legislation and standards for environmental protection. During the Reporting Period, the Group had not experienced in any cases of non-compliance relating to environmental laws and regulations in both PRC and Hong Kong.

Environmental, Social and Governance Report

A.1 Emissions

Carbon dioxide emissions

The major source of emissions of the Group were mainly generated from the use of energy in offices. The Group did not generate significant air emissions or hazardous waste during the Reporting Period. Limited workplace effluents and waste were discharged into the municipal sewer systems for collective treatment. Workplace waste were handled by property management companies in maintaining the offices. Continue assessment would be made to analyse methods for further emission reduction for the Group. The Group strictly complied with relevant environmental laws and regulations towards local laws and regulations on environment in PRC and Hong Kong such as Environmental Protection of the People's Republic of China Prevention 《中華人民共和國環境保護法》, Control of Atmospheric Pollution 《中華人民共和國大氣污染防治法》 and Urban Drainage and Sewage Treatment Ordinance 《城鎮排水與污水處理條例》.

During the Reporting Period, there was no direct emission of CO₂ from the stationary and mobile combustion sources ("Scope 1"). For the indirect emission of CO₂ from purchased electricity ("Scope 2") and other indirect emissions of CO₂ from paper waste disposed and business travel ("Scope 3"), the current year's emissions were about 38,777 kg and 7,770 kg, respectively.

Waste management

Waste generated from the Group's business activities mainly consisted of using papers during Reporting Period. No substantial hazardous waste was produced by the Group during the Reporting Period. The Group has launched a number of waste management programme, including:

- recycling paper materials, printing cartridges and batteries, and
- encourage staffs to double-side print and reuse papers on one side in order to reduce paper consumption.

A.2 Use of resources

Energy and water consumption

The Group are proactively seeking opportunities for increasing operating efficiency in order to reduce the use of resources through key initiatives set up during the Reporting Period to achieve higher energy efficiency, including:

- blinds for windows to reduce the strength for lowering the temperature of air-conditioner,
- switch off lights and air-conditioner in areas when not in use, and
- switched the Group's properties light bulbs to LED lights to save energy usage compared with fluorescent lights.

During the Reporting Period, the Group's total electricity consumption was about 49,085 kWh.

The Group's water consumption for the Reporting Period was not material, however, the Group actively promoted water efficient practices.

The Group will continue to closely monitors the utilisation of resources and conduct regular assessment to seek better ways for contributing to environmental protection.

A.3 Environmental and natural resources

This aspect is not applicable to the Group's operations, as the Group's environmental impact and use of natural resources is minimal.

Environmental, Social and Governance Report

B. Social

B.1 Employment

Labour practices

The Group expects that all employees and contractors treat each other with respect. In the Group's policy, it has covered the issues in relation to compensation and dismissal, recruitment and promotion, working hours, rest period, equal opportunity, diversity, anti-discrimination and other benefits and welfare.

The Group complied with Labor Law of the People's Republic of China 《中華人民共和國勞動法》, Labor Contract Law of People's Republic of China 《中華人民共和國勞動合同法》 and other relevant laws and regulations.

The Group specifically prohibits discrimination on the basis of age, colour, disability, ethnicity, marital or family status, national origin, race, religion, gender, sexual orientation, or any other characteristic protected by law. These thoughts extended to all employment decisions, including but not limited to recruiting, training, promotion etc.

All employees are committed to maintaining a professional and harassment-free working environment — places where employees act with respect for one another and for those with whom we do business. Behaviours such as unwelcome conduct and sexual harassment are strictly prohibited.

B.2 Health and Safety

Workplace health and safety

The Group is committed to providing a healthy and safe workplace for all its employees. In a safe and healthy working environment, fire facilities and safety equipment are regularly checked to ensure the safety of the employees and in prevention of fire accident. During the Reporting Period, the Group was not subject to any punishment by the government and was not involved in any lawsuit related to health and safety. The Group complied with Labour Law of the People's Republic of China 《中華人民共和國勞動法》 on occupational safety and health and other applicable regulations. The Group's also include guidelines of occupational health and safety to reduce the chances of accident and ensure the staffs understands the general risks that may occur at the workplace.

B.3 Development and Training

Employee development and training

The Group provides diversified on-the-job trainings based on the needs of respective positions and talents and interests of employees. The Group provides both internal and external trainings for employees, including orientation training for new employee, specialised trainings for different departments, management trainings etc. Moreover, the Group's guidelines are established to assess the performance of employee so as to identify and implement development programs for employees.

B.4 Labour Standards

Child labour and forced labor

The Group does not tolerate any form of child labour and forced labour. In the Group's recruitment guideline, candidate under legal working age is not allowed to work in the company. During the Reporting Period, the Group complied with the relevant laws and regulations and was not subject to any punishment by the government and was not involved in any lawsuit relating to child and forced labour.

Environmental, Social and Governance Report

B.5 Supply Chain Management

Sub-contract to service providers

The Group sub-contracted functions related to supply chain management to service provider hence management is not directly involved in the daily operational aspects. Although this is out-sourced, the Group will continue to assess service providers to ensure the quality meets the Group's standards and expectations.

B.6 Product Responsibility

Client's data and complaint handling

Once a relevant complaint is received by telephone, email or letter, it must be reported to the management. Investigation is carried out to identify the reason of the complaint. Responsible department is required to formulate long term strategy and the result will be reviewed by responsible staff. Data is our valuable asset. The Group has developed a policy of information management system to provide guidance to staff on control and usage of company data and to restrict access or use where necessary to protect the interests of the Group. Data is classified into different levels according to the confidentiality as public, internal, and restricted/confidential.

B.7 Anti-Corruption

Anti-corruption and money laundering

A system with good moral integrity and anti-corruption mechanism is the cornerstone for a sustainable and healthy development of the Group and therefore, the Group is committed to the compliance with Criminal law of the People's Republic of China 《中華人民共和國刑法》 and the Anti-Unfair Competition Law of the People's Republic of China 《中華人民共和國反不正當競爭法》 and other relevant laws and regulations. To maintain a high standard in our business integrity there is no tolerance towards any corruption, fraud, money laundering, bribery and extortion. For the Reporting Period, no such events took place in the Group. The department will from time to time evaluate the policies. The Board has reviewed the effectiveness of implementation of such policies.

B.8 Community investment

Community involvement

For the continuous effort in giving back to the society, the Group would seek for opportunities to get involved in various community programs. The Group's approaches toward community involvement are as follows:

- fulfils the corporate social responsibility through the sustainable development strategy to expand its efforts in the areas of charity work,
- assesses how to give business activities to the interests of community, and
- commits to the provision of career opportunities to the locals and promotes the development of the community's economy.

Directors' Report

The Board is pleased to present its report together with the audited financial statements of the Group for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding and the activities of the subsidiaries are set out in Note 46 to the consolidated financial statements.

An analysis of the Group's performance for the year ended 31 March 2018 by segments are set out in Note 12 to the consolidated financial statements.

ANNUAL RESULTS

The annual 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 report.

SHARE CAPITAL

Details of the movements in share capital of the Group during the year ended 31 March 2018 are set out in Note 36 to the consolidated financial statements.

RESERVES

Details of the movements in reserves of the Group during the year under review are set out in the section headed "Consolidated statement of changes in equity" of this report.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2018.

DISTRIBUTABLE RESERVES

The Company did not have reserves available for distribution to the shareholders as at 31 March 2018. Under the Companies Law of the Cayman Islands, the share premium of the Company amounted to approximately HK\$510.6 million at 31 March 2018 is distributable to the shareholders of the Company subject to the provisions of the Company's memorandum and articles of association and provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

BORROWINGS AND INTEREST CAPITALISED

Particulars of bank and other borrowings and bonds of the Group as at 31 March 2018 are set out in Notes 34 and 36 to the consolidated financial statements.

PLANT AND EQUIPMENT

Details of the movements in plant and equipment of the Group during the year ended 31 March 2018 are set out in Note 20 to the consolidated financial statements.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2018, the aggregate percentage of purchases attributable to the Group's five largest suppliers accounted for approximately 53% of the total purchases of the Group and the largest supplier amounted to approximately 18%.

For the year ended 31 March 2018, the aggregate percentage of sales attributable to the Group's five largest customers accounted for approximately 34% of the total sales of the Group and the largest customer amounted to approximately 14%.

At no time during the year have the Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or their associates (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

DIVIDENDS

The Board does not recommend the payment of any final dividend for the year ended 31 March 2018.

RETIREMENT BENEFITS SCHEME

Details of the Group's retirement benefits scheme for the year ended 31 March 2018 are set out in Note 18 to the consolidated financial statements.

RELATED PARTY TRANSACTIONS

Details of the Group's related party transactions are set out in Note 47 to the consolidated financial statements. Such related party transactions do not fall under the definition of connected transaction or continuing connected transaction under the GEM Listing Rules.

DIRECTORS

During the year ended 31 March 2018 and up to the date of this report, the Board comprises the following Directors:

Executive Directors

Mr. Lau Kelly
Mr. Leung Chung Nam
Mr. Wong Kam Kwan (*resigned on 1 January 2018*)
Ms. Ho Chi Na (*appointed on 1 November 2017*)

Non-executive Director

Ms. Jim Ka Man (*resigned on 1 November 2017*)

Directors' Report

Independent non-executive Directors

Dr. Wan Ho Yuen, Terence
Ms. Yeung Mo Sheung, Ann (*resigned on 1 November 2017*)
Mr. Hau Chi Kit
Mr. Yuen Koon Tung (*appointed on 1 November 2017*)

The biographical details of the Directors as at the date of this report are set out in the section of "Directors and senior management profile" of this report.

DIRECTORS' SERVICE CONTRACTS

As at 31 March 2018, Mr. Lau Kelly, Mr. Leung Chung Nam and Ms. Ho Chi Na being the executive Directors of the Company; and Dr. Wan Ho Yuen, Terence, Mr. Hau Chi Kit and Mr. Yuen Koon Tung, being the independent non-executive Directors of the Company, have entered into service contracts with the Company for an initial term of three years commencing from their dates of appointment, and their employments are subject to the rotation requirements under the articles of association of the Company.

None of the Directors has entered into any service contract with any member of the Group which in order to entitle the Company to terminate the service contract, expressly requires the Company to give a period of notice of more than 1 year or to pay compensation or make other payments equivalent to more than 1 year's remuneration, other than statutory compensation.

Saved as disclosed above, the non-executive Director was appointed for a term of one year from the date of his/her appointment or re-appointment as a Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive directors an annual confirmation of his or her independence in relation to their services for the year ended 31 March 2018 pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers that each of the independent non-executive Directors is independent.

DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set out in Note 19 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 March 2018, none of the Directors and chief executive of the Company were interested in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, the Laws of Hong Kong) ("**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have under such provisions of the SFO), or which are required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which are required, pursuant to the required standard of dealing by the Directors under the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange.

Directors' Report

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors, as at 31 March 2018, the person (other than a director or chief executive of the Company) who have interests 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 who is, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group, were as follows:

Name of the shareholders	Capacity	Number of shares held	Approximate percentage of shareholding <i>(note 1)</i>
Full Times Investments Limited <i>(note 2)</i>	Beneficial owner	36,815,000	25.88%
New Smart International Creation Limited <i>(note 2)</i>	Beneficial owner	1,100,000	0.77%

Notes:

- As at 31 March 2018, the issued share capital of the Company was 142,256,878 shares.
- Full Times Investment Limited and New Smart International Creation Limited are wholly owned by HMV Digital China Group Limited whose shares are listed on the GEM of the Stock Exchange.

LONG POSITIONS IN UNDERLYING SHARES OF THE COMPANY

As at 31 March 2018, no long positions of other persons or substantial shareholders in the underlying shares of equity derivatives of the Company and its associated corporations were recorded in the register.

SHORT POSITIONS IN SHARES OF THE COMPANY

As at 31 March 2018, no short positions of other persons or substantial shareholders in the shares of the Company and its associated corporations were recorded in the register.

SHORT POSITIONS IN UNDERLYING SHARES OF THE COMPANY

As at 31 March 2018, no short positions of other persons or substantial shareholders in the underlying shares of equity derivatives of the Company and its associated corporations were recorded in the register. Save as disclosed above, as at 31 March 2018, the Directors were not aware of any other person who has an interest or short position in the shares or underlying shares (including interest in options, if any) of the Company as recorded in the register required to be kept under section 336 of the SFO.

CONTRACTS OF SIGNIFICANCE

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 of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 March 2018.

No contract of significance between the Company, or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries subsisted during the year ended 31 March 2018.

Directors' Report

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 subsisted during the year ended 31 March 2018.

DIRECTORS' COMPETING INTERESTS

As at 31 March 2018, none of the Directors, the substantial shareholders or their respective associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes or may compete with the business of the Group.

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed at an annual general meeting of the Company held on 12 November 2014, the Company approved and adopted a share option scheme (the "**Scheme**"). There were no movement in the share options during the year ended 31 March 2018 and there were no outstanding share options as at 31 March 2017 and 2018. Summary of the Scheme are set out below:

(a) Purpose of the Scheme

The purpose of the Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its Shareholders as a whole.

