中國新金融集團有限公司

# China Innovative Finance Group Limited

(Incorporated in Bermuda with limited liability)

Stock code : 00412.HK

Annual Report 2017

# CONTENTS

# CORPORATE INFORMATION

**BOARD OF DIRECTORS**

*Non-Executive Director and Chairman:*

Mr. Li Hang
(appointed on 18 October 2016)

*Executive Directors:*

Ms. Cheng Yan *(Chief Executive)*
(appointed on 9 December 2016)

Mr. Wang Zhenjiang *(Vice President)*
(appointed on 18 October 2016)

Mr. Yau Wai Lung

Mr. Ma Chao

Mr. Ji Kewei (resigned on 18 October 2016)

*Non-Executive Director:*

Mr. Qiu Jianyang

*Independent Non-Executive Directors:*

Mr. To Shing Chuen

Mr. Chung Yuk Lun

Mr. Cheung Wing Ping

**AUDIT COMMITTEE**

Mr. Chung Yuk Lun *(Chairman)*

Mr. To Shing Chuen

Mr. Cheung Wing Ping

**REMUNERATION COMMITTEE**

Mr. Cheung Wing Ping *(Chairman)*

Mr. Wang Zhenjiang
(appointed on 19 October 2016)

Mr. Yau Wai Lung
(appointed on 19 October 2016)

Mr. To Shing Chuen

Mr. Chung Yuk Lun
(appointed on 19 October 2016)

Mr. Ji Kewei (resigned on 18 October 2016)

**NOMINATION COMMITTEE**

Mr. Li Hang *(Chairman)*
(appointed on 19 October 2016)

Mr. Yau Wai Lung

Mr. To Shing Chuen

Mr. Chung Yuk Lun
(appointed on 19 October 2016)

Mr. Cheung Wing Ping

# CORPORATE INFORMATION

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| **EXECUTIVE COMMITTEE** | Mr. Yau Wai Lung *(Chairman)*<br>Ms. Cheng Yan<br>(appointed on 9 December 2016)<br>Mr. Wang Zhenjiang<br>(appointed on 19 October 2016)<br>Mr. Ma Chao<br>Mr. Ji Kewei (resigned on 18 October 2016) |
| **JOINT COMPANY SECRETARIES** | Mr. Hwang Hau-zen, Basil<br>(appointed on 25 May 2017)<br>Mr. Yeung Chun Lap, Jacky<br>(appointed on 25 May 2017)<br>Mr. Lau Yau Chuen, Louis<br>(resigned as Company Secretary on 25 May 2017) |
| **AUTHORISED REPRESENTATIVES** | Mr. Yau Wai Lung<br>Mr. Yeung Chun Lap, Jacky |
| **REGISTERED OFFICE** | Clarendon House<br>2 Church Street<br>Hamilton HM 11<br>Bermuda |
| **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG** | Rooms 1405–1410, 14/F.<br>China Resources Building<br>26 Harbour Road<br>Wanchai<br>Hong Kong |
| **STOCK CODE** | 412 |
| **AUDITOR** | HLB Hodgson Impey Cheng Limited<br>31/F, Gloucester Tower<br>The Landmark<br>11 Pedder Street<br>Central<br>Hong Kong SAR |

# CORPORATE INFORMATION

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| **LEGAL ADVISERS** | *Hong Kong law:*<br>Li & Partners<br>22/F, World-Wide House<br>Central<br>Hong Kong<br><br>*Bermuda law:*<br>Conyers Dill & Pearman<br>2901 One Exchange Square<br>8 Connaught Place<br>Central<br>Hong Kong |
| **PRINCIPAL BANKER** | The Hongkong and Shanghai Banking Corporation Limited<br>No. 1 Queen's Road Central<br>Hong Kong |
| **PRINCIPAL REGISTRAR IN BERMUDA** | MUFG Fund Services (Bermuda) Limited<br>The Belvedere Building<br>69 Pitts Bay Road<br>Pembroke HM08<br>Bermuda |
| **BRANCH REGISTRAR IN HONG KONG** | Computershare Hong Kong Investor Services Limited<br>17M Floor, Hopewell Centre<br>183 Queen's Road East<br>Wanchai<br>Hong Kong |
| **WEBSITE** | www.cifg.com.hk |

On behalf of the board ("Board") of directors ("Directors") of China Innovative Finance Group Limited, ("CIFG" or "Company" and, together with its subsidiaries, the "Group") (stock code: 0412.HK), I am pleased to present the annual results of CIFG for the year ended 31 March 2017 ("Year").

In the Year, CIFG took a stride in its corporate growth. We constantly accumulated experience in our existing businesses, reaped the first fruit of the synergy between different businesses, and continued to seek business cooperation on all levels, gradually increasing CIFG's strength. In September 2016, CIFG brought in a well-funded new strategic investor, Shandong Hi-Speed Group Co. Ltd. ("Shandong Hi-Speed Group"), a large, state-owned comprehensive business group, demonstrating Shandong Hi-Speed Group's confidence in the prospects of CIFG. The Board endeavours to facilitate cooperation between Shandong Hi-Speed Group and CIFG. On 25 April 2017, the Group announced a proposal to purchase 40% of the issued share capital of Shandong Hi-Speed (BVI) International Holdings Limited, in an attempt to further improve the deployment of the Group's financial business and capitalize on the market opportunities presented by the"One Belt, One Road" initiative.

For the Year, the Group's turnover grew by 99.5% year-on-year to HK$194 million. The profitability during the Year was mainly attributable to net fair value gain amounting to approximately HK$409.4 million (2016: gain of approximately HK$240.8 million), which was included in profit or loss account for the Year, as well as the revenue contributed from the leasing segment business amounting to approximately HK$165 million (2016: HK$89 million). Profit attributable to owners of the Company amounted to HK$159.3 million (2016: approximately HK$71.7 million).

In 2016, the Chinese government strengthened its support for the financial industry by continuing to issue policies that were favorable to the financial leasing and business factoring industries, including *Notice of the Comprehensive Implementation of the Pilot Reform for Transition from Business Tax to VAT, Guidance on Increased Financial Support for New Consumption Sector, and The Thirteenth Five-year Development Plan for Domestic Trade Flows*. Following the launches of Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect, more overseas funds flowed into the Hong Kong stock market, providing stimulus for the stock trading business. The management ("Management") of the Company believes that with a booming financial industry bolstered by a variety of policies, CIFG's financial segments will continuously benefit from the positive market conditions.

## FUTURE PROSPECTS

In future, the "One Belt, One Road" initiative will be the focus of the People's Republic of China ("China" or "PRC") and participating countries. CIFG will leverage its industry experience, its complementary businesses, and the market advantages and resources of its controlling shareholder to tap into the vast investment opportunities in over 60 countries along "One Belt, One Road".

# CHAIRMAN'S STATEMENT

CIFG will focus on industry investment, asset management, financial leasing, and financial services; proactively expand international business, focusing on healthcare consumption; carry out public development and infrastructure construction projects in cities along "One Belt, One Road" countries; and pursue investment opportunities in industries such as environmental protection and new energies, thereby invigorating and advancing the operating lease business to achieve synergy of the business eco-chain, building up core value of the Group in capital investment and management, and strengthening the Group's core competitiveness.

CIFG will also continue to abide by its prudent, proactive business expansion and M&A strategy and in the meantime search for appropriate opportunities for overseas M&A in an attempt to further diversify the business risks of the Group and create value for shareholders ("Shareholders") of the Company.

May I take this opportunity to express my heart-felt appreciation to the Directors, the Management, and all employees. I must also thank the Shareholders and customers of the Company for their unfailing trust and support. By pooling our efforts, we will take full advantage of the Group's strengths and experience to drive the Group's results up a notch.

**Li Hang**
*Chairman and Non-Executive Director*

30 June 2017

In 2016, the Chinese government continued to implement policies that were favorable for the financial leasing industry. In March 2016, the Ministry of Finance ("MOF") and State Administration of Taxation ("SAT") issued the *Notice of the Comprehensive Implementation of the Pilot Reform for Transition from Business Tax to VAT* (Cai Shui 2016 No. 36), switching to VAT for the financial leasing industry, and thereby reducing the tax burden for the industry; in the same month, the People's Bank of China ("PBOC") and the China Banking Regulatory Commission ("CBRC") published the *Guidance on Increased Financial Support for New Consumption Sector* to support the development of the financial leasing industry.

As for the business factoring industry, ten ministries and commissions, including the Ministry of Commerce ("MOFCOM"), National Development and Reform Commission ("NDRC"), Ministry of Industry and Information Technology of the People's Republic of China ("MIIT"), MOF, and PBOC, jointly published *The Thirteenth Five-year Development Plan for Domestic Trade Flows* on 11 November 2016 to encourage trading companies to set up credit appraisal systems and raise funds through business factoring so as to reduce financing costs.

On 5 December 2016, the Shenzhen-Hong Kong Stock Connect scheme was officially launched. Leveraging on the Shanghai-Hong Kong Stock Connect scheme, it further enhanced the connection to promote the further development of the capital markets in both Mainland China and Hong Kong. The establishment of the Shenzhen-Hong Kong Stock Connect scheme attracted more overseas funds and helped to boost the stock trading volume and explore more investment space with the potential.