(b) Participants

The categories of the participant under the Scheme include any directors (including executive directors, non-executive directors and independent non-executive directors) and employees of the Group or any entity in which any member of the Group holds an equity interest (an "**Invested Entity**") and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers, shareholders, co-investors, lenders of or to, and persons who have business relationships with, any member of the Group or any Invested Entity (including the employees thereof) who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

The scope of participants under the Scheme is with an aim to attract, retain and maintain on-going business relationship with the other participants whose contributions are or will be beneficial to the long term growth of the Group which would enhance the value of the Company and its shares on the basis of the Board's discretion with reference to their history, business relationship and contributions with/to the Group.

(c) Maximum number of shares

The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option schemes of the Company must not in aggregate exceed 30 per cent. in nominal amount of the issued share capital of the Company from time to time ("**Scheme Limit**").

- (i) The maximum number of shares in respect of which options may be granted under the Scheme shall not (when aggregated with any shares subject to any other share option scheme(s) of the Company) exceed 10 per cent. in nominal amount of the issued share capital of the Company on the adoption date (the "**Scheme Mandate Limit**"). Option lapsed in accordance with the terms of the Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

Directors' Report

- (ii) The Scheme Mandate Limit referred to in paragraph (c) (i) may be renewed at any time subject to prior Shareholders' approval but in any event shall not exceed 10 per cent. of the issued share capital of the Company as at the date of approval of the renewal of the Scheme Mandate Limit. Option previously granted under the Scheme or any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the refreshed Scheme Mandate Limit.
- (iii) The Company may grant options beyond the Scheme Mandate Limit to Participants if:
 - (a) the Company has first sent a circular to Shareholders containing a generic description of the specified participants in question, the number and terms of the options to be granted, the purpose of granting options to the specified participants with an explanation as to how the terms of the options serve such purpose; and
 - (b) separate Shareholder's approval has been obtained.

(d) Maximum entitlement of each participant

The maximum number of shares in respect of which options may be granted to a specifically identified single grantee under the Scheme shall not (when aggregated with any shares subject to any other share option scheme(s) of the Company) in any 12-month period exceed 1 per cent. of the shares in issue (the "**Individual Limit**"). The Company may grant options beyond the Individual Limit to a participant at any time if:

- (i) the Company has first sent a circular to Shareholders containing the identity of the participant in question, the number and terms of the options to be granted (and options previously granted to such participant); and
- (ii) separate Shareholder's approval has been obtained in general meeting with the proposed relevant grantee (as the case may be) and his associates abstaining from voting.

(e) Subscription price for shares

The subscription price shall be determined by the Board in its absolute discretion but in any event shall not be less than the greater of:

- (i) the closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange on date of grant;
- (ii) the average closing price of the shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding date of grant; and
- (iii) the nominal value of a share.

(f) Duration of the Scheme

Subject to the provisions of the Scheme, the Scheme shall be valid and effective for a period of 10 years commencing on the Adoption Date (the "**ten-year**" period), after which period no further options shall be offered or granted but the provisions of the Scheme shall remain in full force and effect in all other respects. Options granted during the life of the Scheme shall continue to be exercisable in accordance with their terms of grant after the end of the ten-year period.

Directors' Report

(g) Exercise of options

An option may be exercised in whole or in part in accordance with the terms of the Scheme by the grantee (or his legal personal representative(s)) by giving notice in writing to the Company stating that the option is thereby exercised and the number of shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the subscription price multiplied by the number of shares in respect of which the notice is given. Within 28 days after receipt of the notice and, where appropriate, receipt of the Auditors' certificate or the certificate from the independent financial adviser to the Company, the Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his legal personal representative(s)) credited as fully paid and issue to the grantee (or his legal personal representative(s)) share certificates in respect of the Shares so allotted.

(h) Minimum period

There are no minimum holding period for which an Option must be held before it can be exercised nor performance targets that need to be met before a grantee is entitled to exercise an Option duly granted under the Scheme.

(i) Time of acceptance and payment on acceptance

An Offer shall be deemed to have been accepted and an Option shall be deemed to have been granted and accepted and shall take effect when the duplicate letter comprising acceptance of the Offer duly signed by the Grantee with the number of Shares in respect of which the Offer is accepted clearly stated therein together with a remittance in favour of the Company of HK\$1.00 by way of consideration for the grant thereof is received by the Company. Such remittance shall in no circumstances be refundable.

LITIGATION

On 4 April 2014, the Company was served with a sealed copy of a petition (the "**Petition**") issued by Metal Winner Limited ("**MWL**") in Companies (Winding-up) Proceedings No. 83 of 2014 in the High Court of Hong Kong (the "**Winding-up Proceedings**") under which MWL (a) claimed that the Company was indebted to MWL in the sum of HK\$5,700,000; and (b) petitioned that the Company be wound up by the Court. As at the date of this report, this Petition was dismissed by the High Court of Hong Kong. Separately, there are two other parties who claimed the Company was indebted to them. After investigation, the Company found that the alleged debts claimed by these two parties arose from certain dealings between a former director of the Company and these two parties. The nature and mechanism of these dealings were the same or very similar to that of MWL's. In the Winding-up Proceedings, the court has found that there was an illegal scheme perpetrated on the Company by the aforesaid former director and MWL was a party to that scheme. In gist, the illegal scheme was that the aforesaid former director obtained loans from the counterparty and the Company was falsely made as a borrower to answer the repayment obligation. The Company commenced legal proceedings in the High Court (the "**Injunction Proceedings**") against these two parties seeking an injunction to restrain them from presenting any petition for the winding-up of the Company or to apply to substitute MWL as petitioner in the Winding-up Proceedings (the "**Restrained Acts**"). The two parties gave an undertaking to the court not to do the Restrained Acts until the resolution of the Injunction Proceedings.

After the Winding-up Proceedings were dismissed by court, the Company also managed to resolve the Injunction Proceedings by way of a consent order after the two parties were willing to give further undertaking to the court not to present any petition for the winding-up of the Company pending determination of the Writ of Summons to be issued (if any) by them against the Company for recovery of the said alleged debts and/or the determination of any counterclaims or the Writ of Summons to be issued (if any) by the Company against them for declaratory relief that the said alleged debts are void or unenforceable.

Directors' Report

On 19 February 2016, the Company has been served with a sealed copy of the Writ of Summons (the "**Writ**") issued by one of the two parties sued in the Injunction Proceedings (the "**Plaintiff**"). Under the statement of claim endorsed on the Writ, the Plaintiff claims against the Company for a total sum of HK\$16,600,000 allegedly due on the dishonoured cheques issued by the Company and interest thereon.

In view of the Court's favourable findings in the Winding-up Proceedings and the striking similarity between the case of the Plaintiff and that of MWL in the Winding-up Proceedings, the Company believes that it has strong merits in defending the Plaintiff's claims and in counter-claiming such alleged debts are void and unenforceable. Therefore, the Company will vigorously contend the Plaintiff's claims and will seek legal advice to take all appropriate steps in the legal proceedings to safeguard the Company's interest.

On 15 December 2017, a consent order made by the High Court of Hong Kong, the Plaintiff has wholly discontinued the legal action against the Company and the Company has wholly discontinued its counterclaim against the Plaintiff and another co-defendant in the legal action. No compensation or damages was paid or payable by the Company to the Plaintiff or any other person (or vice versa) in connection with the legal action and the aforesaid discontinuation of the legal action.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 March 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

FIVE YEAR SUMMARY

A summary of results and of the assets and liabilities of the Group for the last five financial years is set out in the section headed "Five year summary" of this report.

PERMITTED INDEMNITY

Pursuant to the memorandum and Articles of Association of the Company, the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in the execution of their duties in their offices. Such permitted indemnity provision has been in force throughout the year. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands.

Directors' Report

AUDITOR

The consolidated financial statements for the year ended 31 March 2016, 31 March 2017 and 31 March 2018 were audited by Elite Partners.

Elite Partners will retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Lau Kelly

Executive Director

Hong Kong

29 June 2018

Independent Auditor's Report

For the year ended 31 March 2018

**TO THE MEMBERS OF
TRILLION GRAND CORPORATE COMPANY LIMITED**
(Incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Trillion Grand Corporate Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 42 to 111, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAAs") 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 these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention in note 2 to the consolidated financial statements which describes that the Group had net current liabilities and net liabilities with the amount of approximately HK\$260,468,000 and approximately HK\$60,001,000 respectively. These conditions, along with other matters as set forth in note 2 to the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of on this matter. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Independent Auditor's Report

For the year ended 31 March 2018

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended 31 March 2018. 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. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter

Business combination

During the year ended 31 March 2018, the Group acquired 85% equity interests in Full Wealthy International Limited and its subsidiary ("FWI Group") for a consideration of approximately HK\$47,452,000 payable by an issuance of consideration shares. FWI Group was principally engaged in provision of multi-media related services and content in the Greater China via different platforms. The acquisition of FWI Group was classified as acquisition of business under the scope of HKFRS 3 Business Combinations.

We have identified the acquisition of subsidiaries as a key audit matter because significant judgements were required for determining (i) whether the acquisition of subsidiaries were within the scope of HKFRS 3 Business Combinations and (ii) measuring the fair value of assets involved in the business combination (e.g. intangible asset).

How the matter was addressed in our audit

Our major audit procedures to address the acquisition of subsidiaries included the following:

- We examined the sales and purchase agreements for the acquisitions and the underlying businesses of the acquired companies to determine whether the acquisitions were within the scope of HKFRS 3 Business Combinations;
- We discussed with the management and the independent external valuers engaged by the Company and assessed the methodology and assumptions adopted in arriving at the forecast in valuing the intangible asset to ensure that the methodology and assumptions were reasonable;
- We checked on a sample basis the accuracy and reliance of the input data used for valuing both the investment property and intangible asset;
- We performed recalculation on the valuation models to ensure their mathematical accuracy; and
- We assessed the competency and capabilities of the independent external valuer taking into account of their experience and qualification.

Independent Auditor's Report

For the year ended 31 March 2018

Key audit matter

Valuation of investment property

Management has estimated the fair value of the Group's investment property of approximately HK\$136,000,000 as at 31 March 2018 with a fair value loss for the year ended 31 March 2018 recorded in the consolidated statement of profit or loss and other comprehensive income of approximately HK\$9,000,000.

The fair value of investment property was determined based on the independent external valuer. Independent external valuations reports were obtained in order to support management's estimates.

We have identified the valuation of investment property a key audit matter because the valuations are dependent on certain key assumptions that require significant management judgement including capitalisation rates and fair value of market rents.

Impairment assessment of goodwill and intangible assets

As at 31 March 2018, the Group had goodwill of approximately HK\$58,745,000 and intangible assets of approximately HK\$29,271,000 which were arising from the acquisition of MPL Group and FWI Group.

An impairment loss of approximately HK\$5,657,000 of goodwill and approximately HK\$3,493,000 of intangible assets were recognised for the year ended 31 March 2018.

The Group had engaged an independent valuer to assist the management of the Company in determining the recoverable amount of each value-in-use calculations.

We had identified the impairment assessment goodwill and intangible asset as a key audit matter because the amounts involved were significant and the significant management judgement was required to develop key assumptions.

How the matter was addressed in our audit

Our major audit procedures in relation to management's valuation of investment property included the following:

- We assessed the competency and capabilities of the independent external valuer taking into account of their experience and qualifications;
- We assessed the methodologies used and the appropriateness of the key assumptions used by the valuer and management in arriving at the fair value of investment properties; and
- We checked, on a sample basis, the accuracy and relevance of the input data used.

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

- We assessed the management's identification based on the Group's accounting policies and our understanding of the Group;
- We assessed the reasonableness of the methodology on the value-in-use calculations and the assumptions used for the preparation of the cash flow projections adopted by the management of the Company based on our knowledge of the business and industry;
- We evaluated the competence, capabilities and objectivity of independent valuer and the method used for estimating the market value; and
- We discussed with the valuer the appropriateness of the methodology and assumptions used in estimating the value in use and performed certain procedures to assess data and assumptions used by the management and the valuer in estimating the recoverable amount of each value-in-use.

Independent Auditor's Report

For the year ended 31 March 2018

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

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

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

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

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

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

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

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

As part of an audit in accordance with HKSAAs, 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.

Independent Auditor's Report

For the year ended 31 March 2018

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide 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 Chan Wai Nam, William with Practising Certificate number P05957.

Elite Partners CPA Limited
Certified Public Accountants

10/F,
8 Observatory Road,
Tsim Sha Tsui,
Kowloon, Hong Kong

29 June 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Turnover	<i>10</i>	241,248	183,657
Revenue	<i>10</i>	53,296	36,116
Other income and gains	<i>11</i>	3,645	5,937
Subcontractors costs		(36,946)	(26,699)
Other expenses		(19,709)	(19,469)
Impairment loss on trade and other receivables		(3,774)	(8,266)
Impairment loss on financial assets at fair value through profit or loss		—	(4,582)
Impairment loss on goodwill		(5,657)	—
Impairment loss on intangible assets		(3,252)	—
Fair value change of contingent consideration		(6,352)	—
(Loss)/Gain on change in fair value of investment property		(9,000)	17,099
Loss on disposal of financial assets at fair value through profit or loss		(5,077)	(7,217)
Net loss on change in fair value of financial assets at fair value through profit or loss		(9,425)	(15,211)
Finance costs	<i>13</i>	(32,316)	(9,696)
Depreciation of plant and equipment		(735)	(671)
Amortisation of intangible assets		(6,052)	(296)
Staff costs, including Directors' emoluments	<i>18 & 19</i>	(10,266)	(5,908)
Share of loss of associates		(221)	—
Loss before tax		(91,841)	(38,863)
Income tax expenses	<i>14</i>	541	(457)
Loss for the year		(91,300)	(39,320)
Other comprehensive (loss)/income			
Item that will not be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		(3,146)	1,843
Total comprehensive expenses for the year		(94,446)	(37,477)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Loss for the year attributable to:			
Owners of the Company		(86,135)	(39,686)
Non-controlling interest		(5,165)	366
		(91,300)	(39,320)
Total comprehensive expense for the year attributable to:			
Owners of the Company		(89,306)	(37,843)
Non-controlling interest		(5,140)	366
		(94,446)	(37,477)
Loss per share	<i>17</i>		
— Basic and diluted		HK(63) cents	HK(35) cents

Consolidated Statement of Financial Position

For the year ended 31 March 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current Assets			
Plant and equipment	20	3,493	3,500
Investment property	21	136,000	145,000
Goodwill	22	58,745	9,810
Investment in associates	23	77,413	—
Deferred tax asset	38	8,234	—
Intangible assets	24	29,271	4,138
Available-for-sale investments	25	6,600	6,600
		319,756	169,048
Current Assets			
Trade and other receivables	26	39,198	39,467
Loan receivables	27	500	10,000
Deposits and prepayments	28	8,462	4,778
Amounts due from customers for contract work	29	715	7,972
Financial assets at fair value through profit or loss	30	62,841	84,357
Tax recoverable		89	—
Pledged bank balance	31	1,001	5,530
Bank balances and cash	31	5,666	6,074
		118,472	158,178
Current Liabilities			
Amounts due to customers for contract work	29	1,276	7,397
Trade and other payables	32	136,870	86,109
Margin payables	33	23,256	—
Receipts in advance		4,757	1,518
Bank overdraft		624	—
Bank and other borrowings	34	207,202	212,165
Tax payable		4,955	4,722
		378,940	311,911
Net Current Liabilities		(260,468)	(153,733)
Total Assets less Current Liabilities		59,288	15,315

Consolidated Statement of Financial Position

For the year ended 31 March 2018

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Capital and Reserves			
Share capital	<i>36</i>	142	119
Share premium and reserves		(54,819)	(12,943)
Deficit attributable to owners of the Company		(54,677)	(12,824)
Non-controlling interest		(5,324)	2,197
Total Deficit		(60,001)	(10,627)
Non-current Liabilities			
Bonds	<i>35</i>	15,274	13,705
Promissory note	<i>37</i>	99,185	11,554
Deferred tax liabilities	<i>38</i>	4,830	683
		119,289	25,942
		59,288	15,315

The consolidated financial statements on pages 42 to 111 were approved and authorised for issue by the Board of Directors on 29 June 2018 and are signed on its behalf by:

Lau Kelly
Director

Leung Chung Nam
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

	Attributable to owners of the Company						Sub-total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	General reserve HK\$'000 (Note a)	Capital reserve HK\$'000 (Note b)	Exchange translation reserve HK\$'000	Accumulated losses HK\$'000			
At 31 March 2016	99,351	452,396	3,056	1,200	7,676	(549,419)	14,260	—	14,260
Loss for the year	—	—	—	—	—	(39,686)	(39,686)	366	(39,320)
Exchange difference arising on translation of foreign operations	—	—	—	—	1,843	—	1,843	—	1,843
Total comprehensive income/(expense) for the year	—	—	—	—	1,843	(39,686)	(37,843)	366	(37,477)
Issue of shares upon									
— Placement of shares	20	11,306	—	—	—	—	11,326	—	11,326
Share placement expenses	—	(341)	—	—	—	—	(341)	—	(341)
Share reduction	(99,252)	—	—	—	—	99,252	—	—	—
Share reduction expenses	—	(226)	—	—	—	—	(226)	—	(226)
Acquisition of subsidiaries	—	—	—	—	—	—	—	1,831	1,831
At 31 March 2017	119	463,135	3,056	1,200	9,519	(489,853)	(12,824)	2,197	(10,627)
Loss for the year	—	—	—	—	—	(86,135)	(86,135)	(5,165)	(91,300)
Exchange difference arising on translation of foreign operations	—	—	—	—	(3,171)	—	(3,171)	25	(3,146)
Total comprehensive expense for the year	—	—	—	—	(3,171)	(86,135)	(89,306)	(5,140)	(94,446)
Issue of shares upon									
Acquisition of subsidiaries	23	47,430	—	—	—	—	47,453	(2,381)	45,072
At 31 March 2018	142	510,565	3,056	1,200	6,348	(575,988)	(54,677)	(5,324)	(60,001)

Notes:

(a) General reserve

According to the relevant rules and regulations of the People's Republic of China (the "PRC"), the Company's subsidiaries established in the PRC should allocate part of their profit after taxation to the general reserve, which can be used for making good losses and to convert into paid-up capital.

(b) Capital reserve

The capital reserve represents waiver of amount due to a shareholder of the Company during the year ended 31 March 2003. As the waived amount was in substance equivalent to a capital contribution to the Company, hence, it was accounted for as capital reserve.

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	2018 HK\$'000	2017 HK\$'000
OPERATING ACTIVITIES		
Loss before tax	(91,841)	(38,863)
Adjustments for:		
Depreciation of plant and equipment	734	671
Amortisation of intangible asset	6,052	296
Loss on disposal of financial assets at fair value through profit or loss	5,077	7,217
Loss/(gain) on change in fair value of		
— financial assets at fair value through profit or loss	9,425	15,211
— investment property	9,000	(17,099)
— contingent consideration	6,352	—
Loss on early redemption of promissory note	81	—
Finance costs	32,317	9,696
Loss on disposal of plant and equipment, net	—	18
Impairment loss recognised in respect of:		
— trade receivables	1,687	8,130
— other receivables	2,087	136
— financial assets at fair value through profit or loss	—	4,582
— goodwill	5,657	—
— intangible assets	3,252	—
Interest income	(25)	(18)
Imputed interest income	—	(203)
Reversal of impairment loss in respect of:		
— trade receivables	(3,530)	(140)
— other receivables	(61)	(5,270)
Share of loss of an associate	221	—
Operating cash flows before movements in working capital	(13,515)	(15,636)
Increase in trade and other receivables	18,282	(4,169)
Increase in loan receivables	9,500	(6,989)
Decrease/(increase) in deposits and prepayments	(3,573)	8,247
(Increase)/decrease in financial assets at fair value through profit or loss	7,014	(107,902)
(Increase)/decrease in amounts due from customers for contract work	(6,121)	(1,338)
(Decrease)/increase in amounts due to customers for contract work	7,257	(661)
Decrease in trade and other payables	(12,167)	(117)
Increase/(decrease) in receipts in advance	3,239	249
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	9,916	(128,316)
Income tax paid	—	(184)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	9,916	(128,500)

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
INVESTING ACTIVITIES		
Purchase of plant and equipment	(292)	(468)
Proceeds from disposal of subsidiaries	—	11,400
Acquisition of subsidiaries	1,562	64
Acquisition of assets through acquisition of subsidiaries	—	(128,000)
Deposits refund from acquisition of subsidiaries	—	15,999
Interest received	25	18
NET CASH USED IN INVESTING ACTIVITIES	1,295	(100,987)
FINANCING ACTIVITIES		
Proceeds from issue of shares	—	11,326
Expenses on issue of shares	—	(567)
New bank and other borrowings raised	196,935	239,027
Repayment of bank borrowings	(189,305)	(26,862)
Repayment of promissory note	—	(400)
Interest and finance costs paid	(20,832)	(8,045)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	(13,202)	214,479
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,991)	(15,008)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	11,604	26,986
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(3,570)	(374)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	6,043	11,604
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank overdraft	(624)	—
Bank balances and cash	6,667	11,604
	6,043	11,604

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

1. GENERAL

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office 3rd Floor, 24 Shedden Road, P.O. Box 1586, Grand Cayman, KY1-1110, Cayman Islands. The address of its principal place of business in Hong Kong is Unit B, 29/F., CKK Commercial Centre, 289–295 Hennessy Road, Wanchai, Hong Kong. The Company's shares are listed on Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "GEM").

The functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollar ("HK\$") as the directors of the Company consider that HK\$ is the appropriate presentation currency for the users of the Group's financial statements given that the shares of the Company are listed on the GEM.

The Company is principally engaged in investment holding and the principal activities of its principal subsidiaries are set out in Note 49.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Statement of Compliance and Basis of Preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("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 of Hong Kong Limited (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for investment property and financial assets at fair value through profit or loss which were measured at fair value, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in the exchange for goods.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Statement of Compliance and Basis of Preparation (Continued)

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability. The principal accounting policies are set out in Note 4 below.

In preparing these consolidated financial statements, the directors have considered the future liquidity of the Group. As at 31 March 2018, the Group had recorded net current liabilities and net liabilities of approximately HK\$260,468,000 and HK\$60,001,000 respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis on the assumption that the Group will be able to operate as a going concern for the foreseeable future. In the opinion of the directors, the Group can meet its financial obligations as and when they fall due within the next year from the date of the consolidated financial statements, after taking into consideration of the following measures and arrangements made subsequent to the reporting date:

1. On 9 May 2018, the Company entered credit facility agreement up to HK\$25,000,000 carrying interest at 15% per annum on amount drawn down and 1% commitment fee per annum for amount not drawn down. The final repayment date of any drawn loan amount would be 12 months from the date the credit facility agreement. The loan facility has been utilised HK\$5,000,000 up to the date of approval of these consolidated financial statements.
2. On 27 June 2018, the Company entered into a loan facility from an independent third party up to HK\$35,000,000. The loan carries interest at 12% per annum. The final repayment date of any drawn loan amount would be 15 months from the date the credit facility agreement. The loan facility has been fully utilized up to the date of approval of these consolidated financial statements.
3. On 27 June 2018, the Company entered into a loan facility from an independent third party up to HK\$17,000,000. The loan carries interest at 8% per annum. The final repayment date of any drawn loan amount would be 11 months from the date the credit facility agreement. The loan facility has been fully utilised up to the date of approval of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Statement of Compliance and Basis of Preparation (Continued)

4. On 20 June 2018, the Company has entered into a Swap Agreement with a creditor (“**Creditor**”) pursuant to which the Company has conditionally agreed to swap the entire issued share capital of its wholly-owned subsidiaries (“**Target Share**”) with the Creditor for (i) the loan and (ii) the provision of the Credit Facility, the Creditor (or its nominee) shall acquire the Target Share in exchange of the assignment of the loan and provision of the Credit Facility to the Company (“**Swap**”). The Company through its wholly-owned subsidiaries holds the entire issued share capital of ISL Investments Limited, which is the legal and beneficial owner of a property. The Creditor is the legal and beneficial owner of the Loan. The Property is held by the Group as an investment. Upon the completion of the Swap, the net current liabilities of the Group will reduce by approximately HK\$ 135,227,000.
5. Including in accrued and other payables, the balance of approximately HK\$50,241,000 represents the amounts due to minority shareholder of a subsidiary of the Company, it was agreed that the minority shareholder not to call for repayment within twelve months from 31 March 2018.

In light of the measures and arrangements implemented to date, the directors are of the view that the Group has sufficient cash resources to satisfy its working capital and other financial obligations for the next twelve months from the date of the consolidated financial statements, after having taken into account of the Group’s projected cash flows, current financial resources and capital expenditure requirements with respect to the development of its businesses. Accordingly, the directors are of the view that it is appropriate to prepare these consolidated financial statements on a going concern basis. Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HKFRSs

In the current year, the Group has adopted the following amended HKFRSs and HKASs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2017.

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

The initial application of these financial reporting standards does not necessitate material changes in the Group’s accounting policies.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

Amendments to HKFRS 12

Annual improvements to HKFRSs (2014–2016 cycle) include an amendment to HKFRS 12 that clarifies that, when an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with HKFRS 5 Non-current Assets held for Sale and Discontinued operations, it is not required to disclose summarised financial information for that subsidiary, joint venture or associate, as required by HKFRS 12 Disclosure of Interests in Other Entities.

Amendments to HKAS 7

The amendments to HKAS 7 require an entity to make disclosures that aim to enable users of financial statements to evaluate changes in liabilities arising from financing activities. Reconciliations of various types of the Group's financing liabilities are disclosed in Notes 30 and 34 to the consolidated financial statements. Other than such additional disclosures, the application of the amendments has not had any material effect on the consolidated financial statements.

Amendments to HKAS 12

The amendments to HKAS 12 clarify when unrealised losses on a debt instrument measured at fair value would give rise to a deductible temporary difference and how to evaluate whether sufficient future taxable profits are available to utilise a deductible temporary difference.

New and revised HKFRSs that in issue but not yet effective

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

Annual Improvements Project HKFRS 1 and HKAS 28	Annual Improvements 2014–2016 Cycle (amendments) ¹
HKFRS 2	Classification and Measurement of Share-based Payment Transactions (amendments) ¹
HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts (amendments) ¹
HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers (new standard) ¹
HKFRS 15	Clarifications to HKFRS 15 (amendments) ¹
HKAS 40	Transfers of Investment Property (amendments) ¹
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration (new interpretation) ¹
HKFRS 9	Prepayment Features with Negative Compensation (amendments) ²
HKFRS 16	Leases ²
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments (new interpretation) ²
HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (amendments) ³

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 a date to be determined.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

HKFRS 9 Financial Instruments

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

Specifically, with regard to the classification and measurement of financial assets, HKFRS 9 requires all recognised financial assets that are within the scope of HKFRS 9 to be subsequently measured at amortised cost or fair value. Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of each of the subsequent accounting periods. Debt investments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. Further, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss and that cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment.