## FINANCIAL RESULTS AND BUSINESS OVERVIEW

The Board announces that the Group has recorded a net profit of approximately HK$159.4 million for the Year (2016: HK$71.7 million). The profit is mainly attributable to the net fair value gain of approximately HK$409.4 million (2016: HK$240.8 million) arising from investments at fair value through profit or loss.

The Group as purchaser entered into a sales and purchase agreement with Beijing Taitong Hengye Investment Company Limited as vendor to acquire the entire issued share capital of China Innovative Finance Zhonghong (Shenzhen) Business Factoring Company Limited (formerly known as Shenzhen Qianhai Haotian Zhonghong Business Factoring Company Limited) ("CIFZ") on 2 September 2016 at a total consideration of approximately HK$34,845,000. The acquisition was completed on 6 September 2016.

On 29 September 2016, the Company announced that Shandong Hi-Speed Group, a large, state-owned commercial conglomerate group, became a strategic Shareholder. The investment of Shandong Hi-Speed Group indicated not only its recognition of CIFG's strength, but also its confidence in the prospect of CIFG.

On 1 October 2016, the Group acquired the entire share capital of China Innovative Finance Securities Limited (formerly known as Stephil Securities Limited) ("CIFS") pursuant to a sales and purchase agreement with Max-East Investments Limited and Tsang Chi Ming as selling parties dated 10 March 2016 at a total consideration of approximately HK$41,193,000.

On 25 April 2017, the Group announced the proposal to purchase 40% of the issued share capital of Shandong Hi-Speed (BVI) International Holdings Limited ("Target Company"), a member of the controlling Shareholder, for the consideration of HK$1.5 billion to be satisfied by the allotment and issuance of 5,000,000,000 consideration shares of the Company at HK$0.3 per ordinary share of the Company ("Share") at completion. For details, please refer to the Company's announcement dated 25 April 2017. Unlike its direct ownership in and operation of other financial leasing business, the Company intends to leverage on the advantages of Shandong Hi-Speed Group's ownership and continued management of the Target Company and its subsidiaries (collectively the "Target Group"). Based on the understanding that Shandong Hi-Speed Group shall remain as the majority shareholder of the Target Group and continue to exert its influence over the Target Group, the Company intends to invest in the Target Group as a passive investor, and as such instead of acquiring the entire or a majority interest, the Company will only acquire 40% of the issued share capital of the Target Company. Upon completion, the minority interest in the Target Company acquired by the Company will be held as part of its capital investment alongside with its investments in other listed or unlisted securities portfolio. The Target Company will be accounted for as an available for sale investment of the Company pursuant to the accounting policies adopted by the Company.

The Company is a financial investment holding company with its subsidiaries engaged in the following major lines of business during the Year:

### a) Financial leasing

The financial leasing business recorded a profit of approximately HK$208 million for the Year (2016: HK$70 million).

### b) Securities investment

The Group's securities portfolio had an unrealized fair value gain on investments at fair value through profit or loss of approximately HK$699 million for the Year (2016: HK$175 million) and a realized loss of approximately HK$457 million (2016: realized gain of approximately HK$9 million).

### c) Money lending business

For the Year, the money lending business recorded a turnover of approximately HK$21 million (2016: HK$8.2 million). The increase in turnover was mainly due to business expansion. The Group will continue to use a cautious approach to manage risk and upkeep the profitability of the business.

### d) Asset trading platform

The Group engaged in trading business relating to the leasing facilities, leasing assets and other related leasing properties, and provision of spot trading platform and marketing services and consulting services relating to the aforesaid businesses.

The Company's wholly-owned subsidiary, Shenzhen Asia-Pacific Leasing Assets Exchange Center Co., Ltd. (深圳亞太租賃資產交易中心有限公司), based in Qianhai, benefits from the policy advantages of the Guangdong Free Trade Area and Qianhai-Shenzhen-Hong Kong Modern Service Industry Cooperation Zone. It continues to be a leading domestic and international integrated financial leasing business service provider and financial leasing transaction service platform.

**e) Business factoring**

The Group as purchaser entered into a sale and purchase agreement with Beijing Taitong Hengye Investment Company Limited as vendor to acquire the entire issued share capital of CIFZ on 2 September 2016. The acquisition was completed on 6 September 2016.

CIFZ is principally engaged in business factoring operations, provision of consultancy services and provision of financial guarantees in Shenzhen.

The business factoring operations recorded a loss of approximately HK$2.4 million for the Year.

**f) Securities brokerage business**

On 1 October 2016, the Group acquired the entire share capital of CIFS pursuant to a sale and purchase agreement dated 10 March 2016.

CIFS is a corporation licensed to carry out Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) ("SFO"). It provides services as a securities trading platform for individual accounts and corporate accounts.

For the Year, the securities brokerage business recorded a loss of approximately HK$0.3 million.

## PROSPECT

The central government of the PRC has expressly and repeatedly indicated that "One Belt, One Road" initiative is an important strategic concept to support many countries to enhance infrastructure and embark on international capacity cooperation, providing a new driver for global economic growth. The numerous investment fields of "One Belt, One Road", such as infrastructure construction (including financial and social infrastructure), real estate development, and medical facilities and equipment, require the involvement of financial leasing company to make better use of the funds. By investment in the Target Group's business, the Company will further explore the investment opportunities presented in over 60 countries along "One Belt, One Road".

Meanwhile, the Company will continue to implement a consistent mergers and acquisitions ("M&A") strategy to realize its vision of becoming an integrated financial platform which offers a comprehensive spectrum of financial services. Currently, the Company is closely watching overseas developed financial markets for appropriate M&A opportunities in an attempt to further diversify the business risks of the Group and create value for the Shareholders.

## EVENTS AFTER THE END OF THE REPORTING PERIOD

The events after the end of the Year are set out in note 40 to the consolidated financial statements.

## FUND RAISING ACTIVITIES

In August 2016, the Company early redeemed the 7% denominated convertible bonds with the aggregate principal amount of US$40 million (approximately HK$310 million) (which is the CB 3 as referred to in note 29 to the consolidated financial statements) ("CB 3") in full. Each bond entitled the holder to convert the outstanding principal and interest of the bond to the Shares at a conversion price of HK$0.72 per conversion Share upon maturity on 31 December 2017. Details of the CB 3 were set out in the Company's announcement dated 24 December 2015.

Subsequent to the above redemption, the Company issued 8% denominated convertible bonds with the aggregate principal amount of US$40 million (approximately HK$310 million) (which is the CB 4 as referred to in note 29 to the consolidated financial statements) ("CB 4"). Each bond entitled the holder to convert the outstanding principal and interest of the bond to Shares at a conversion price of HK$0.72 per conversion Share upon maturity is on 16 August 2018. Details of the CB 4 were set out in the Company's announcement dated 27 July 2016.

On 17 October 2016 and 5 January 2017, the Company partially early redeemed the CB 4 in the principal amount of US$10 million and US$20 million respectively. As at 31 March 2017, the CB 4 in the principal amount of US$10 million remained in issue.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2017, the Group's total assets and borrowings were approximately HK$4,736 million and HK$1,275 million respectively. The borrowings of the Group represented bank borrowings of approximately HK$511 million, three convertible bonds in the aggregate principal amount of approximately HK$744 million, each with a fixed rate of interest of 8% per annum issued by the Company and two unsecured seven-year bonds of approximately HK$20 million, each with a fixed rate of interest of 5% per annum issued by the Company. Though the convertible bonds were denominated in United States dollars, the exchange rate is relatively stable, and the unsecured bonds were denominated in Hong Kong dollars, thus there is no exposure to fluctuations in exchange rate. The gearing ratio (total borrowings divided by total assets) as at 31 March 2017 was approximately 26.9% (2016: 40%).

## CURRENCY RISK MANAGEMENT

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi, Hong Kong dollars and United States dollars. The Group is mainly exposed to foreign exchange risk with respect to Renminbi which may affect the Group's performance. The Management is aware of the possible exchange rate exposure due to the continuing fluctuation of Renminbi and will closely monitor its impact on the performance of the Group and consider appropriate hedging measures in the future when necessary.

## PLEDGE OF ASSETS

As at 31 March 2017, the banking borrowings of the Group were secured by property, plant and equipment, finance lease receivables and restricted cash of the Company. Details are set out in note 34 to the consolidated financial statements.

## CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

Save as disclosed in note 35 to the consolidated financial statements, the Group had no other material contingent liabilities and capital commitment as at 31 March 2017 (2016: Nil).

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

On 14 June 2016, the Company held a special general meeting in which the Shareholders approved the off-market buy-back of 117,870,876 Shares from China Hover Dragon Group Limited and 3,929,029 Shares from Mr. Gao Chuanyi at nil consideration. The Share repurchase was related to the acquisition of Hong Kong Leasing Limited and its subsidiaries (collectively the "Hong Kong Leasing Group"). The buy-back of an aggregate number of 121,799,905 Shares has completed and the respective Shares have been cancelled on 22 August 2016. Further details were set out in the Company's announcements dated 15 April 2016, 21 April 2016 and 14 June 2016, respectively.

Save for the aforesaid, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the Year.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Save as disclosed in note 33 to the consolidated financial statements and above in this annual report, the Group had no material acquisitions and disposals of subsidiaries during the Year.

## EMPLOYEES, REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME

As at 31 March 2017, the Group had a workforce, including the Directors, of 100, of which 59 were based in the PRC. Staff costs incurred and charged to profit or loss for the year including Directors' remuneration but excluding equity-settled share based payment expenses, was approximately HK$52.4 million (2016: HK$38.1 million).