With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. APPLICATION OF NEW AND REVISED HKFRSs (Continued)

HKFRS 16 Leases

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

With regard to lessee accounting, the distinction of operating leases and finance leases, as required by HKAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees except for short-term leases and leases of low value assets. Specifically, the right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas, under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

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

Furthermore, HKFRS 16 requires extensive disclosures in the financial statements.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

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

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Business combinations

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Business combinations (Continued)

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

(c) Acquisition of subsidiaries not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

(d) Goodwill

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

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

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently, when there is indication that the unit may be impaired. When the recoverable amount of cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss for goodwill is not reversed in subsequent periods.

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

The Group's policy for goodwill arising on the acquisition of an associate is described in paragraph (e) below.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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 in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profits or losses and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

On acquisition of investment in an associate, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and liabilities of the associate is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and is reduced by sale related taxes.

a. Systems development service

Revenue arising from the provision of systems development is recognised on the percentage of completion method, provided that the revenue, the cost incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the estimated total costs for each contract. When the outcome of a systems development contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable.

b. Professional service income

Professional service income represents fees for the provision of information technology engineering and technical support services and are recognised when the underlying professional services are rendered.

c. Interest income

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 estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

d. Rental income

Rental income is recognised on a straight-line basis over the period of the lease terms.

e. Subscription fee income

Income from the provision of over-the-top services is recognised at the time when the service are rendered.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Systems development contracts

Where the outcome of a systems development contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured based on the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a systems development contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as amounts due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as amounts due to customers for contract work. Amounts received before the related work is performed are included in the consolidated statement of financial position, as a liability, as receipts in advance. Amounts billed for work performed but not yet paid by the customers are included in the consolidated statement of financial position under trade and other receivables.

(h) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Foreign currencies (Continued)

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, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

(i) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(j) Retirement benefit costs

Payments to mandatory provident fund scheme and other state-managed retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

(k) Share-based payment arrangements

Share options granted by the Company to employees of the Group in an equity-settled share-based payment arrangement.

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with corresponding increase in equity (share options reserve).

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, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Share-based payment arrangements (Continued)

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

(l) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of 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.

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 differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Plant and equipment

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

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

An item of 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 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.

(n) Investment properties

Investment properties are buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

Investment properties are derecognised upon disposal or when the investment properties are permanently withdrawn from use and no future economic benefits are expected from its disposal. The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

(o) Intangible assets acquired in a business combination

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

Subsequent to initial recognition, Intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effective of any changes in estimate being accounted for on a prospective basis.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Impairment losses on tangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible 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 to sell 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 immediately in profit or loss.

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

(q) Provisions and contingent liabilities

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Financial instruments

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

Financial assets

The Group's financial assets are classified into one of the three categories, including 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 financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

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

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition, it is a part of an identified portfolio of 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 stated at fair value, with any gains or losses arising on remeasurement in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on financial asset and is included in the other income and gains, and other losses and expenses respectively in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 9.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Financial instruments (Continued)

Financial assets (Continued)

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 disposal receivables, trade and other receivables, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment loss (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets ("AFS financial assets")

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

AFS financial assets, which represent equity instruments that do not have a quoted market price in an active market and where fair value cannot be reliably measured, are measured at cost less any identified impairment losses at the end of the reporting period (see accounting policy on impairment loss on financial assets below).

Impairment loss on financial assets

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

For 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.

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

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

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised as 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.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Financial instruments (Continued)

Financial assets (Continued)

Impairment loss on financial assets (Continued)

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

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. Impairment loss recognised will not be reversed in subsequent period.

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

Financial liabilities and equity instruments

Classification of debt or equity

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

Equity instruments

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

Other financial liabilities

Other financial liabilities (including trade and other payables, bank and other borrowings, promissory note and bonds) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Derecognition

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

On derecognition of a financial asset, 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 is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(s) 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 relevant lease. Initial direct costs included in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

The Group as lessee

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Related parties

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

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

Going concern basis

Management makes an assessment of the Group's ability to continue as a going concern when preparing the consolidated financial statements. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the date of the financial statement. The degree of consideration depends on the facts in each case.

Management believes that the Group is able to continue as a going concern after taking into account the measures, financial supports and the future profitable operations. Accordingly, management has prepared the consolidated financial statements on a going concern basis. An adverse change in any of the above conditions would require the consolidated financial statements to be prepared on an alternative authoritative basis and such basis, together with the fact that the consolidated financial statements is not prepared on a going concern basis, would need to be disclosed. If the Group was unable to continue as a going concern, adjustments relating to the recoverability and classification of recorded asset amounts or classification of liabilities may need to be incorporated into the consolidated financial statements.

Revenue and profit recognition

Management of the Group estimates the percentage of completion of the systems development contracts by reference to the estimated total outcome of the systems development contracts as well as the work performed to date with reference to the work performed and costs incurred. The actual outcome in terms of total cost or revenue may be different from the estimates at the end of the reporting period, such differences will impact the revenue and the profit or loss recognised in the period in which such estimation is made. Budget cost or revenue of each contract will be reviewed periodically and revised accordingly where significant variances are noted during the revision.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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

Impairment loss recognised in respect of trade receivables and retention receivables

The Group performs ongoing credit evaluations of its customers and retention receivables and adjusts credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience. In addition, the Group will make provision based on the aging analysis of the trade and retention receivables.

Depreciation of plant and equipment

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

Income taxes

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions for the period in which such determination is made.

Fair value measurement of investment property

Investment property is stated at fair value based on the valuation performed by the independent professional valuers. The valuers have determined the fair value based on a method of valuation which involves certain estimates. In relying on the valuation report prepared by the valuer, management has reviewed the valuation including the assumptions and estimates adopted.

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 optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from that of the prior year.

The capital structure of the Group consists of debts and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital and will balance its overall capital structure through issues of new shares and debts, repayment of existing debts and payment of dividends.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

7. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
<i>Financial assets</i>		
Available-for-sale investments, at cost less impairment	6,600	6,600
Financial assets at fair value through profit or loss	62,841	84,357
Loans and receivables, at amortised cost		
Loan receivables	500	10,000
Trade and other receivables	39,198	39,467
Deposits	1,442	1,435
Pledged bank balance	1,001	5,530
Bank balances and cash	5,666	6,074
	117,248	153,463
<i>Financial liabilities</i>		
Financial liabilities at amortised cost		
Trade and other payables	136,870	86,109
Bank overdraft	624	—
Bank and other borrowings	207,202	212,165
Promissory note	99,185	11,554
Bonds	15,274	13,705
Margin payables	23,256	—
	482,411	323,533

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include available-for-sale investments, financial assets at FVTPL, trade and other receivables, pledged bank deposits, loan receivable, bank balances and cash, trade and other payables, bank overdraft, bank and other borrowings, promissory note, bonds and margin payables. Details of these financial instruments are disclosed in respective notes.

Management monitors and manages the financial risks relating to the Group through internal risk assessment, which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Management manages and monitors these exposures to ensure that appropriate measures are implemented on a timely and effective manner.

There has been no change in the Group's exposure to these kinds of risks or the manner in which the Group manages and measures these risks.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity prices.

Foreign currency risk

Foreign currency risk refers to the risk associated with movements in foreign currency rates which will affect the Group's financial results and its cash flows. Management considers that the Group is not exposed to significant foreign currency risk as the majority of its operations are in the PRC with their functional currency of RMB.

For the two years ended 31 March 2018 and 2017, the Group mainly earned revenue in RMB and incurred costs in HK\$ and RMB. Although the Group currently does not have any foreign currency hedging policies, it manages its foreign currency exposure by ensuring that the revenue earned in RMB are used to pay for RMB denominated costs. Funds raised from financing activities which are mainly denominated in HK\$ are used to pay for HK\$ expenses.

The directors do not expect the fluctuation in the exchange rate of RMB to HK\$ to have any material adverse effect on the operation of the Group, accordingly no sensitivity analysis is presented.

Interest rate risk

The Group is exposed to interest rate risk in relation to its variable-rate bank deposits, loan receivables, bank and other borrowings, promissory note and bonds. The pledged bank deposits, bank balances and bank and other borrowings bearing interests at variable rates expose the Group to cash flow interest rate risk. Loan receivables, promissory note and bonds bearing interest at fixed rates expose the Group to fair value interest rate risk.

The directors consider that the Group's exposure to interest rate risk of bank deposits, which are short term in nature, is insignificant, accordingly no sensitivity analysis is presented.

Sensitivity analysis

If interest rates have been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax loss for the year ended 31 March 2018 would increase/decrease by approximately HK\$56,000 (2017: HK\$337,000). This is mainly attributable to the Group's exposure to interest rates on its bank borrowings which carried interest at floating rates.

The Group's exposure to interest-rate risk arises from its bank balances and bank borrowings. These bank balances and bank borrowings bear interests at floating rates varied with the then prevailing market condition. A 50-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.

Price risk

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Market risk (Continued)

Sensitivity analyses

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

If the prices of the respective equity instruments had been 10% (2017: 10%) higher/lower, loss for the year would decrease/increase by HK\$8,663,000 (2017: HK\$8,814,000) as a result of the changes in fair value of investment in listed equity securities.

Credit risk

As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group in the event of the counterparties' failure to perform their obligations is the respective recognised financial assets as stated in the consolidated statement of financial position.

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

The Group has concentration of credit risk as 35% (2017: 13%) of the total trade receivables are due from the Group's five largest customers respectively and are attributable to the systems development business segment. In addition, the Group has also concentration of credit risk regarding the trade and other receivables as detailed in Note 26.

The Group has concentration of credit risk as 100% (2017: 100%) of the total loan receivables are due from the Group's five largest customers respectively and are attributable to the money lending business segment.

The credit risk on pledged bank balances deposited are limited because the counterparties are banks with high credit ratings agencies.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and to mitigate the effects of fluctuation in cash flows. The management monitors the recognise of bank and other borrowings and ensures compliance with loan covenants, if any.

The following tables details the Group's remaining contractual maturity for its non-derivative financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

In addition, the following tables detail the Group's expected maturity for its non-derivative financial assets. The tables have been drawn up based on the undiscounted contractual cash flows of the financial assets including interest that will be earned on those assets. The inclusion of information on these non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Within 1 year or on demand HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
At 31 March 2018						
<i>Non-derivative financial assets</i>						
Available-for-sale investments	6,600	—	—	—	6,600	6,600
Loan receivables	530	—	—	—	530	500
Trade and other receivables	39,198	—	—	—	39,198	39,198
Deposit	1,442	—	—	—	1,442	1,442
Financial assets at fair value through profit or loss	62,841	—	—	—	62,841	62,841
Pledged bank balance	1,001	—	—	—	1,001	1,001
Bank balances and cash	5,666	—	—	—	5,666	5,666
	117,278	—	—	—	117,278	117,248
<i>Non-derivative financial liabilities</i>						
Trade and other payables	136,870	—	—	—	136,870	136,870
Promissory note	—	—	126,740	—	126,740	99,185
Bank overdraft	624	—	—	—	624	624
Bank and other borrowings	209,429	—	—	—	209,429	207,202
Margin payables	23,256	—	—	—	23,256	23,256
Bonds	—	10,669	12,704	—	23,373	15,274
	370,179	10,669	139,444	—	520,292	482,411

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

8. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

	Within 1 year or on demand HK\$'000	1-2 years HK\$'000	2-5 years HK\$'000	Over 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
At 31 March 2017						
<i>Non-derivative financial assets</i>						
Available-for-sale investments	6,600	—	—	—	6,600	6,600
Loan receivables	11,125	—	—	—	11,125	10,000
Trade and other receivables	39,467	—	—	—	39,467	39,467
Deposit	1,435	—	—	—	1,435	1,435
Financial assets at fair value through profit or loss	84,357	—	—	—	84,357	84,357
Pledged bank balance	5,530	—	—	—	5,530	5,530
Bank balances and cash	6,074	—	—	—	6,074	6,074
	154,588	—	—	—	154,588	154,463
<i>Non-derivative financial liabilities</i>						
Trade and other payables	86,109	—	—	—	86,109	86,109
Promissory note	—	—	13,388	—	13,388	11,554
Bank and other borrowings	233,802	—	—	—	233,802	212,165
Bonds	—	—	9,808	10,602	20,410	13,705
	319,911	—	23,196	10,602	353,709	323,533

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.

At 31 March 2018, the Group had net current liabilities of approximately HK\$260,468,000 and net liabilities of approximately HK\$60,001,000. The directors have taken steps to improve the Group's liquidity position and mitigate its liquidity risk as disclosed in note 2 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

9. FAIR VALUE

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

The Group's financial assets at fair value through profit or loss are measured at fair value at the end of the reporting period. The financial assets at fair value through profit or loss are measured at quoted bid prices in an active market which is classified as level 1. It has no significant unobservable input.

The investment property is classified as Level 3 valuation by using significant unobservable inputs in determining the fair value.

	Fair value as at 31 March		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2018 HK\$'000	2017 HK\$'000				
Financial assets						
Financial assets at fair value through profit or loss	62,841	84,357	Level 1	Quoted bid prices in an active market	N/A	N/A

There were no transfer of the financial assets and financial liabilities between the levels in both of the years presented.

(ii) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

10. REVENUE

Revenue of the Group, represents income from systems development, professional services rendered, proprietary trading, money lending business, rental income and over the top (“OTT”) services, net of sales related taxes if any.

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Revenue from provision of		
Systems development	9,049	15,398
Professional services fees	5,926	18,118
Proprietary trading	5,232	1,242
Interest income arising from money lending business	303	1,058
Rental income arising from investment property	2,400	300
OTT services	30,386	—
Total revenue	53,296	36,116
Proceeds from sales of financial assets at fair value through profit or loss	187,952	147,541
Turnover	241,248	183,657

11. OTHER INCOME AND GAINS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Other income and gains		
Bank interest income	25	18
Imputed interest income	—	203
Sundry income	29	306
Reversal of impairment loss in respect of:		
— trade receivables	3,530	140
— other receivables	61	5,270
	3,645	5,937

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

12. SEGMENT INFORMATION

The Group has adopted HKFRS 8 “Operating Segments” which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker for the purpose of allocating resources to segments and assessing their performance.

During the current year, the Group commenced its OTT services business through acquisition of business which formed a separate operating division of the Group. Therefore, the Group is currently organised into six operating divisions — systems development, professional services, proprietary trading, money lending, property investment and OTT services which represent the Group’s six operating segments. During the year ended 31 March 2017, the Group has five operating divisions — systems development, professional services, proprietary trading, money lending and property investment which represent the Group’s five operating segments.

Systems development	—	Provision of systems development, maintenance and installation as well as consulting service and software licensing.
Professional services	—	Provision of information technology engineering and technical support services including financial valuation and IT service.
Proprietary trading	—	Trading of listed securities in Hong Kong.
Money lending	—	Provision of financing services in Hong Kong.
Property investment	—	Lease of property in Hong Kong.
OTT services	—	Distribution and production of films, television programmes and music production

a. Segment revenues and results

The following is an analysis of the Group’s revenues and results by its operating and reportable segments.

	For the year ended 31 March												Consolidated	
	Systems development		Professional services		Proprietary trading		Money lending		Property Investment		OTT services			
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Continuing operations														
REVENUE														
Revenue from external customers	9,049	15,398	5,926	18,118	5,232	1,242	303	1,058	2,400	300	30,386	N/A	53,296	36,116
RESULT														
Segment results	(3,539)	(8,927)	(16,012)	3,281	(5,490)	(25,742)	303	1,058	(12,091)	15,728	(548)	N/A	(37,377)	(14,602)
Interest income													25	221
Unallocated income and gains													90	5,576
Unallocated expenses and losses													(22,042)	(20,362)
Finance costs													(32,316)	(9,696)
Share of loss of associates													(221)	—
Loss before tax													(91,841)	(38,863)

The accounting policies of the reportable segments are the same as the Group’s accounting policies. Segment results represents the results of each segment without allocation of interest income, certain other income and gains and other expenses and losses (including central administration costs and directors’ remunerations and finance costs) and share of results of an associate. This is the measure reported to the chief operating decision maker of the Group for the purposes of resource allocation and assessment of segment performance.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

12. SEGMENT INFORMATION (Continued)

b. Segment assets and liabilities

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

	At 31 March																			
	Systems development				Professional services				Proprietary trading				Money lending		Property Investment		OTT Services		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
ASSETS																				
Segment assets	12,774	21,388	1,646	10,126	62,841	84,357	510	10,840	136,000	145,000	51,346	N/A	265,117	271,711						
Unallocated corporate assets																				
— Plant and equipment																		422	246	
— Goodwill																		58,745	9,810	
— Available-for-sale investments																		6,600	6,600	
— Investment in associate																		77,413	—	
— Other receivables, deposits and prepayments																		23,264	27,255	
— Pledged bank deposits																		1,001	5,530	
— Bank balances and cash																		5,666	6,074	
Total assets																		438,228	327,226	
LIABILITIES																				
Segment liabilities	42,082	45,800	1,570	5,719	23,256	70,800	—	—	1,175	—	10,172	N/A	78,255	122,319						
Unallocated corporate liabilities																				
— Other payables																		87,904	42,824	
— Bank and other borrowings																		207,202	142,046	
— Bank overdraft																		624	—	
— Bonds																		15,274	13,705	
— Promissory notes																		99,185	11,554	
— Deferred tax liabilities																		4,830	683	
— Tax payable																		4,955	4,722	
Total liabilities																		498,229	337,853	

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

- all major assets are allocated to reportable segments other than investment in an associate, available-for-sale investments, other receivables, deposits and prepayments, pledged bank deposits and bank balances and cash. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- all major liabilities are allocated to reportable segments other than certain other payables, other borrowings, bonds, promissory notes, margin payable, deferred tax liabilities and tax payable. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

12. SEGMENT INFORMATION (Continued)

c. Geographical information

Information about the Group's revenue presented based on the location of customers is as below:

	2018 HK\$'000	2017 HK\$'000
Hong Kong	41,428	12,538
PRC	11,868	23,578
	53,296	36,116

Information about the Group's non-current assets (excluding available-for-sale investments) presented based on the location of assets is as below:

	2018 HK\$'000	2017 HK\$'000
Hong Kong	310,086	159,066
PRC	3,070	3,382
	313,156	162,448

d. Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

	Systems development		Professional services		Proprietary trading		Money lending		Property investing		OTT Services		Segment total		Unallocated		Consolidated	
	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000	2018 HK\$'000	2017 HK\$'000
Continuing Operations																		
Other segment information																		
Depreciation of plant and equipment	(537)	(658)	(150)	—	—	—	—	(5)	—	—	(41)	—	(728)	(663)	(7)	(8)	(735)	(671)
Amortisation of intangible asset	(886)	(296)	—	—	—	—	—	—	—	—	(5,166)	—	(6,052)	(296)	—	—	(6,052)	(296)
Impairment loss recognised in respect of:																		
— trade and other receivables	(3,394)	(7,142)	(11)	(988)	—	—	—	—	—	—	—	—	(3,405)	(8,130)	(369)	(136)	(3,774)	(8,266)
— financial assets at fair value through profit or loss	—	—	—	—	—	(4,582)	—	—	—	—	—	—	—	(4,582)	—	—	—	(4,582)
— goodwill	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(5,657)	—	(5,657)
— Intangible asset	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(3,252)	—	(3,252)
Loss on disposal of:																		
— plant and equipment	—	—	—	—	—	—	—	18	—	—	—	—	—	18	—	—	—	18
Loss on change in fair value of:																		
— financial assets at fair value through profit or loss	—	—	—	—	(9,425)	(15,211)	—	—	—	—	—	—	(9,425)	(15,211)	—	—	(9,425)	(15,211)
Reversal of impairment loss in respect of:																		
— trade receivables	3,364	105	166	35	—	—	—	—	—	—	—	—	3,530	140	—	—	3,530	140
— other receivables	—	—	—	—	—	—	—	—	—	—	—	—	—	—	61	5,270	61	5,270
(Loss)/gain on fair value of investment property	—	—	—	—	—	—	—	—	(9,000)	17,099	—	—	(9,000)	17,099	—	—	(9,000)	17,099
Loss on disposal of financial assets at fair value through profit or loss	—	—	—	—	(5,077)	(7,217)	—	—	—	—	—	—	(5,077)	(7,217)	—	—	(5,077)	(7,217)
Additions to non-current assets (Note)	205	4,589	—	—	—	—	—	—	—	145,000	87	—	292	149,589	—	9,827	292	159,416

Note: Non-current assets excluded financial instruments.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

12. SEGMENT INFORMATION (Continued)

e. Information about major customers

Revenue from customers contributing over 10% of the total revenue of the Group is as follows:

		2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Customer A	System development	5,886	13,597
Customer B	OTT services	7,380	N/A

13. FINANCE COSTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interest on bank and other borrowings repayable within one year	20,175	7,626
Imputed interest on promissory note	10,543	242
Interest on bonds	1,568	1,409
Others	30	419
	32,316	9,696

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

14. INCOME TAX EXPENSES

	2018 HK\$'000	2017 HK\$'000
Current tax		
— PRC Enterprise Income Tax	—	(524)
— Hong Kong Profit Tax	1,024	—
— (Under)/Over provision in prior year	(30)	18
	994	(506)
Deferred tax	(1,535)	49
	(541)	(457)

- a. Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profit for the years ended 31 March 2018 and 2017.
- b. Under the Law of the PRC on Enterprise Income Tax ("EIT Law") and Implementation Regulation of the EIT Law, the standard tax rate applicable to PRC Enterprise Income Tax is 25%.

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

	2018 HK\$'000	2017 HK\$'000
Loss before tax	(91,841)	(38,863)
Tax at the applicable tax rate of 25% (2017: 25%)	(22,960)	(9,716)
Lower the rate for specific provinces or enacted by local authorities	7,724	11,880
Tax effect of income not taxable for tax purposes	(294)	(2,563)
Tax effect of expenses not deductible for tax purposes	14,396	1
Tax effect of tax losses and other deductible temporary differences not recognised	4,583	873
Tax effect of unused tax losses not recognised	(2,938)	—
Under/(Over) provision in prior year	30	(18)
Income tax	541	457

Details of deferred taxation are set out in Note 38.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

15. LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Staff costs		
Salaries and other benefits	9,906	5,709
Retirement benefits scheme contributions	360	199
	10,266	5,908
Auditors' remuneration	740	700
Depreciation of plant and equipment	734	671
Amortisation of intangible asset	6,052	296
Impairment loss on trade and other receivables	3,774	8,266
Impairment loss on financial assets at fair value through profit or loss	—	4,582
Impairment loss on goodwill	5,657	—
Impairment loss on intangible assets	3,252	—
Loss on disposal of financial assets at fair value through profit or loss	5,077	7,217
Fair value change of contingent consideration	6,352	—
Operating lease	5,530	5,218
Loss on disposal of plant and equipment, net	—	18

16. DIVIDENDS

No dividend was paid or proposed during the year ended 31 March 2018, nor has any dividend been proposed since the end of the reporting date (2017: Nil).

17. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK\$86,135,000 (2017: approximately HK\$39,686,000) and weighted average number of 136,640,125 (2017: 112,798,050) ordinary shares in issue during the year.

Diluted loss per share is not presented because the Group sustained a loss for both of the years presented and the impact of exercise of share options, if any, is regarded as anti-dilutive.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

18. STAFF COSTS (EXCLUDING DIRECTORS' EMOLUMENTS)

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Salaries and other benefits	7,778	4,021
Retirement benefits scheme contributions	294	158
	8,072	4,179

Hong Kong

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. The MPF Scheme is a defined contribution retirement plan administered by independent trustees, the assets of the scheme are held separately from those of the Group in funds under the control of trustees. Contributions are made based on a percentage of the employees' relevant income and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The Group's contributions vest fully with the employees when payments are made.

PRC, other than Hong Kong

The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement scheme operated by the PRC government. The subsidiaries are required to contribute a certain percentage of the payroll of its employees to the retirement benefit scheme. The only obligations of the Group with respect to the retirement benefit scheme is to make the specific contribution.

At the end of the reporting period, no forfeited contributions may be used by the employer to reduce the existing level of contributions.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

19. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

a. Directors' emoluments

	2018 HK\$'000	2017 HK\$'000
Directors' fees	486	586
Salaries and other benefits	1,642	1,102
Retirement benefits scheme contributions	66	41
	2,194	1,729

The emoluments paid or payable to each of the directors were as follows:

	For the year ended 31 March 2018			
	Fees HK\$'000	Salaries and other benefits (Note i) HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
Executive directors:				
Mr. Lau Kelly	—	420	18	438
Mr. Leung Chung Nam	—	384	18	402
Mr. Wong Kam Kwan (Appointed on 5 January 2017 and resigned on 1 January 2018)	—	250	12	262
Ms. Ho Chi Na (Appointed on 1 November 2017)	—	588	18	606
Non-executive directors and independent non-executive directors:				
Ms. Jim Ka Man	126	—	—	126
Mr. Yuen Koon Tung (Appointed on 1 November 2017)	50	—	—	50
Dr. Wan Ho Yuen, Terence	120	—	—	120
Ms. Yeung Mo Sheung, Ann (Resigned on 1 November 2017)	70	—	—	70
Mr. Hau Chi Kit	120	—	—	120
	486	1,642	66	2,194

Note:

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

19. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

a. Directors' emoluments (Continued)

The emoluments paid or payable to each of the directors were as follows:

	For the year ended 31 March 2017			Total HK\$'000
	Fees HK\$'000	Salaries and other benefits (Note i) HK\$'000	Retirement benefits scheme contributions HK\$'000	
Executive directors:				
Dr. Chew Chee Wah (resigned on 29 April 2016)	—	34	—	34
Mr. Tam Kwok Leung (resigned on 4 November 2016)	—	250	—	250
Mr. Zhang Jinshu (removed on 24 June 2016)	—	—	—	—
Ms. Ju Lijun (resigned on 21 June 2016)	—	—	—	—
Mr. Lau Kelly	—	415	20	435
Mr. Leung Chung Nam	—	332	17	349
Mr. Wong Kam Kwan (Appointed on 5 January 2017)	—	71	4	75
Non-executive directors and independent non-executive directors:				
Ms. Jim Ka Man	216	—	—	216
Dr. Wan Ho Yuen, Terence	120	—	—	120
Mr. Lai Chi Leung (resigned on 29 April 2016)	10	—	—	10
Ms. Yeung Mo Sheung, Ann	120	—	—	120
Mr. Hau Chi Kit	120	—	—	120
	586	1,102	41	1,729

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

19. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

b. Senior management's emoluments

Of the five individuals with the highest emoluments in the Group, three (2017: three) was director of the Company whose emoluments included in the disclosures in note a above.