The Group selects and promotes staff based on their qualification, experience and suitability for the position offered. The Group's remuneration policy aims to retain and motivate staff. Performance of staff is appraised annually to provide a base for the review of the remuneration package. The Group operates a defined contribution mandatory provident fund retirement benefits scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance (Chapter 485 of laws of Hong Kong) for all its employees in Hong Kong.

The employees of the Group's subsidiaries in the PRC ("PRC Subsidiaries") are members of a state-managed retirement benefit plan operated by the government of the PRC. The PRC subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to supporting environmental sustainability. The Group is committed to implementing policies and measures in our daily business operations to foster reduction of the Group's environmental impact such as (i) video conferencing meetings among the Hong Kong headquarters and the PRC subsidiaries to save business travel; (ii) use of recycled papers and office light-out measures after office hours, etc.

## COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group that has a material adverse impact on the business and operations of the Group.

## RELATIONSHIPS WITH STAKEHOLDERS

The Company recognizes that employees are our valuable assets. The Group's employee management focuses on recruiting and growing the right people. Staff performance is measured on a regular and structured basis to provide employees with appropriate feedback and to ensure their alignment with the Group's corporate strategy. The Group also understands that maintaining long-term good relationship with business partners is one of the primary objectives of the Group. Accordingly, the Management have maintained good communication, promptly exchanged ideas and shared business updates with them when appropriate. During the Year, there were no material and significant disputes between the Group and its business partners.

## NON-EXECUTIVE DIRECTOR AND CHAIRMAN

**Mr. Li Hang**, aged 47, was appointed as a non-executive Director ("Non-executive Director" or "NED") and the chairman of the Board on 18 October 2016 and chairman of the nomination committee ("Nomination Committee") of the Company on 19 October 2016. He is the chief accountant of Shandong Hi-Speed Group, chairman of Shandong Hi-Speed Everbright Industrial Investment Fund Management Co., Ltd. and director of Shandong Expressway Company Limited, Weihai City Commercial Bank Co., Ltd. and Shandong Railway Construction Investment Company Limited. From 1994 to 2005, Mr. Li served a number of key positions in local and overseas offices of China Qingqi Group, and subsequently joined Shandong Hi-Speed Group in 2005. Mr. Li has over 20 years of working experience in corporate management and finance sectors.

Mr. Li holds a doctorate degree in management from Tongji University. He is a certified public accountant and senior accountant in China, a member of American Institute of Certified Public Accountants (AICPA), a member of Chartered Institute of Management Accountants (CIMA), a certified assets manager in China and a certified risks manager in China.

## EXECUTIVE DIRECTORS

**Ms. Cheng Yan**, aged 53, was appointed as an executive Director ("Executive Director" or "ED"), the chief executive and a member of the executive committee ("Executive Committee") of the Company on 9 December 2016. She has been involved in financial investments for nearly 20 years. She previously served as a vice chief executive officer of Huarong International Holdings Limited (華融國際控股有限公司); chairman and executive director of Huarong International Financial Holdings Limited (stock code: 0993.HK); managing director, executive head of the global customer center, vice chairman of the investment banking division and supervisor of the natural resources division of BOCI Asia Limited (中銀國際控股（亞洲）有限公司), as well as a senior manager with a number of large enterprises and financial institutions. She specialises in the building of corporate business models and core competitive strengths, as well as the design of project investment models and deal structures. She has extensive experience in investment banking and financial investment, with a special focus on research relating to corporate innovation and sustainable growth.

Ms. Cheng is currently an independent non-executive director (and chairman of nomination committee and member of strategic and development committee and audit committee) of Fuyao Glass Industry Group Co., Ltd. (stock code: 3606.HK), representative of Hong Kong and Macau from the Beijing Municipal Committee of the Chinese People's Political Consultative Conference, standing committee member of Beijing Overseas Association, committee member of Chinese Financial Association of Hong Kong, honorary secretary general of Chinese Asset Management Association of Hong Kong, life honorary president of Hong Kong Energy and Minerals United Associations (香港能源礦產聯合會), and deputy director of the economic committee of the China Democratic League Central Committee.

**Mr. Wang Zhenjiang**, aged 41, was appointed as an ED and the vice president of the Company on 18 October 2016 and a member of each of the remuneration committee of the Company ("Remuneration Committee") and the Executive Committee on 19 October 2016. He previously served as the vice head of the Investment Development Division of Shandong Hi-Speed Group and director of Shandong Feicheng Rural Commercial Bank. Mr. Wang has extensive experience in accounting, banking and investment and served in a number of management positions in Weihai City Commercial Bank Co., Ltd.

Mr. Wang holds a master degree in business administration from Shandong University of Finance and is a certified public accountant in China.

**Mr. Yau Wai Lung**, aged 45, has been an ED and the chairman of the Executive Committee since 2014. Mr. Yau was appointed as a member of the Remuneration Committee on 19 October 2016. He stepped down as the chairman of the Nomination Committee of the Company on 19 October 2016 and remains as the committee member. He has rich experience in project investment and management in Hong Kong and China. Mr. Yau held a number of senior business development roles in major corporations and, during his tenure with these corporations, Mr. Yau was involved in a number of cross-border business projects and was responsible for the investment and management of these projects.

**Mr. Ma Chao**, aged 34, has been an ED and a member of the Executive Committee since 2015. He graduated from Beijing Jiaotong University. Mr. Ma has extensive experience in finance and wealth management. Mr. Ma is currently the chairman of 華信財富資產管理有限公司 (Huaxin Asset Management Company Limited*). Prior to serving in his current position, Mr. Ma served as executive president of 湖南信託有限責任公司 (Hunan Trust Company Limited*) and managing director of 中誠信財務顧問有限公司 (Zhongchengxin Financial Advisory Company Limited*).

## NON-EXECUTIVE DIRECTOR

**Mr. Qiu Jianyang**, aged 54, has been a NED since 2015. He graduated from Hunan University (Hunan College of Finance and Economics) in 1985 with a major in Financial Accounting. Mr. Qiu has extensive experience in finance and investment. Mr. Qiu is currently the president of the Investment Department of 世紀金源投資集團有限公司 (Century Golden Resources Group*), responsible for investment feasibility analysis and review on business plans and strategic investments. Mr. Qiu is also a director of 中信建投證券股份有限責任公司 (China Securities Co., Ltd.*). Prior to these, Mr. Qiu served as vice president of 中信信息科技投資有限公司 (CITIC Information Technology Investment Co., Ltd*) and financial manager of 中國聯通第一分公司 (the First Branch of China Unicom*).

Mr. Qiu is a certified public accountant in the PRC, having held various positions such as a financial manager with rich investment experience in the global financial markets. Mr. Qiu has a wealth of theoretical knowledge, and has co-published a treatise entitled "Corporate Financial Accounting Practice" 《公司財務會計實務》.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. To Shing Chuen**, aged 66, has been an independent non-executive Director ("Independent Non-executive Director" or "INED") since 2002 and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. He has a Bachelor's of Arts degree and has over 20 years' experiences in trading, garment and leather industries. Mr. To is currently an independent non-executive director of China Opto Holdings Limited (Stock Code: 1332), which is a publicly listed company in Hong Kong.



* *For identification purposes only*

**Mr. Chung Yuk Lun**, aged 56, has been an INED since 2006, and the chairman of the Audit Committee. Mr. Chung was appointed as a member of each of the Remuneration Committee and the Nomination Committee of the Company on 19 October 2016. He has over 20 years' experience in the finance and accounting field. Mr. Chung is a fellow member of the Association of Chartered Certified Accountants, an associate member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Chartered Accountant (England and Wales). Mr. Chung is currently an independent non-executive director of Success Dragon International Holdings Limited (Stock Code: 1182). Mr. Chung was formerly an executive director of O Luxe Holdings Limited (Stock Code: 860) from February 2002 to September 2013. He was the chairman and an executive director of Eagle Ride Investment Holdings Limited (Stock Code: 901) from October 2002 to November 2013. He was an independent non-executive director of Dragonite International Limited (Stock Code: 329) from April 2010 to September 2014. He was an independent non-executive director of Rentian Technology Holdings Limited (Stock Code: 885) from April 2007 to October 2015. He was an executive director and chairman of HengTen Networks Group Limited (Stock Code: 136) from May 2014 to October 2015. He was an independent non-executive director of Freeman FinTech Corporation Limited (Stock Code: 279) from August 2013 to June 2016. He was an executive director of Imagi International Holdings Limited (Stock Code: 585) from May 2016 to June 2016. He was also an executive director of Fresh Express Delivery Holdings Group Co., Limited (Stock Code: 1175) from July 2016 to December 2016. All of the above are publicly listed companies in Hong Kong.

**Mr. Cheung Wing Ping**, aged 50, has been an INED since 2015, the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. He has over 20 years of experience in auditing and accounting fields. He holds a Bachelor's degree in Accountancy with honours from City University of Hong Kong and is a fellow of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung is currently an independent non-executive director of Freeman FinTech Corporation Limited (Stock Code: 279), Enerchina Holdings Limited (Stock Code: 622) and China Touyun Tech Group Limited (Stock Code: 1332), all of which are publicly listed companies in Hong Kong. Mr. Cheung was formerly an executive director of Eagle Ride Investment Holdings Limited (Stock Code: 901) from June 2011 to November 2013; and an executive director and an independent non-executive director of Mason Group Holdings Limited (Stock Code: 273) from July 2013 to September 2016 and October 2009 to June 2013, respectively, all of which are publicly listed companies in Hong Kong.

# BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

## SENIOR MANAGEMENT

**Mr. Liu Zhijie**

*Chief Financial Officer*

Mr. Liu holds a bachelor's degree from Shandong University of Finance and Economics. He is a senior accountant and selected as high-grade accountant personnel. Mr. Liu previously served as the General Manager of Planning and Financial Management Department of China Shandong International Economic and Technical Cooperation Group Limited and a director of Shandong International Economics (HK) Limited. Mr. Liu held audit, tax and financial management positions in accounting firms and large-scale state-owned enterprises. He also oversaw various overseas company and has extensive experience in financial management, investment and financing, as well as overseas business exposure.

**Mr. Hwang Hau-zen, Basil**

*General Counsel and Joint Company Secretary*

Mr. Hwang joined the Company in April 2017. He has over 19 years' experience in advising on financial regulatory matters, corporate finance transactions and M&A. Mr. Hwang has a LL.B. (Honours) degree from the National University of Singapore, and a Master of Science degree in Global Finance jointly granted by New York University's Stern School of Business and the Hong Kong University of Science and Technology. He holds a solicitor's practising certificate issued by the Law Society of Hong Kong.

**Mr. Law Man Tat Martin**

*Group Vice President*

Mr. Law is a seasoned financial & business executive with more than 25 years of experience, with 7 years in financial consulting and 18 years in financial management and risks management within financial and commercial institutions. Mr. Law previously served as senior executives within a number of renowned corporations, including Arthur Andersen & Co. CPA, Standard Chartered Bank, HSBC, Lloyd's of London, ANZ Bank, etc. Mr. Law previously stationed in Shanghai for more than 4 years whilst he served as Chief Financial Officer & Chief Operating Officer of Lloyd's of London China and Chief Financial Officer of ANZ Bank China respectively. Mr. Law has an extensive international working exposure in USA, UK, Australia and various other Asian countries. Mr. Law has a MBA degree and also possesses a number of internationally recognised professional qualifications including: Chartered Management Accountant, CIMA (UK), Chartered Global Management Accountant, AICPA (USA), Associate Member of Chartered Institute of Arbitrators, CIArb (UK), Certified Information System Auditor, ISACA (USA), Fellow member of Life Management Institutes, LOMA (USA), Associate of Reinsurance, LOMA (USA) and Associate of Customer Services, LOMA (USA).

**Mr. Fan Dongping**

*Managing Director, LAECAP*

Mr. Fan graduated from Beihang University and was awarded with a doctoral degree in engineering. Prior to joining LAECAP, Mr. Fan served as lecturer of School of Computer Science and Engineering, Beihang University, Deputy Supervisor of Department of Science and Technology Development, Chief Secretary of the Beihang Education Foundation, Honorary Vice President of IT Department of the Development and Reform Commission of Nanning City, Guangxi Zhuang Autonomous Region, Business Development Director of China Beijing Assets Exchange Centre, committee member of China Beijing Assets Exchange Centre, President of Beijing Jinmajia Internet Trading Co. Ltd., Vice President of China Qinglu Industrial Development Group Co. Ltd. and vice chairman of Beijing Jinmajia Internet Trading Co. Ltd.

**Mr. Yeung Chun Lap, Jacky**

*Deputy Financial Controller and Joint Company Secretary*

Mr. Yeung joined the Company in September 2016. Mr. Yeung graduated from The Chinese University of Hong Kong. Mr. Yeung has over 10 years of finance and compliance experiences gained from international firms of certified public accountants and listed companies. He is a member of the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Mr. Sam Cheng**

*Deputy Chief Risk Officer*

Mr. Cheng has over 20 years of experience in accounting, auditing, finance and risk management. Mr. Cheng's previous appointments included Internal Audit Director of Changzhou Trina Solar Ltd., Finance Director of Terex Corporation, Senior Manager of Shanghai PricewaterhouseCoopers Business Process Risk Consulting Department, Regional Internal Auditor of United Technologies, etc. Mr. Cheng obtained his bachelor degree in Accountancy from the City University of Hong Kong. Mr. Cheng is a member of the HKICPA.

# REPORT OF THE DIRECTORS

The Directors present the report together with the audited financial statements of the Group for the Year.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Principal activities of the subsidiaries comprise of various kinds of financial services, including financial leasing, operation of asset trading platform, investments in securities, money lending, investment holding, business factoring, and securities brokerage business, details of which are set out in note 42 to the consolidated financial statements.

## RESULTS AND DIVIDENDS

The results of the Group for the Year and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on pages 49 to 57.

The Directors do not recommend the payment of any dividend in respect of the Year.

## SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out on page 164. This summary does not form part of the audited financial statements.

## BUSINESS REVIEW

Disclosures as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the laws of Hong Kong) ("Hong Kong Companies Ordinance") regarding the business review can be found in the "Management Discussion and Analysis" section set out on pages 7 to 12 of this annual report. This discussion forms part of this report of the Directors.

A comprehensive Environmental, Social and Governance Report ("ESG Report") will be published on the websites of the Company and the Stock Exchange no later than three months after the publication of this annual report.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 16 to the consolidated financial statements.

## SHARE CAPITAL

On 14 June 2016, the Company held a special general meeting and approved the off-market buy-back of 117,870,876 Shares from China Hover Dragon Group Limited and 3,929,029 Shares from Mr. Gao Chuanyi at nil consideration. The share repurchase was related to the acquisition of the Hong Kong Leasing Group. The buy-back of an aggregate number of 121,799,905 Shares has completed and the respective Shares have been cancelled on 22 August 2016. Further details were set out in the Company's announcements dated 15 April 2016, 21 April 2016 and 14 June 2016, respectively.

Further details of movements in the share capital of the Company during the Year are set out in note 31 to the consolidated financial statements.

## EQUITY-LINKED AGREEMENTS

### (a) Convertible Bonds

(i) On 27 July 2016, the Company entered into the subscription agreement with Sea Venture Investments Limited (the "Subscriber") in relation to the issuance of the CB 4 under the general mandate of the Company at a conversion price of HK$0.72 and maturity on 16 August 2018. The proceeds of the CB 4 were intended to redeem the CB 3.

The issuance of the CB 4 in the aggregate principal amount of US$40,000,000 to the Subscriber was completed on 16 August 2016. Upon issue of the CB 4, the CB 3 has been redeemed in full. Any shortfall between the CB 4 and the redemption price of the CB 3 equivalent to an aggregate of US$40,000,000 together with all outstanding and unpaid interest accrued thereon was settled by the internal resources of the Group.

The reason for the redemption of the CB 3 was to enable the Company to enter into the subscription agreement on more favourable terms to the Group as compared with the CB 3 in term of, inter alia, the effective interest rate. The CB 3 requires the Company to pay interest of 7% per annum payable in arrears every six months and an up-front handling fee of 1% per annum whilst only interest of 8% per annum payable in arrears every six months is required to be paid by the Company for the CB 4. If the up-front handling fee is taken into account, the effective interest rate of the CB 4 is lower than the effective interest rate of the CB 3.

Further details are disclosed in the announcements of the Company dated 27 July 2016, 16 August 2016, 7 December 2016 and 5 January 2017.

(ii) On 7 October 2016, the Company and the Subscriber entered into a supplemental deed (the "Supplemental Deed"), pursuant to which the Company and the Subscriber agreed to amend the terms of the CB 4 to the effect that the Company may, at any time prior to the maturity of the CB 4 and by giving the Subscriber not less than three trading days' notice (or such shorter time as agreed to by the Subscriber in writing), redeem the outstanding CB 4, in whole or in part, at the applicable redemption amount. Save and except for the aforesaid, all other terms of the CB 4 remained unchanged. The amendments to the CB 4 have been approved by the Stock Exchange on 6 October 2016.

On 7 October 2016, the Company issued a redemption notice to the Subscriber exercising its redemption right to partially redeem the CB 4 in the principal sum of US$10,000,000 at the applicable redemption amount. The partial redemption of the outstanding CB 4 by the Company was funded by the internal resources of the Group. Completion of the early redemption took place on 17 October 2016.

The reason for entering into of the Supplemental Deed and the early redemption of the CB 4 was to enable the Company to better manage its capital structure with more flexibility and reduce the Company's future financial expenses and lowers its financial gearing level.

Further details are disclosed in the announcement of the Company dated 17 October 2016.

(iii) On 7 December 2016 (after trading hours), the Company entered into the second supplemental deed to the Convertible Bonds (the "Second Supplemental Deed") and the Supplemental deed to the Subscription Agreement (the "Subscription Agreement Supplemental Deed") with the Subscriber, pursuant to which the Company and the Subscriber agreed to further amend the terms of the CB 4 to the effect that:

(a) the restrictions on the transfer to connected persons of the Company were removed;

(b) the denomination of the CB 4 was changed from US$5,000,000 each to US$2,000,000 each; and

(c) the requirement on share charge was removed.

Save the aforesaid, all other terms of the CB 4 remained unchanged.

The reason for entering into of the Second Supplemental Deed and the Subscription Agreement Supplemental Deed was to give more flexibility to the bondholders and make it easier for the bondholders to identify potential transferees of the CB 4.