The emoluments of the remaining two (2017: two) highest paid individuals were as follows:

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Salaries and other benefits	1,140	1,209
Retirement benefits scheme contributions	36	36
	1,176	1,245

Their emoluments were within the following band:

	Number of individuals	
	2018	2017
Nil-HK\$1,000,000	2	2

- c. No emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the two years ended 31 March 2018 and 2017. No bonuses were paid by the Group to the directors or the five highest paid individuals which are discretionary or are based on the Group's performance during the two years ended 31 March 2018 and 2017.

During the year ended 31 March 2018, no directors waived emoluments (2017: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

20. PLANT AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Computer and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST					
At 31 March 2016	1,722	45	4,383	5,465	11,615
Exchange realignment	(104)	—	(256)	(349)	(709)
Additions	—	—	119	349	468
Disposal	(31)	—	—	—	(31)
At 31 March 2017 and at 1 April 2017	1,587	45	4,246	5,465	11,343
Exchange realignment	171	—	423	589	1,183
Addition from acquisition	—	—	121	—	121
Additions	—	11	281	—	292
At 31 March 2018	1,758	56	5,071	6,054	12,939
ACCUMULATED DEPRECIATION					
At 31 March 2016	1,699	45	3,915	2,007	7,666
Exchange realignment	(104)	—	(229)	(148)	(481)
Provision for the year	5	—	14	652	671
Eliminated on disposals	(13)	—	—	—	(13)
At 31 March 2017 and at 1 April 2017	1,587	45	3,700	2,511	7,843
Exchange realignment	171	—	377	321	869
Provision for the year	—	1	107	626	734
At 31 March 2018	1,758	46	4,184	3,458	9,446
CARRYING AMOUNTS					
At 31 March 2018	—	10	887	2,596	3,493
At 31 March 2017	—	—	546	2,954	3,500

The above items of plant and equipment are depreciated on a straight-line basis over their estimated useful lives, less their residual values, as follows:

Leasehold improvements	Over the shorter of lease terms or 5 years
Furniture and fixtures	5 years
Computer and office equipment	5 years
Motor vehicles	3 ¹ / ₃ to 8 years

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

21. INVESTMENT PROPERTY

	2018 HK\$'000	2017 HK\$'000
At beginning of the year	145,000	—
Acquisition of assets through acquisition of subsidiaries	—	127,901
(Decrease)/Increase in fair value gain of investment property	(9,000)	17,099
At end of the year	136,000	145,000
Unrealised (loss)/gain on investment property included in profit or loss	(9,000)	17,099

The carrying amounts of investment properties shown above comprise:

	2018 HK\$'000	2017 HK\$'000
Land in Hong Kong: Medium-term lease	136,000	145,000

The valuations of the Group's investment property was carried out by an independent external property valuer (the "valuer") called Colliers International (Hong Kong) Ltd, which has appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The valuer applied income capitalisation method in determining the open market values. The specific risk inherent in each property are taken into consideration in arriving at the valuations. The management has discussions with the valuers on the valuation assumptions and valuation results when the valuation is performed at each annual reporting date.

	Fair value as at 31 March 2018 HK\$'000	Fair value hierarchy 2017 HK\$'000		Valuation technique(s) and key inputs	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Financial assets						
Investment property	136,000	145,000	Level 3	Income capitalisation method	Rental value of HK\$200,000 per square feet per month. Capitalisation rate of 1.66%	The higher the rental value, the higher the fair value. The lower the capitalisation rate, the higher the fair value

As at 31 March 2018, the property with carrying amount of HK\$136,000,000 (2017: HK\$145,000,000) was pledged for a bank and other borrowings.

22. GOODWILL

	2018 HK\$'000	2017 HK\$'000
At beginning of the year	9,810	—
Acquisition of subsidiaries	54,592	9,810
Impairment loss	(5,657)	—
At end of the year	58,745	9,810

The Group performed its annual impairment test for goodwill allocated to the FWI Group and MPL Group by comparing its recoverable amount to its carrying amount as at the end of the reporting period separately. The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations used cash flow projections based on a five-year financial budget approved by management. Cash flows beyond a five-year period approved by management have been extrapolated with an estimated general annual growth of 3% of FWI Group and MPL Group separately. The discount rate used of 14.82% for FWI Group and 17.4% (2017: 19.0%) for MPL Group, reflects specific risks related to the relevant segments. Other key assumptions for value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

23. INVESTMENT IN ASSOCIATES

	2018 HK\$'000	2017 HK\$'000
Unlisted investments, at cost	77,634	—
Share of post-acquisition loss	(221)	—
	77,413	—
Movements during the year are as follows:		
At the beginning of year	—	—
Share of loss for the year	(221)	—
At the end of year	(221)	—

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

Name of companies	Place of incorporation/ establishment and operation	Particulars of issued/registered and paid up capital	Proportion of ownership interests	Principal activity
Billion Ray Investment Limited	British Virgin Islands	10 ordinary shares of USD10 each	20%	Investment holding
Allied Star Creation Limited	Hong Kong	1 ordinary share	20%	Investment holding
汕頭市麗潮旅遊開發有限公司	the PRC	Registered capital of USD20,000,000	20%	Tourism project development
汕頭市潮人碼頭遊艇俱樂部有限公司	the PRC	Registered capital of RMB1,000,000	20%	Tourism project development

Summarised financial information of associates is set out below:

	2018 HK\$'000
Non-current assets	63,219
Current assets	34,516
Current liabilities	(103,284)
Revenue	—
Loss for the year	(1,108)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

24. INTANGIBLE ASSETS

	Platform <i>HK\$'000</i>	Non-competition arrangement <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost			
At 1 April 2016	—	—	—
Acquisition of subsidiaries	—	4,434	4,434
At 31 March 2017 and at 1 April 2017	—	4,434	4,434
Acquisition of subsidiaries	34,437	—	34,437
At 31 March 2018	34,437	4,434	38,871
Accumulated amortisation and impairment			
At 1 April 2016	—	—	—
Amortisation for the year	—	296	296
At 31 March 2017 and at 1 April 2017	—	296	296
Amortisation for the year	5,166	886	6,052
Impairment loss	—	3,252	3,352
At 31 March 2018	5,166	4,434	9,600
Net carrying amount			
At 31 March 2018	29,271	—	29,271
At 31 March 2017	—	4,138	4,138

During the year ended 31 March 2017, acquisitions of intangible asset with amount of approximately HK\$4,434,000 acquired through acquisition of MPL Group, represent a Non-competition Arrangement with 5 years useful life. Detail of impairment review, please refer to note 22.

During the year ended 31 March 2018, acquisitions of intangible asset with amount of approximately HK\$34,437,000 acquired through acquisition of FWI Group, represent platform with 5 years useful life. Detail of impairment review, please refer to note 22.

25. AVAILABLE-FOR-SALE INVESTMENTS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Unlisted equity securities, at cost (Note a)	6,600	6,600
Less: Impairment loss recognised	—	—
	6,600	6,600

Note:

- a. On 10 April 2015, the wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party for the acquisition of 0.10% equity interest in Satinu Resources Group Limited, which principally engaged in investment holding, property investment, forest holding, money lending, securities brokerage and financial services, corporate finance advisory services, asset management, investment advisory and fund management, at a consideration of HK\$6,600,000 in cash. The investment was designated as an available-for-sale investment upon initial.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

26. TRADE AND OTHER RECEIVABLES

	2018 HK\$'000	2017 HK\$'000
Trade and bills receivables	56,620	41,790
Less: Impairment loss recognised	(36,851)	(35,012)
	19,769	6,778
Retention receivables	3,368	5,662
Less: Impairment loss recognised	(939)	(848)
	2,429	4,814
Other receivables	57,539	63,926
Less: Impairment loss recognised	(40,539)	(36,051)
	17,000	27,875
	39,198	39,467

Notes:

a. Trade and bills receivables

Trade and bills receivables are due for settlement in accordance with the terms of the underlying agreements with the customers. Trade receivables with balances that are more than 9 months' overdue are requested for settlement of all outstanding balances before any further credit is granted.

Impairment loss is recognised against trade and bills receivables based on estimated irrecoverable amounts determined by reference to past default experience of customers.

An aged analysis of trade and bills receivables based on dates of invoices, net of impairment loss recognised, is as follows:

	2018 HK\$'000	2017 HK\$'000
0-30 days	4,479	3,657
31-90 days	7,228	776
Over 90 days	8,062	2,345
	19,769	6,778

Movements in impairment loss on trade and bills receivables are as follows:

	2018 HK\$'000	2017 HK\$'000
At beginning of the year	35,012	29,060
Exchange realignment	3,682	(2,038)
Recognised during the year	1,687	8,130
Reversal during the year	(3,530)	(140)
At end of the year	36,851	35,012

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

26. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

a. Trade and bills receivables (Continued)

Trade and bills receivables amounted to approximately HK\$36,851,000 at 31 March 2018 (2017: HK\$35,012,000) were individually determined to be impaired and impairment loss on these receivables has been made in full. The Group does not hold any collateral over these balances.

An analysis of trade and bills receivables at 31 March 2018 and 2017 not impaired is as follows:

	Total HK\$'000	Neither past due nor impaired HK\$'000	Past due but not impaired		
			Not more than 90 days HK\$'000	More than 90 days but less than 1 year HK\$'000	Over 1 year HK\$'000
31 March 2018	19,769	—	11,707	8,062	—
31 March 2017	6,778	—	4,433	2,345	—

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

b. Retention receivables

Retention receivables, net of impairment loss recognised, amounted to approximately HK\$2,429,000 as at 31 March 2018 (2017: HK\$4,814,000) are substantially due for settlement after a period of more than 12 months.

Movements in impairment losses of retention receivables are as follows:

	2018 HK\$'000	2017 HK\$'000
At beginning of the year	848	903
Exchange realignment	91	(55)
At end of the year	939	848

Retention receivables amounting to approximately HK\$939,000 at 31 March 2018 (2017: HK\$848,000) were individually impaired and impairment loss on these receivables has been made in full. The Group does not hold any collateral over these balances.

c. Other receivables

	2018 HK\$'000	2017 HK\$'000
Advances to third parties	56,357	62,712
Advances to staff of the Group	1,182	1,214
	57,539	63,926
Less: Impairment loss recognised	(40,539)	(36,051)
	17,000	27,875

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

26. TRADE AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

c. Other receivables (Continued)

The other receivables are unsecured, interest free and repayable on demand.

Movements in impairment loss of other receivables are as follows:

	2018 HK\$'000	2017 HK\$'000
At beginning of the year	36,051	43,800
Exchange realignment	4,069	(2,615)
Recognised during the year	480	136
Reversal during the year (Note 11)	(61)	(5,270)
At end of the year	40,539	36,051

Other receivables amounted to approximately HK\$40,539,000 at 31 March 2018 (2017: HK\$36,051,000) were individually impaired and impairment loss on these receivables has been made in full. The Group does not hold any collateral over these balances.

27. LOAN RECEIVABLES

The Group's loan receivables arose from the money lending business. All loan receivables are unsecured and repayable within one year from the end of the reporting period. Interest rate on the fixed rate loans receivables as at 31 March 2018 is at 12% (2017: 12%) per annum.

In determining the impairment of loans receivables from money lending business, the management considers the settlements subsequent to maturity of the relevant loans receivables.

Loan receivables are neither past due nor impaired at the end of the reporting period and the directors of the Company are of the opinion that the amounts are recoverable.

28. DEPOSITS AND PREPAYMENTS

During the year ended 31 March 2018, deposits and prepayments included a prepayment amounted to approximately HK\$5,234,000 (2017: Nil) paid to suppliers relating to obtaining the right to distribute multi-media related services and content in the Greater China via different platform like cable TV.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

29. AMOUNTS DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Contracts in progress at the end of the reporting period:		
Contract costs incurred plus recognised profits less recognised losses	224,819	176,959
Less: Progress billings	(225,380)	(176,384)
	(561)	575
Analysed for reporting purposes as:		
Amounts due from customers for contract work	715	7,972
Amounts due to customers for contract work	(1,276)	(7,397)
	(561)	575

At 31 March 2018, retentions held by customers for contract works, net of impairment loss recognised, amounted to approximately HK\$2,429,000 (2017: HK\$4,814,000).

30. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Equity securities listed in Hong Kong, at fair value	62,841	84,357

The financial assets are held for trading purposes. The fair values of these financial assets are based on quoted market bid prices (Level 1 measurement).

The Group's investments in equity securities included equity securities of a company whose listing was suspended during the year ended 31 March 2017 and the Stock Exchange of Hong Kong had considered that the company had failed to maintain sufficient operations and had commenced procedures to cancel the Company's listing. Based on the published annual report of the Company for the year ended 31 March 2017, the Company was in net liability position. Accordingly, an amount of HK\$4,582,000 of impairment loss was recognised to fully write down the carrying amount of the investment in this investee.

The financial assets at fair value through profit or loss of approximately HK\$60,249,000 (2017: HK\$69,495,000) were pledged as collateral for bank loan of approximately HK\$69,998,000 as at 31 March 2018 (2017: HK\$70,119,000).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

31. PLEDGED BANK BALANCE AND BANK BALANCES AND CASH

The pledged bank balance of approximately HK\$1,001,000 (2017: HK\$5,530,000) were pledged as collateral for bank loan of approximately HK\$7,271,000 as at 31 March 2018 (2017: HK\$70,119,000).

32. TRADE AND OTHER PAYABLES

	2018 HK\$'000	2017 HK\$'000
Trade payables (<i>Note a</i>)	44,685	39,356
Amount due to a former shareholder (<i>Note b</i>)	18,360	16,571
Accrued and other payables (<i>Note c</i>)	73,825	30,182
	136,870	86,109

Notes:

- a. An aged analysis of trade payables at the end of the reporting period, based on invoice dates, is as follows:

	2018 HK\$'000	2017 HK\$'000
0-30 days	22,587	25,717
31-90 days	3,243	301
Over 90 days	18,855	13,338
	44,685	39,356

The average credit period granted by the suppliers of the Group is 30-90 days (2017: 30-90 days). The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

- b. The amount due to an entity, which was a registered shareholder of the Company in prior years, is unsecured, interest free and repayable on demand. This entity ceased to be the Company's registered shareholder since 2014.
- c. Include in accrued and other payables, the amount of approximately HK\$50,241,000 represents the amounts due to minority shareholder of a subsidiary. The amounts were unsecured, interest free and not call for repayment within 12 months.

33. MARGIN PAYABLES

Margin payables represents margin loans arising from the trading of listed investments which are repayable on demand. No ageing analysis is disclosed in respect of margin payables. In opinion of the Directors, an ageing analysis does not give additional value in view of the Group's business nature.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

34. BANK AND OTHER BORROWINGS

	2018 HK\$'000	2017 HK\$'000
Bank borrowings	7,271	70,119
Other borrowings	199,931	142,046
	207,202	212,165

Notes:

- a. The Group's bank and other borrowings are secured by 100% of the issued capital of certain subsidiaries of the Group and the certain assets of the Group as follows:

	2018 HK\$'000
Investment property	136,000
Finance assets at fair value through profit or loss	62,841
Pledged bank deposit	1,001
	199,842

- b. As at 31 March 2018, the Group has credit and banking facilities totaling HK\$49,238,000, of which HK\$43,271,000 has been utilised, all banking facilities were secured.
- c. All other borrowings will be settled within 1 year and hence classified as current liability.
- d. As at 31 March 2018, the other borrowings were interest bearing at a fixed rate of 5%–30% per annum.
- e. As at 31 March 2018, bank borrowings were bearing interest at a variable rate of 1% per annum over 1 month HIBOR or Bank's cost of funds.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

35. BONDS

The bonds are repayable as follows:

	2018 HK\$'000	2017 HK\$'000
Within 1 year	—	—
Between 2 to 5 years	15,274	7,368
After 5 years	—	6,337
	15,274	13,705

- (a) On 16 July 2015, the Company issued a bond with principal amount of HK\$10,005,000 to an independent third party with coupon interest of 4.85% per annum and a maturity of 7 years from the date of issue. The effective interest rate for the bond is 10.32% per annum after considering the direct transaction costs.
- (b) On 17 July 2015, the Company issued a bond with principal amount of HK\$527,000 to an independent third party with coupon interest of 4.85% per annum and a maturity of 7 years from the date of issue. The effective interest rate for the bond is 10.32% per annum after considering the direct transaction costs.
- (c) On 14 September 2015, the Company issued a bond of HK\$9,800,000 to an independent third party with coupon interest of 6% per annum and a maturity of 4 years from the date of issue. The effective interest rate for the bond is 12.41% per annum after considering the direct transaction costs.

36. SHARE CAPITAL

	Number of shares	Nominal amount HK\$'000
Authorised:		
Ordinary shares of HK\$1 each at 1 April 2016	200,000,000	200,000
Capital reduction and subdivision (<i>Note a</i>)	199,800,000,000	—
Ordinary shares of HK\$0.001 each at 31 March 2017, at 1 April 2017 and at 31 March 2018	200,000,000,000	200,000
Issued and fully paid:		
Ordinary shares of HK\$1 each at 1 April 2016	99,351,565	99,351
Capital reduction and subdivision (<i>Note a</i>)	—	(99,252)
Issue of shares upon:		
— placements of shares (<i>Note b</i>)	19,870,313	20
Ordinary shares of HK\$0.001 each at 31 March 2017 and at 1 April 2017	119,221,878	119
Issue of shares upon:		
— Issue of consideration shares (<i>Note c</i>)	23,035,000	23
Ordinary shares of HK\$0.001 each at 31 March 2018	142,256,878	142

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

36. SHARE CAPITAL (Continued)

Notes:

- (a) Pursuant to an order granted by the Court of the Cayman Islands on 14 April 2016, the reduction of the issued share capital of the Company by reducing the par value of each issued share from HK\$1 to HK\$0.001 by cancelling the paid up share capital to the extent of HK\$0.999 per issued share was approved, each authorised but unissued share of the Company with nominal value of HK\$1 also has been subdivided into 1,000 shares of the Company with nominal value of HK\$0.001 each, with effect after 4:00 p.m. on 25 April 2016 but before 9:00 a.m. on 26 April 2016. Further details of the capital reduction of issued shares and subdivision of unissued shares are set out in the announcements dated 20 November 2015, 27 November 2015 and 29 December 2015 and the circular dated 3 December 2015.
- (b) During the year ended 31 March 2017, certain placements of shares with amount of 19,870,313 shares have been placed on 18 July 2016 by a placing agent at the placing price of HK\$0.57 per placing share pursuant to the terms and conditions of the placing agreement.
- (c) On 28 June 2017, a total of 23,035,000 consideration shares have been issued at the price of HK\$2.06 per share pursuant to the terms and conditions of the sale and purchase agreement to acquire 85% of issue share capital of Full Wealthy International Limited and its subsidiaries (collectively the "FWI Group") at the consideration of HK\$47.45 million.

37. PROMISSORY NOTE

The promissory note were settled and movements of the promissory note during the year are as follows:

	2018 HK\$'000	2017 HK\$'000
At beginning of the year	11,554	—
Acquisition of subsidiaries	—	11,716
Acquisition of associates	77,634	
Interest charge for the year	10,543	242
Payment and payables	(627)	(4)
Loss or (gain) on early redemption	81	(400)
At end of the year	99,185	11,554

The promissory note are repayable as follows:

	2018 HK\$'000	2017 HK\$'000
Within 1 year	—	—
Between 2 to 5 years	99,185	11,554
	99,185	11,554

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

37. PROMISSORY NOTE (Continued)

- (a) On 23 November 2016, the Company issued a promissory note ("PN1") with principal amount of HK\$14,400,000 to a third party as a part of the consideration. The promissory note is unsecured, carries interest at 6% per annum and will be matured on 22 November 2019 ("the PN1 Maturity Date"). The Company has the right to redeem in full or in part of the principal amount together with interest accrued thereon at any time prior to the PN1 Maturity Date. The fair value of the early redemption option was insignificant as at the issue date, as at 31 March 2017 and as at 31 March 2018. The effective interest rate of PN1 is 14.03%.
- (b) On 9 May 2017, the Company issued a promissory note ("PN2") with principal amount of HK\$100,000,000 to a third party as consideration. The promissory note is unsecured, carries interest at 4% per annum and will be matured on 8 May 2020. The effective interest rate of PN2 is 13.56%.

38. DEFERRED TAX (ASSETS)/LIABILITIES

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movement during the year are as follows:

	Tax loss HK\$'000	Recognition of intangible assets HK\$'000	Total HK\$'000
At 1 April 2016	—	—	—
Acquisition of subsidiaries	—	732	732
Deferred tax credit to the consolidated statement of profit or loss during the year	—	(49)	(49)
At 31 March 2017 and at 1 April 2017	—	683	683
Acquisition of subsidiaries	(9,259)	5,682	(3,577)
Deferred tax charge/(credit) to the consolidated statement of profit or loss during the year	1,025	(1,535)	(510)
At 31 March 2018	(8,234)	4,830	(3,404)

Under the EIT Law, withholding tax is imposed on dividends in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards (the "Post-2008 Earnings"). No deferred taxation has been provided for PRC in the consolidated financial statements in respect of temporary differences attributable to the Post-2008 Earnings as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

As at 31 March 2017, deferred tax liabilities relating to the undistributed profits of the Company's PRC subsidiaries of HK\$54,478,000 (2016: HK\$51,185,000) were not recognised as the Company controls the dividend policy of these subsidiaries and it has determined that those profits will not be distributed in the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

39. ACQUISITION OF ASSETS THROUGH ACQUISITION OF SUBSIDIARIES

Cicero Capital Limited and its subsidiary ("CCL Group")

On 8 August 2016, the Group has entered into a sales and purchase agreement with an independent third party for the acquisition of 100% of the issued share capital of CCL Group at a cash consideration of HK\$128,000,000. The CCL Group is the legal and beneficial owner of a landed property situated with 3 car parking spaces located in Hong Kong. The acquisition was completed on 12 October 2016.

CCL has not carried out any businesses on acquisition date. In the opinion of the directors, the acquisition did not constitute an acquisition of business in substance within the scope of HKFRS 3 Business Combinations. The acquisition of the investment property was then considered as acquisition of assets through acquisition of subsidiaries.

The following summarises the consideration paid and the fair value of the assets acquired and liabilities assumed at the date of acquisition:

	<i>HK\$'000</i>
Investment property	127,901
Other receivables	99
Net assets acquired	128,000

The fair value of investment property at the date of acquisition was valued by Colliers International (Hong Kong) Limited, independent qualified valuer not connected to the Group, by reference to the market evidence of transaction price for similar properties.

Analysis of net cash outflow arising on acquisition:

	<i>HK\$'000</i>
Purchase consideration settled in cash	(128,000)
Less: Bank balances and cash acquired from the subsidiaries	—
Net cash outflow from acquisition of assets through acquisition of subsidiary	(128,000)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

40. ACQUISITION OF SUBSIDIARIES

Full Wealthy Investment Limited and its subsidiary (“FWI Group”)

On 28 June 2017, the Group has entered into a sales and purchase agreement with an independent third party for the acquisition of 85% of the issued share capital of FWL Group at a share consideration of HK\$47,452,100. FWI Group is principally engaged in provision of multi-media related services and content in the Greater China via different platforms. The acquisition was completed on 28 June 2017.

The following summarises the consideration paid and the fair value of the assets acquired and liabilities assumed at the date of acquisition:

	<i>HK\$'000</i>
Plant and equipment	121
Intangible assets	34,437
Deferred tax assets	9,259
Account receivables	2,000
Tax receivables	199
Other receivables	16,056
Pledged bank deposit	1,001
Cash and bank balances	561
Account payables	(15,466)
Accruals and other payables	(47,697)
Bank and other borrowings	(10,663)
Deferred tax liabilities	(5,682)
Total identifiable net liabilities at fair value	(15,874)
Non-controllable interest	2,381
	(13,493)
Contingent consideration	6,352
Goodwill arising on acquisition	54,593
Satisfactory by issuance of consideration shares at fair value	47,452
Analysis of net cash outflow arising on acquisition:	
Cash and bank balances	561
Pledged bank deposit	1,001
	1,562

Impact of the acquisition on the results of the Group

Since the acquisition, FWI Group contributed approximately HK\$30,385,000 to the Group's revenue and approximately HK\$3,215,000 to the consolidated profit for the year ended 31 March 2018.

If the acquisition of the FWI Group had been completed on 1 April 2017, the revenue of the Group and loss of the Group for the year ended 31 March 2018 would have been approximately HK\$36,562,000 and approximately HK\$1,372,000 respectively. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operation of the Group that actually would have been achieved had the acquisition been completed on 1 April 2017, nor is it intended to be a projection of future results.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

40. ACQUISITION OF SUBSIDIARIES (Continued)

Impact of the acquisition on the results of the Group (Continued)

Pursuant to the sales and purchase agreement (“SPA”), FWI Group warrants and represents to the Group that for the period from 28 June 2017 to 27 June 2018, that the net profit after tax of FWI Group shall not be less than HK\$4 million (“Profit Guarantee”). In the event the Profit Guarantee is not achieved, the vendor will make compensation payment amounted to 11.86 times of the shortfall amount (i.e. the difference between actual profit and profit as per Profit Guarantee). At the date of acquisition, the fair value of the contingent consideration receivable is approximately HK\$6,352,000, which was estimated by applying the discounted cash flow approach. The fair value estimates are based on a discount factor of 15.7%. This is a level 3 fair value measurement.

As at 31 March 2018, the fair value of contingent consideration is zero. The fair value is estimated based on the valuation performed by independent qualified professional valuers not connected to the Group.

MPL Group

On 23 November 2016, the Group acquired 51% of the issued share capital of MPL Group for consideration of HK\$14,400,000 which was satisfied by issuance of promissory note at fair value of HK\$11,716,000. The amount of goodwill arising as a result of the acquisition was HK\$9,810,000. MPL Group is engaged in provision of services and solutions on cyber security to customers. MPL Limited was acquired so as to expand the revenue stream of the Group. The acquisition was completed on 19 September 2016.