The Listing Committee of the Stock Exchange granted approval of the listing of, and permission to deal in, the conversion Shares on the Stock Exchange and all other conditions precedent under the Second Supplemental Deed were satisfied on 15 December 2016 and amendments to the CB 4 took effect on the same date accordingly.

On 4 January 2017, the Company has issued a redemption notice to a bondholder exercising its redemption right to partially redeem the CB 4 in the principal amount of US$20,000,000 at the applicable redemption amount (the "2017 Redemption").

The 2017 Redemption was funded by the internal resources of the Group. Completion of the 2017 Redemption took place on 5 January 2017. The Company also partially redeemed the CB 4 in the principal sum of US$10,000,000 on 17 October 2016. Save for the aforesaid, none of the CB 4 has been converted, redeemed, repurchased or cancelled.

The reason for the 2017 Redemption was to enable the Company to better manage its capital structure with more flexibility, reduce the Company's future financial expenses and lower its financial gearing level.

Further details were disclosed in the announcements of the Company dated 7 December 2016 and 5 January 2017.

Further details of convertible bonds issued by the Company, including CB 1 and CB 2, are set out in page 10 of this annual report and note 29 to the consolidated financial statements.

## (b) Share Options

The Company operates a share option scheme ("Share Option Scheme") adopted by way of an ordinary resolution passed on 18 August 2014 at the annual general meeting of the Company, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The following table discloses movements in the Company's share options during the Year:

| | | Number of share options | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Name of category | Date of grant of share options | Outstanding as at 01.04.2016 | Granted during the Year | Exercised during the Year | Lapsed during the Year | Cancelled during the Year | Outstanding as at 31.03.2017 | Vesting period | Validity period of share options | Exercise price of share options (HK$) per Share |
| Director | | | | | | | | | | |
| Yau Wai Lung | 05.12.2014 | 169,400,000 | – | – | – | – | 169,400,000 | – | 05.12.2014 to 04.12.2024 | 0.42 |
| Total | | 169,400,000 | – | – | – | – | 169,400,000 | | | |

Details of Share Option Scheme are set out in note 32 to the consolidated financial statements.

Save as disclosed above, no equity-linked agreements were entered into by the Company that have, will or may result in the Company issuing Shares or require the Company to enter into any agreements that will or may result in the Company issuing Shares during the Year or subsisted at the end of Year.

## PRE-EMPTIVE RIGHTS

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

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save disclosed under the section headed "Share Capital" in this report, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries during the Year.

## DISTRIBUTABLE RESERVES

Under the Bermuda Companies Act 1981, the Company's contributed surplus of approximately HK$1,524,577,000 may be distributed under certain circumstances. Other than the contributed surplus, the Company does not have any reserves available for distribution in accordance with the Bermuda Companies Act 1981 as at 31 March 2017. In addition, the Company's share premium account of approximately HK$3,154,542,000 as at 31 March 2017 may be distributed in the form of fully paid bonus Shares. Details of the share premium account and reserves are set out in note 43 to the consolidated financial statements.

## MAJOR CUSTOMERS AND SUPPLIERS

For the Year, sales to the Group's largest customer and five largest customers accounted for 20.32% and 56.78% of the Group's revenue, respectively. The Group had insignificant amount of purchases. In the opinion of the Board, it is therefore of no value to disclose details of the Group's suppliers.

At no time during the Year had the Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the number of issued Shares) had any interest in these major customers and suppliers.

## DIRECTORS

The Directors during the Year and up to the date of this report were:

**Non-executive Director and Chairman**

Mr. Li Hang *(appointed on 18 October 2016)*

**Executive Directors**

Ms. Cheng Yan *(Chief Executive) (appointed on 9 December 2016)*
Mr. Wang Zhenjiang *(Vice President) (appointed on 18 October 2016)*
Mr. Yau Wai Lung
Mr. Ma Chao
Mr. Ji Kewei *(resigned on 18 October 2016)*

**Non-executive Director**

Mr. Qiu Jianyang

**Independent Non-executive Directors**

Mr. To Shing Chuen
Mr. Chung Yuk Lun
Mr. Cheung Wing Ping

Mr. Ji Kewei resigned as an ED, deputy chairman and chief executive of the Company with effect from 18 October 2016 due to his decision to focus on the development of the Company's leasing business.

Pursuant to Code Provision A.4.2 of Appendix 14 of the Listing Rules, Mr. Li Hang, Mr. Wang Zhenjiang and Ms. Cheng Yan, being the Directors appointed by the Board of Directors on 18 October 2016, 18 October 2016 and 9 December 2016, respectively, will be subject to re-election as Directors at the forthcoming general meeting.

In accordance with Bye-law 99(B) of the bye-laws of the Company, three Directors namely Mr. Yau Wai Lung, Mr. Ma Chao and Mr. Cheung Wing Ping shall retire from offices by rotation at the forthcoming annual general meeting.

Mr. Yau Wai Lung, Mr. Ma Chao and Mr. Cheung Wing Ping, being eligible, will offer themselves for re-election as Directors of the Company at the forthcoming annual general meeting.

The full biographical details including the changes in information of Directors pursuant to Rule 13.51B(1) of the Listing Rules have been set out on pages 13 to 15 of this annual report subsequent to specific enquiry by the Company and following confirmation from the Directors.

# REPORT OF THE DIRECTORS

## INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION

The Company has received from each of the INEDs an annual confirmation of his independence to Rule 3.13 of the Listing Rules and as at the date of this report still considers that all of the INEDs to be independent.

## DIRECTORS' SERVICE CONTRACTS

As at 31 March 2017, none of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the section headed "Related Parties Transactions" in note 36 to the consolidated financial statements of this annual report, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, any of its holding companies, fellow subsidiaries or subsidiaries was a party, and in which a Director or his/her connected entity was materially interested, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

## COMPETING INTERESTS

As at 31 March 2017, in so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business that competed or was likely to compete with the business of the Group.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Year.

## CONNECTED TRANSACTIONS

Details of the connected transactions are set out in note 36 to the consolidated financial statements.

## PERMITTED INDEMNITY PROVISIONS

Pursuant to the Company's Bye-Laws, every Director, auditor, secretary or other officer of the Company and every agent or employee of the Company shall be entitled to be indemnified by the Company out of the assets of the Company against all costs, charges, losses, expenses and liabilities which he may sustain or incur in or about the execution and discharge of his duties or in relation thereto.

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

A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the Directors is currently in force and was in force throughout this Year.

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

As at 31 March 2017, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) 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 the Directors and the chief executive of the Company were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

### Long positions in Shares and underlying Shares

| | Number of Shares | | | | | | |
|---|---|---|---|---|---|---|---|
| **Name of Director** | **Personal interests** | **Family interests** | **Corporate interests** | **Other interests** | **Interests in underlying Shares/ equity derivatives** | **Total Shares** | **Percentage of Company's issued share capital as at 31 March 2017** *(Note 2)* |
| Yau Wai Lung | — | — | — | — | 169,400,000 *(Note 1)* | 169,400,000 | 0.88 |

*Notes:*

1. The 169,400,000 underlying Shares are Shares issuable upon the exercise of share options granted by the Company to Mr. Yau Wai Lung under the Share Option Scheme.

2. Based on 19,188,648,437 Shares in issue as at 31 March 2017.

Save as disclosed above, as at 31 March 2017, none of the Directors and chief executive of the Company was interested in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or the chief executive of the Company were taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register maintained by the Company under section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the share options granted to Mr. Yau Wai Lung under the Share Option Scheme as disclosed above and in note 32 to the consolidated financial statements, at no time during the Year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any other Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

As at 31 March 2017, according to the register of interests required to be kept by the Company under Section 336 of the SFO, the following persons, other than the Directors and chief executive of the Company, had interests or short positions in the Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

### Interests or short positions in ordinary Shares

| Name of substantial Shareholders | Capacity | Interests in underlying Shares/equity derivatives | Number of Shares interested | Percentage of the issued share capital as at 31 March 2017 *(Note 6)* |
|---|---|---|---|---|
| Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司) *(Note 1)* | Corporate interest | — | 5,459,648,350 | 28.45 |
| Li Shao Yu *(Note 2)* | Corporate interest | — | 3,547,689,650<br>80,729,170(S) *(Note 5)* | 18.49<br>0.42 |
| Huang Rulun *(Note 3)* | Corporate interest | — | 1,320,000,000 | 6.88 |
| Ji Kewei *(Note 4)* | Corporate interest | — | 1,083,538,169 | 5.65 |
| | Beneficial interest | — | 5,617,977 | 0.03 |
| Wang Zi Yi | Beneficial interest | — | 1,083,538,169 | 5.65 |

*Notes:*

1. Shandong Hi-Speed Group Co., Ltd. is deemed to be interested in the 5,459,648,350 Shares held by Shandong Hi-Speed (Hong Kong) International Capital Limited pursuant to the SFO by virtue of Shandong Hi-Speed (Hong Kong) International Capital Limited, a company incorporated in Hong Kong with limited liability, being a subsidiary of Shandong Hi-Speed (BVI) Capital Management Limited, a company incorporated in the British Virgin Islands with limited liability, which in turn is a subsidiary of Shandong Hi-Speed Group Co., Ltd., a company incorporated in the PRC with limited liability.