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

	Fair value recognised on acquisition <i>HK\$'000</i>
Intangible asset	4,434
Bank balances and cash	64
Trade and other receivables	141
Trade and other payables	(169)
Deferred tax liabilities	(732)
Total identifiable net assets at fair value	3,738
Non-controlling interest	(1,832)
	1,906
Goodwill arising on acquisition	9,810
Satisfied by promissory note	11,716

Goodwill arose in the acquisition of MPL Group because the cost of the combination included in relation to the benefits of revenue growth, future market development and the assembled workforce. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible asset.

None of the goodwill arising on these acquisition is expected to be deductible for tax purpose.

	<i>HK\$'000</i>
Bank balances and cash acquired from the subsidiaries	64
Net cash inflow for the acquisition of subsidiaries	64

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

40. ACQUISITION OF SUBSIDIARIES (Continued)

Impact of the acquisition on the results of the Group

Since the acquisition, MPL Group contributed approximately HK\$5,939,000 to the Group's revenue and approximately HK\$875,000 to the consolidated profit for the year ended 31 March 2017.

If the acquisition of the MPL Group had been completed on 1 April 2016, the revenue of the Group and loss of the Group for the year ended 31 March 2017 would have been approximately HK\$36,462,000 and HK\$38,918,000 respectively. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of operation 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.

41. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme was adopted pursuant to a resolution passed on 22 October 2003 (the "Old Scheme") for the primary purpose of providing incentives to selected participants, including directors and eligible employees. Under the Old Scheme, the Board of Directors of the Company may grant option to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The Old Scheme was expired on 21 October 2013.

The Company's share option scheme (the "New Scheme") was adopted pursuant to a resolution passed on 12 November 2014 for the primary purpose of providing incentives to selected participants, including directors and eligible employees. Under the New Scheme, the Board of Directors of the Company may grant option to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

There were no movement and no outstanding share options as at 31 March 2017 and 2018.

A nominal consideration of HK\$1 is payable on the grant of an option. Options may be exercised at any time from the date of grant of the share option to the last day of the ten-year period after grant date. The exercise price is determined by the directors of the Company, and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the shares for five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

No share-based payment expenses were recognised for the year ended 31 March 2018 (2017: Nil) in relation to share options granted by the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

42. COMMITMENTS

At the end of the reporting period, the Group had the following commitments:

Commitments under operating leases

The Group as lessee

The Group leased certain of its office premises under operating leases. Leases for properties were negotiated for a term ranging from one to three years and rentals were fixed, with an option to renew the lease. At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	4,156	3,902
In the second to fifth years inclusive	758	3,194
	4,914	7,096

The Group as lessor

The Group leases out investment property under operating leases on terms ranging from two to five years and with an option to renew the lease by the Group after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The Group's total future minimum lease payment receivable under non-cancellable operating leases are as follows:

	2018 HK\$'000	2017 HK\$'000
Within one year	2,000	2,400
In the second to fifth years inclusive	—	1,200
	2,000	3,600

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

43. CONTINGENT LIABILITIES

On 4 April 2014, the Company was served with a sealed copy of a petition (the "Petition") issued by Metal Winner Limited ("MWL") in Companies (Winding-up) Proceedings No. 83 of 2014 in the High Court of Hong Kong (the "Winding-up Proceedings") under which MWL (a) claimed that the Company was indebted to MWL in the sum of HK\$5,700,000; and (b) petitioned that the Company be wound up by the Court. As at the date of this report, this Petition was dismissed by the High Court of Hong Kong. Separately, there are two other parties who claimed the Company was indebted to them. After investigation, the Company found that the alleged debts claimed by these two parties arose from certain dealings between a former director of the Company and these two parties. The nature and mechanism of these dealings were the same or very similar to that of MWL's. In the Winding-up Proceedings, the court has found that there was an illegal scheme perpetrated on the Company by the aforesaid former director and MWL was a party to that scheme. In gist, the illegal scheme was that the aforesaid former director obtained loans from the counterparty and the Company was falsely made as a borrower to answer the repayment obligation. The Company commenced legal proceedings in the High Court (the "Injunction Proceedings") against these two parties seeking an injunction to restrain them from presenting any petition for the winding-up of the Company or to apply to substitute MWL as petitioner in the Winding-up Proceedings (the "Restrained Acts"). The two parties gave an undertaking to the court not to do the Restrained Acts until the resolution of the Injunction Proceedings.

After the Winding-up Proceedings were dismissed by court, the Company also managed to resolve the Injunction Proceedings by way of a consent order after the two parties were willing to give further undertaking to the court not to present any petition for the winding-up of the Company pending determination of the Writ of Summons to be issued (if any) by them against the Company for recovery of the said alleged debts and/or the determination of any counterclaims or the Writ of Summons to be issued (if any) by the Company against them for declaratory relief that the said alleged debts are void or unenforceable.

On 19 February 2016, the Company has been served with a sealed copy of the Writ of Summons (the "Writ") issued by one of the two parties sued in the Injunction Proceedings (the "Plaintiff"). Under the statement of claim endorsed on the Writ, the Plaintiff claims against the Company for a total sum of HK\$16,600,000 allegedly due on the dishonoured cheques issued by the Company and interest thereon.

In view of the Court's favourable findings in the Winding-up Proceedings and the striking similarity between the case of the Plaintiff and that of MWL in the Winding-up Proceedings, the Company believes that it has strong merits in defending the Plaintiff's claims and in counter-claiming such alleged debts are void and unenforceable. Therefore, the Company will vigorously contend the Plaintiff's claims and will seek legal advice to take all appropriate steps in the legal proceedings to safeguard the Company's interest.

On 15 December 2017, a consent order made by the High Court of Hong Kong, the Plaintiff has wholly discontinued the legal action against the Company and the Company has wholly discontinued its counterclaim against the Plaintiff and another co-defendant in the legal action. No compensation or damages was paid or payable by the Company to the Plaintiff or any other person (or vice versa) in connection with the legal action and the aforesaid discontinuation of the legal action.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Non-current Assets			
Investments in subsidiaries		3	3
		3	3
Current Assets			
Amounts due from subsidiaries	<i>(a)</i>	160,114	140,501
Bank balances		322	99
		160,436	140,600
Current Liabilities			
Other payables		4,220	4,073
Bank and other borrowings		189,586	135,501
Amount due to subsidiaries	<i>(a)</i>	924	536
		194,730	140,110
Net Current (Liabilities)/Assets		(34,294)	490
Total Assets less Current Liabilities		(34,291)	493
Capital and Reserves			
Share capital		142	119
Share premium and reserves	<i>(b)</i>	(148,892)	(24,886)
Total Equity		(148,750)	(24,767)
Non-current Liabilities			
Bonds		15,274	13,706
Promissory notes		99,185	11,554
		114,459	25,260
		(34,291)	493

The Company's statement of financial position was approved by the Board of Directors on 29 June 2018 and was signed on its behalf.

Lau Kelly
Director

Leung Chung Nam
Director

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

44. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Notes:

a. Amounts due from/(to) subsidiaries

The amounts are unsecured, non-interest bearing and repayable on demand.

b. Share premium and reserves

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i> <i>(Note)</i>	Exchange translation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 March 2016	452,396	1,200	1,986	(511,005)	(55,423)
Loss and total comprehensive expenses for the year	—	—	—	(79,454)	(79,454)
Share reduction	—	—	—	99,252	99,252
— Placement of shares	11,306	—	—	—	11,306
Share placement expenses	(341)	—	—	—	(341)
Share reduction expenses	(226)	—	—	—	(226)
At 31 March 2017	463,135	1,200	1,986	(491,207)	(24,886)
Loss and total comprehensive expenses for the year	—	—	—	(171,436)	(171,436)
Issue of consideration shares	47,430	—	—	—	47,430
At 31 March 2018	510,565	1,200	1,986	(662,643)	(148,892)

Note:

Capital reserve

The capital reserve represents waiver of amount due to a shareholder of the Company during the year ended 31 March 2003. As the waived amount was in substance equivalent to a capital contribution to the Company, hence, it was accounted for as capital reserve.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

45. PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of the Company's subsidiaries at 31 March 2018 and 2017 which principally affect the results or assets of the Group as the directors are of the opinion that a complete list of all the subsidiaries will be of excessive length.

Name of subsidiary	Place of incorporation/ establishment	Place of operations	Class of shares held	Issued share capital/registered capital	Kind of legal entity	Proportion of nominal value of issued capital/registered capital held by the Company				Proportion of voting power held		Principal activities
						Directly		Indirectly		2018	2017	
						2018	2017	2018	2017			
Tongfang Electronic Company Limited	British Virgin Islands ("BVI")	BVI	Ordinary shares	US\$65	Limited liability company	100%	100%	100%	—	100%	100%	Investment holding
Tongfang Electronic (Hong Kong) Company Limited	Hong Kong	Hong Kong	Ordinary shares	HK\$100,000	Limited liability company	—	—	100%	100%	100%	100%	Investment holding
Beijing Tongfang Electronic Science & Technology Co., Ltd	PRC	PRC	Contributed capital	US\$4,300,000	Wholly owned foreign enterprise	—	—	100%	100%	100%	100%	Research, development and provision of integrated management information system
Trend Brilliant Limited	Hong Kong	Hong Kong	Ordinary shares	HK\$10,000	Limited liability company	100%	100%	—	—	100%	100%	Investment holding
Sage Choice Inc	Vanuatu	Hong Kong	Ordinary shares	US\$100	Limited liability company	100%	100%	—	—	100%	100%	Investment holding
ISL Investment Limited	Hong Kong	Hong Kong	Ordinary shares	HK\$125,298,000	Limited liability company	—	—	100%	100%	100%	100%	Investment property
CPWorks Limited	Hong Kong	Hong Kong	Ordinary shares	HK\$10,000	Limited liability company	—	—	51%	51%	51%	51%	Provision of services and solutions on cyber security to customers
Aplex Hong Kong Limited	Hong Kong	Hong Kong	Ordinary shares	HK\$17,000,000	Limited liability company	—	—	85%	N/A	85%	N/A	Providing multi-media related services and content

None of the subsidiaries had any debt securities outstanding at 31 March 2018 and 2017 or at the time during the years ended on those dates.

46. RELATED PARTY TRANSACTIONS

All material transactions and balances with related parties have been disclosed elsewhere in the consolidated financial statements.

The key management personnel of the Group comprise all directors of the Company. Details of their emoluments are disclosed in Note 19. The remuneration of the directors of the Company is determined by the remuneration committee having regard to the performance of the individuals and market trends.

47. COMPARATIVE FIGURES

Certain comparative figures have been reclassified and represented to conform with the current presentation.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

48. EVENT AFTER REPORTING PERIOD

- a) On 9 May 2018, the Company has entered into a Swap Agreement with a creditor ("Creditor") pursuant to which the Company has conditionally agreed to swap the entire issued share capital of its wholly-owned subsidiaries ("Target Share") with the Creditor for (i) the loan and (ii) the provision of the Credit Facility, the Creditor (or its nominee) shall acquire the Target Share in exchange of the assignment of the loan and provision of the Credit Facility to the Company ("Swap"). The Company through its wholly-owned subsidiaries holds the entire issued share capital of ISL Investments Limited, which is the legal and beneficial owner of a property. The Creditor is the legal and beneficial owner of the Loan. The Property is held by the Group as an investment.

The Consideration was determined after arm's length negotiations between the Company and the Creditor with reference to the loan. The Consideration is equal to the market value of the property of HK\$136,000,000 as at 1 May 2018 as appraised by an independent valuer.

- b) On 21 May 2018, the Company and an independent third party ("Purchaser") entered into a sales and purchase agreement ("SPA"). Pursuant to the SPA, the Purchaser has conditionally agreed to acquire the Sale Shares and the Company has conditionally agreed to sell the entire issued share capital ("Sale Shares") of the Jovial Tycoon Holdings Limited ("Target Company"), a wholly-owned subsidiary.

Pursuant to the terms of the SPA, the Consideration of HK\$100,000,000 will be satisfied upon Completion by way of setting off with the principal value of promissory note in full. The promissory note was issued by the Company on 9 May 2017 in favour of the Purchaser in the aggregate principal amount of HK\$100,000,000. Moreover, upon Completion, the Purchaser will waive all interest accrued on the promissory note payable by the Company to the Purchaser.

49. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 29 June 2018.

Five Year Summary

FIVE YEAR SUMMARY

	For the year ended 31 March				
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	53,296	36,116	63,289	73,210	49,302
Loss before tax	(91,841)	(38,863)	(19,725)	(1,038)	(204,666)
Loss for the year	(91,300)	(39,320)	(19,802)	(460)	(207,019)
Attributable to:					
Owners of the Company	(86,135)	(39,686)	(19,802)	(460)	(207,019)
Non-controlling interests	(5,165)	366	—	—	—
	(91,300)	(39,320)	(19,802)	(460)	(207,019)
	As at 31 March				
	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000
Total assets	438,228	327,226	126,899	169,349	139,444
Total liabilities	(498,229)	(337,853)	(112,639)	(216,367)	(185,948)
	(60,001)	(10,627)	14,260	(47,018)	(46,504)
Equity/(deficit) attributable to owners of the Company	(54,677)	(12,824)	14,260	(47,018)	(46,504)
Non-controlling interests	(5,324)	2,197	—	—	—
	(60,001)	(10,627)	14,260	(47,018)	(46,504)