2. Ms. Li Shao Yu is deemed to be interested in the 3,503,559,650 Shares held by Hao Tian Management (Hong Kong) Limited pursuant to the SFO by virtue of Hao Tian Management (Hong Kong) Limited, being a subsidiary of Win Team Investments Limited, which in turn is a subsidiary of Hao Tian Development Group Limited, which in turn is a subsidiary of Asia Link Capital Investment Holdings Limited, in which Ms. Li Shao Yu holds 100% beneficial interest. In addition, Ms. Li Shao Yu is deemed to be interested in the 44,130,000 Shares held by TRXY Development (HK) Limited pursuant to the SFO by virtue of TRXY Development (HK) Limited being owned as to 90% and 9%, respectively, by Hao Tian Integrated Group Development Limited and Hao Tian Group Holdings Limited, both of which are wholly-owned by Ms. Li Shao Yu.

3. Mr. Huang Rulun is deemed to be interested in the 1,320,000,000 Shares held by Century Golden Resources Investment Co. Ltd. pursuant to the SFO by virtue of his controlling interest in Century Golden Resources Investment Co. Ltd.

4. Mr. Ji Kewei is deemed to be interested in 1,083,539,169 Shares held by Chinanet Consultancy Limited pursuant to the SFO by virtue of Chinanet Consultancy Limited being wholly-owned by its executive director, Mr. Ji Kewei. Mr. Ji Kewei is also beneficially interested in 5,617,977 Shares.

5. (S) — Short position.

6. Based on 19,188,648,437 Shares in issue as at 31 March 2017.

Save as disclosed above, the Company had not been notified of any other person (other than Director or chief executive of the Company) who had an interest (whether direct or indirect) in 5% or more of the Shares comprised in the relevant share capital or a short position which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 31 March 2017.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the public available information and to the best knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

## AUDITORS

HLB Hodgson Impey Cheng Limited was appointed as auditor of the Company on 24 March 2016 following the resignation of BDO Limited, which was appointed on 18 September 2015 and resigned on 24 March 2016. Prior to this, Graham H.Y. Chan & Co. who acted as auditor of the Company for the period from 11 November 2013 to 18 September 2015. Save as disclosed above, there were no other changes in auditors of the Company in any of the preceding three years.

HLB Hodgson Impey Cheng Limited 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

**Yau Wai Lung**
*Director*

Hong Kong
30 June 2017

## CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of transparency and accountability, and believes that Shareholders can benefit from good corporate governance. The Company has adopted the Corporate Governance Code contained in Appendix 14 (the "Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own corporate governance code. The Company aims to achieve good standard of corporate governance. During the Year, the Company has complied with most of the code provisions (the "Code Provision(s)") as set out in the Code except,

(i) Code Provision A.2.1 in respect of separation of roles of chairman and chief executive;

(ii) Code Provision A.4.1 in respect of the service term of NEDs;

(iii) Code Provision C.1.2 in respect of provision of monthly update to all members of the Board; and

(iv) Code Provision D.1.4 in respect of the letters of appointment for Directors.

Any deviation from the Code Provisions will be explained in this report. The Company aims to comply with all the Code Provisions and will review and update the current practices of the corporate governance regularly in order to achieve the aims.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its code for securities transactions by Directors. Following specific enquiry by the Company, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the Year.

## BOARD OF DIRECTORS

The Board comprised nine Directors, including four EDs, two NEDs and three INEDs on 31 March 2017 and up to the date of this report:

### Non-executive Director and Chairman

Mr. Li Hang *(appointed on 18 October 2016)*

### Executive Directors

Ms. Cheng Yan *(Chief Executive) (appointed on 9 December 2016)*
Mr. Wang Zhenjiang *(Vice President) (appointed on 18 October 2016)*
Mr. Yau Wai Lung
Mr. Ma Chao
Mr. Ji Kewei *(resigned on 18 October 2016)*

**Non-executive Director**

Mr. Qiu Jianyang

**Independent Non-executive Directors**

Mr. To Shing Chuen
Mr. Chung Yuk Lun
Mr. Cheung Wing Ping

Mr. Ji Kewei resigned as an ED, deputy chairman and chief executive of the Company with effect from 18 October 2016 due to his decision to focus on the development of the Company's leasing business.

The Board is collectively responsible for formulating and implementing the Group's strategies and policies, monitoring the performance of the Group and reviewing the corporate governance practices. The members of the Board are experienced individuals having a mix of core competencies in areas of accounting and finance, business management, law, industry knowledge and marketing strategies. Biographical details of all Directors are set out on pages 13 to 15 of this annual report. The mix of professional skills and experience of the INEDs is an important element in the proper functioning of the Board. Their participation in Board and committee meetings brings independent judgment and helps to ensure that adequate checks and balances are provided and that the interests of all Shareholders are taken into account. Directors have full access to appropriate business documents and information about the Group on a timely basis. The Directors can also obtain independent professional advice at the Group's expense if they require it. The Board delegates the day-to-day operation and administration to the Management and to the Executive Committee.

The Board has adopted a board diversity policy on 1 September 2013 with an aims to set out the approach to achieve diversity on the Board. Pursuant to the policy, board diversity would be considered from a number of factors including, but not limited to, race, gender, age, disability, nationality, cultural background, family status, educational background, professional experience, skills, knowledge and length of service.

The Company has complied with rules 3.10 (1) and (2) of the Listing Rules in maintaining at all times sufficient number of INEDs on the Board including an INED with professional accounting and financial qualifications. The Company has complied with rule 3.10A and has INEDs representing at least one third of the Board. The Company considers all of the INEDs are independent and has received from each INED an annual confirmation of independence pursuant to rule 3.13 of the Listing Rules.

During the Year, none of the Directors had any financial, business, family or other material/relevant relationships with each other except that Mr. Cheung Wing Ping and Mr. Chung Yuk Lun were both INEDs of Freeman FinTech Corporation Limited ("Freeman"). However, Mr. Chung Yuk Lun already resigned from Freeman on 21 June 2016.

During the Year, there were a total of 21 Board meetings and 2 general meetings held. The attendance of each of the Directors during their period of office is as follows:

| Name of Directors | Attendance *(Note)* Board meetings | General meetings |
|---|---|---|
| *Executive Directors* | | |
| Ms. Cheng Yan (appointed on 9 December 2016) | 3/5 | N/A |
| Mr. Wang Zhenjiang (appointed on 18 October 2016) | 8/8 | N/A |
| Mr. Yau Wai Lung | 21/21 | 2/2 |
| Mr. Ma Chao | 6/21 | 0/2 |
| Mr. Ji Kewei (resigned on 18 October 2016) | 7/13 | 1/2 |
| *Non-executive Directors* | | |
| Mr. Li Hang (appointed on 18 October 2016) | 5/8 | N/A |
| Mr. Qiu Jianyang | 13/21 | 0/2 |
| *Independent Non-executive Directors* | | |
| Mr. To Shing Chuen | 21/21 | 0/2 |
| Mr. Chung Yuk Lun | 21/21 | 1/2 |
| Mr. Cheung Wing Ping | 19/21 | 2/2 |

*Note:*

The denominator is the number of meetings held within term of office of each Director of the Company for the Year.

## ACCOUNTABILITY AND INTERNAL CONTROL

The Directors acknowledge their responsibility for the preparation of financial statements of the Group that give a true and fair view of the Group's financial position and are in accordance with applicable accounting standards and statutory rules and guidelines. The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue on a going concern basis. The statement by the external auditor of the Company about their reporting responsibilities is set out in the Independent Auditor's Report contained in this annual report. The Board recognizes its overall responsibility for the establishment, maintenance and review of a system of internal control that provides reasonable assurance on the reliability and integrity of financial and operational information, effective and efficient operations, safeguarding of assets and compliance with laws and regulations. The system of internal control which is reviewed annually by the Board is designed to manage rather than eliminate all risks of failure while its goal is to provide reasonable, not absolute, assurance regarding the achievement of organizational objectives.

## CHAIRMAN AND CHIEF EXECUTIVE

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The segregation of responsibilities between chairman and chief executive should be clearly established and set out in writing.

Mr. Ji Kewei, assumed the roles of both deputy chairman and chief executive of the Company, and was in charge of the overall management of the Company since he was so appointed on 11 September 2015. Following the resignation of Mr. Ji Kewei on 18 October 2016, Mr. Li Hang was appointed as a NED of the Company and the chairman of the Board on the same day. On 9 December 2016, Ms. Cheng Yan was appointed as an ED and the chief executive of the Company. Since then, the roles of chairman and chief executive were separated and performed by different individuals.

## NON-EXECUTIVE DIRECTORS

The INEDs are not appointed for a specific term and thus the Company has deviated from Code Provision A.4.1. However, as specified by the Company's bye-laws, not less than one-third of the Directors of the Company (both executive and non-executive Directors) are subject to retirement by rotation at the Company's annual general meeting. Code Provision A.4.2 requires every Director should be subject to retirement by rotation at least once every three years. Therefore, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are similar to those provided in the Code.

## BOARD'S ACCESS TO INFORMATION

Code Provision C.1.2 which requires the Management to provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties. During the Year, the Management did not provide monthly updates to all members of the Board as required by Code Provision C.1.2, as all the EDs were involved in the daily operation of the Group and were fully aware of the performance, position and prospects of the Company, and the Management has provided to all Directors (including NEDs and INEDs) half-yearly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail prior to the regular Board meetings. In addition, the Management has provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient background or explanatory information for matters brought before the Board. Therefore, the Company considers that all members of the Board have been given a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail.

## FORMAL LETTERS OF APPOINTMENT FOR DIRECTORS

Code Provision D.1.4 requires that issuers should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for some of the Directors. All of the Directors of the Company are, however, required to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors. In the opinion of the Company, this meets the objective of Code Provision D.1.4.

## DIRECTOR'S CONTINUOUS PROFESSIONAL DEVELOPMENT

Code Provision A.6.5 stipulates that all directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. The Company had received from each of the Directors a confirmation of training they received during the Year. A summary of such training is listed as follows:

| **Name of Director** | **Type of training** |
|---|---|
| *Executive Directors* | |
| Ms. Cheng Yan (appointed on 9 December 2016) | I & II |
| Mr. Wang Zhenjiang (appointed on 18 October 2016) | I & II |
| Mr. Yau Wai Lung | II |
| Mr. Ma Chao | II |
| Mr. Ji Kewei (resigned on 18 October 2016) | II |
| *Non-Executive Directors* | |
| Mr. Li Hang (appointed on 18 October 2016) | I & II |
| Mr. Qiu Jianyang | II |
| *Independent Non-Executive Directors* | |
| Mr. To Shing Chuen | II |
| Mr. Chung Yuk Lun | II |
| Mr. Cheung Wing Ping | II |

I: Attending training courses and/or seminars conferences.

II: Reading journals and updates relevant to the Company's business or Directors' duties and responsibilities.

The Directors will continue to attend training that may be required from time to time keeping abreast with the latest changes in laws, regulations and the business environment.

## REMUNERATION COMMITTEE

The Company has established the Remuneration Committee since 8 March 2006. The principal function of the Remuneration Committee is to make recommendations to the Board on the remuneration packages of individual executive and senior Management. The terms of reference of the Remuneration Committee adopted on 26 March 2012 are consistent with the Code Provisions set out in the Code. For the Year and up to the date of this report, the Remuneration Committee comprised Directors as detailed in the below table. For the Year, the committee reviewed and made recommendations to the Board on the remuneration packages of the Directors with reference to the level of responsibilities of the individual director, the scope of operation of the Group as well as the prevailing market conditions.

For the Year, individual attendance of each remuneration committee member was as follows:

| **Name of Remuneration Committee member** | **Attendance** *(Note)* |
|---|---|
| Mr. Cheung Wing Ping *(INED) (Chairman)* | 4/4 |
| Mr. To Shing Chuen *(INED)* | 4/4 |
| Mr. Wang Zhenjiang *(ED)* (appointed on 19 October 2016) | 1/1 |
| Mr. Yau Wai Lung *(ED)* (appointed on 19 October 2016) | 1/1 |
| Mr. Chung Yuk Lun *(INED)* (appointed on 19 October 2016) | 1/1 |
| Mr. Ji Kewei *(ED)* (resigned on 18 October 2016) | 1/3 |

*Note:*

The denominator is the number of meetings held within term of office of each Remuneration Committee member for the Year.

### Remuneration of Directors and senior Management

The remuneration of the Directors and the members of senior Management for the Year by band is set out below:

| | **Number of Individuals** |
|---|---|
| Nil–HK$1,000,000 | 7 |
| HK$1,000,001–HK$1,500,000 | 2 |
| HK$1,500,001–HK$5,000,000 | 1 |
| HK$5,000,001–HK$10,000,000 | 1 |

*Note:*

One Director resigned and 3 Directors were appointed during the Year.

Further particulars in relation to Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in note 11, respectively, to the consolidated financial statements.

## NOMINATION COMMITTEE

The Company has established the Nomination Committee since 26 March 2012. The principal function of the Nomination Committee is to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Group's corporate strategy. New Directors, being individuals who are suitably qualified and expected to make a positive contribution to the performance of the Board having regard to the individuals' skills, experience, professional knowledge and time commitments as well as the balance of skills and experience appropriate to the Company's business, are identified and submitted to the Board or Shareholders for approval either to fill vacancies on the Board or to be appointed as additional Directors. The terms of reference of the Nomination Committee are consistent with the Code Provisions set out in the Code. During the Year and up to the date of this report, the Nomination Committee comprised Directors as detailed in the below table. For the Year, the Nomination Committee reviewed the composition of the Board and assessed the independence of the INEDs.

For the Year, individual attendance of each Nomination Committee member was as follows:

| **Name of Nomination Committee member** | **Attendance** *(Note)* |
|---|---|
| Mr. Li Hang *(NED) (Chairman)* (appointed on 19 October 2016) | 1/1 |
| Mr. Yau Wai Lung *(ED)* | 3/3 |
| Mr. To Shing Chuen *(INED)* | 3/3 |
| Mr. Cheung Wing Ping *(INED)* | 3/3 |
| Mr. Chung Yuk Lun *(INED)* (appointed on 19 October 2016) | 1/1 |

*Note:*

The denominator is the number of meetings held within term of office of each Nomination Committee member for the Year.

## AUDIT COMMITTEE

The Company has established the Audit Committee since 2001.

For the Year and up to the date of this report, the Audit Committee comprised the INEDs as detailed in the below table. Mr. Cheung and Mr. Chung possess appropriate professional accounting qualifications. Code Provision C.3.3 requires the terms of reference of the Audit Committee should include certain minimum duties. The terms of reference of the Audit Committee were adopted on 28 April 2004 and revised on 26 March 2012 and 3 February 2016 to include all the duties set out in the Code Provision C.3.3, which among other things include reviewing financial statements of the Company. Any findings and recommendations of the audit committee of the Company have been submitted to the Board for consideration.

The Audit Committee is authorized by the Board to investigate any activity within its terms of reference. It is authorized to seek any information it requires from any employee. It is also authorized to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary.

For the Year, individual attendance of each Audit Committee member was as follows:

| **Name of Audit Committee member** | **Attendance** *(Note)* |
|---|---|
| Mr. Chung Yuk Lun *(Chairman)* | 2/2 |
| Mr. To Shing Chuen | 2/2 |
| Mr. Cheung Wing Ping | 2/2 |

*Note:*

The denominator is the number of meetings held within term of office of each Audit Committee member for the Year.

During the meetings, the Audit Committee reviewed the report from the external auditor regarding their audit on annual financial statements and reviewed the interim financial information.

## AUDITOR'S REMUNERATION

During the Year, fees payable to the Company's external auditor for non-audit services amounted to approximately HK$619,000 for acquisition of subsidiaries of the Group, the Group's interim review and tax services.

The audit fee for the Year was HK$2,400,000.

The statement of the auditor of the Company regarding auditor's reporting responsibilities is set out in the Independent Auditor's Report on pages 42 to 48 of this annual report.

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems ("Systems") and reviewing their effectiveness annually. Such Systems 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.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective Systems.

The Company has been developing and adopting various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, financial reporting, human resources etc. The main features are as follows:

### Control structure

#### *A. The Board*

(i) ensure the maintenance of appropriate and effective Systems in order to safeguard the Shareholders' investment and assets of the Company;

(ii) define management structure with clear lines of responsibility and limit of authority; and

(iii) determine the nature and extent of significant risk that the Company is willing to take in achieving the strategic objectives and formulate the Company's risk management strategies.

#### *B. Audit Committee*

(i) assist the Board in leading the Management and overseeing their design, implementation and monitoring of the Systems of the Company;

(ii) review and discuss with the Management annually to ensure that the Management has performed its duty to have effective Systems; and

(iii) consider major findings on internal control matters and make recommendations to the Board.

***C. The Management***

(i) design, implement and monitor the Systems properly and ensure the Systems are executed effectively;

(ii) monitor risks and take measures to mitigate risks in day-to-day operations;

(iii) give prompt responses to, and follow up the findings on internal control matters; and

(iv) provide confirmation to the Board on the effectiveness of the Systems.

***D. Internal Audit Function***

(i) carry out the analysis and independent appraisal of the adequacy and effectiveness of the Systems.

**Control approach**

The risk management process includes risk identification, risk evaluation and risk management measures and also reviewing the effectiveness of the Systems and resolving material internal control defects.

The Management conducted interviews with relevant staff members, reviewing relevant documentation of the internal control system, identifying and evaluating findings of any deficiencies in the design of the Company's internal control system, providing recommendations for improvement and following up on the effectiveness of implementation of such recommendations, where appropriate. The scope and findings of review on the risk management and internal control are reported to and reviewed by the Audit Committee during the Year.

Procedure manuals and operational guidelines are in place to safeguard the assets against unauthorised use or disposition, ensuring maintenance of proper accounting records in compliance with the applicable laws, rules and regulations for the provision of reliable financial information for internal use and/or external publication.

Internal audit department ("IAD") of the Company is responsible for providing the internal audit function and performing independent review of the adequacy and effectiveness of the Systems. The IAD examines key issues in relation to the accounting practices and all material controls and provides its findings and recommendations for improvement to the Audit Committee.

The Board, supported by the Audit Committee as well as the management report and the internal audit findings prepared by IAD, reviewed the Systems pursuant to Code Provision C.2.3 of Appendix 14 of the Listing Rules, including, but not limited to, the financial, operational and compliance controls for the Year, and considered that such Systems are effective and adequate for the current financial year. As the Company has introduced new business (securities brokerage and factoring) during the Year, there is still room for improvement and refinement for their Systems. It is confirmed that the resources, staff qualifications and experience, training programme and budget of the Company's accounting, internal audit and financial reporting functions are adequate during the annual review.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior Management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited (i.e. relevant set up of policies and procedures, trainings provided to employees and requirements for proper authorisation and approval for the access and use of inside information).

## CORPORATE GOVERNANCE FUNCTIONS

The Directors are responsible for performing the corporate governance duties as set out below:

- To develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- To review the Company's compliance with the Code and its disclosure requirements in the Corporate Governance Report;
- To develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- To review and monitor the training and continuous professional development of Directors.

The Board has reviewed the Group's policies and practices on corporate governance practices and compliance with legal and regulatory requirements including compliance with the Code for the Year.

## JOINT COMPANY SECRETARIES

Mr. Lau Yau Chuen, Louis was appointed as company secretary of the Company on 11 May 2015 and was replaced by Mr. Hwang Hau-zen, Basil and Mr. Yeung Chun Lap, Jacky, who were appointed as joint company secretaries of the Company on 25 May 2017. Messrs. Lau, Hwang and Yeung have complied with the relevant qualification and training requirements under the Listing Rules.

## SHAREHOLDERS' RIGHTS

### Shareholders' Enquiries

Shareholders are encouraged to maintain direct communication with the Company. Shareholders who have any questions for the Board may write directly to the joint company secretaries at the Company's Hong Kong principal place of business at Rooms 1405–1410, 14/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, or they may send emails to ir@cifg.com.hk. The joint company secretaries of the Company will direct the questions to the Board.

### Shareholder's Meetings

Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at meetings if they are unable to attend in person.

The procedure of the Company's general meetings will be monitored and reviewed on a regular basis, and, if necessary, changes will be made to ensure that Shareholders' needs are best served.

Board members, in particular, members of Board committees, appropriate management executives and the external auditor will attend annual general meetings to answer Shareholders' questions.

Should Shareholders wish to call a special general meeting, it must be convened according to the Company's Bye-laws. In summary:

(a) Shareholders holding not less than one-tenth of the paid up capital of the Company can, in writing to the Board or the joint company secretaries, request a special general meeting to be called by the Board to transact any business specified in such request.

(b) The signed written request, which should specify the purpose of the meeting, should be delivered to the Company's principal place of business in Hong Kong. The meeting will be held within twenty-one (21) days after receipt of the request. If the Board fails to proceed to convene such meeting within twenty-one (21) days after receiving the request, the Shareholders themselves representing more than one half of the total voting rights may do so in accordance with the provisions of Section 74(3) of the Companies Act 1981 of Bermuda.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company aims to maintain good relationships with Shareholders and investors, and to enhance the transparency of its business operations. The Company disseminates information in respect of its business operations to investors and Shareholders through publishing interim reports, annual reports and circulars that are sent to Shareholders in hard copy. These and other information, such as announcements of the Company, can also be found on the websites of the Company and the Stock Exchange.

## INVESTOR RELATIONS

### Constitutional Documents

There was no significant change of the Company's Memorandum of Association and Bye-laws (the "Constitutional Document") for the Year. A latest version of the Constitutional Document can be downloaded from the websites of the Company and the Stock Exchange.

# INDEPENDENT AUDITORS' REPORT

國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CHINA INNOVATIVE FINANCE GROUP LIMITED**

*(Incorporated in Bermuda with limited liability)*

## OPINION

We have audited the consolidated financial statements of China Innovative Finance Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 49 to 163, which comprise the consolidated statement of financial position as at 31 March 2017, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

## KEY AUDIT MATTERS (continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Impairment assessment of finance lease receivables and loans receivables*** | |
| Refer to notes 21 and 23 to the consolidated financial statements.<br><br>As at 31 March 2017, the carrying amounts of finance lease receivables and loans receivables were approximately HK$627,128,000 and HK$56,503,000 respectively.<br><br>For the purpose of determining the allowance for finance lease receivables and loans receivables, the management considers the creditworthiness, credit history including default or delay in payments, settlement records, subsequent settlements, ageing analysis, and also relevant deposits received, pledge of assets and guarantees. During the year ended 31 March 2017, no impairment was recognised to profit or loss.<br><br>We identified assessing impairment of finance lease receivables and loans receivables as a key audit matter because the evaluation of recoverability and assessment of the appropriate level of impairment require the application of management judgement. | Our procedures in relation to management's impairment assessment of finance lease receivables and loans receivables included, but were not limited to:<br><br>• Understanding and assessing the design, implementation and operating effectiveness of the key internal management controls over deal acceptance, invoicing, credit management and impairment assessment procedures;<br><br>• Obtaining an understanding of management's impairment assessment in respect of all finance lease receivables and loans receivables by discussing with management their processes and policies and procedures for identifying receivable balances for which impairment may be required;<br><br>• Comparing the total balances of finance lease receivables and loans receivables ageing report, which contains information of long overdue balances used by management to assess the allowances for impairment, with the general ledger and comparing individual items in the ageing report, on a sample basis, with the underlying invoices and related documentation to assess the presentation of the information in the ageing report;<br><br>• Challenging management's judgement in determining the recoverable amount of individual receivable balances. This included obtaining direct external confirmations from the lessees and debtors, comparing the receipt of the settlement of the balance after the reporting date with bank statements and other relevant underlying documentation, assessing the financial condition of the counterparties by reviewing the latest available information and performing news searches and reviewing correspondence files to identify any disputes with the clients; and<br><br>• Checking, on a sample basis, the reasonableness and relevance of information included in the impairment assessment of finance lease receivables and loans receivables.<br><br>We considered management's conclusion to be consistent with the available information. |

## KEY AUDIT MATTERS (continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Impairment assessment of license and goodwill*** | |
| Refer to note 18 to the consolidated financial statements.<br><br>The Group has license and goodwill with carrying amounts of approximately HK$414,537,000 and HK$833,232,000 as at 31 March 2017 respectively, which are allocated to the cash-generating unit ("CGU") represented by financial leasing segment and securities brokerage business.<br><br>In determining the recoverable amounts of license and goodwill, the Group engaged an independent professional valuer to perform such valuation. The valuation is determined based on the cash flow projection/value-in-use model for the CGU discounted to their present values and it requires the use of key assumptions, including the discount rate, terminal growth rate, budgeted revenue and gross margin, taking into account the financial budgets approved by the directors of the Company based on the management's experience from the financial leasing segment and securities brokerage business, and also management's expectations for the market development. During the year ended 31 March 2017, no impairment on license and goodwill was recognised to profit or loss.<br><br>We identified the impairment assessment of license and goodwill as a key audit matter due to its complexity and the inherent subjectivity arising from the significant management judgment. | Our procedures in relation to the management's impairment assessment of license and goodwill included, but were not limited to:<br><br>• Understanding the Group's impairment assessment process, including the impairment model, basis of allocation of license and goodwill to CGUs, the preparation of the cash flow projections ("Cashflow Forecasts") and key assumptions adopted in these Cashflow Forecasts through enquiries with the independent valuer and management's review process of the work of the independent valuer with respect to the valuation of license and goodwill;<br><br>• Evaluating the independent valuer's competence, capabilities and their experiences in conducting valuation of similar license and goodwill;<br><br>• Checking the respective independent valuation reports and discussed the valuation of license and goodwill with the management, and together with our own external valuation specialists, where necessary:<br><br>o evaluating the appropriateness of the valuation models, the preparation of the Cashflow Forecasts and assumptions based on the industry knowledge;<br><br>o evaluating the appropriateness of the key inputs in the Cashflow Forecasts by independently checking to the relevant external market data and/or relevant historical financial information including budgeted revenue and gross margin, and terminal growth rate by considering the approved financial budgets and the available industry and market data;<br><br>o comparing the historical cash flows forecast against the performance of CGUs to test the reasonableness of projections; and<br><br>o checking the mathematical accuracy of valuation calculations.<br><br>We found the key assumptions were supported by the available information. |

## KEY AUDIT MATTERS (continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| ***Valuation of Level 3 financial instruments*** | |
| Refer to note 38 to the consolidated financial statements.<br><br>The total fair value of investments at fair value through profit or loss classified as level 3 under the fair value hierarchy ("Level 3 Financial Instruments"), amounted to approximately HK$913,822,000 as at 31 March 2017.<br><br>In determining the fair value of Level 3 Financial Instruments, the Group engages independent professional valuers to perform valuation of the aforesaid Level 3 Financial Instruments.<br><br>We identified the valuation of the aforesaid Level 3 Financial Instruments as a key audit matter due to the degree of complexity involved in valuing the financial assets, the significance of the judgment and estimates made by the management in determining the inputs used in the valuation models and the subjectivity in determination of Level 3 fair value given the lack of availability of market-based data. | Our procedures in relation to valuation of Level 3 Financial Instruments included, but were not limited to:<br><br>• Obtaining understanding of the valuation models and the processes through enquiries with the independent valuers and management's review process of the work of the independent valuers with respect to the valuation of Level 3 Financial Instruments;<br><br>• Evaluating the independent valuers' competence, capabilities and their experiences in conducting valuation of similar financial instruments;<br><br>• Checking the respective independent valuation reports and discussed the valuation of the Level 3 Financial Instruments with the management, and together with our own external valuation specialists, where necessary:<br><br>o evaluating the appropriateness of the valuation models and assumptions based on the industry knowledge;<br><br>o evaluating the appropriateness of the key inputs by independently checking to the relevant external market data and/or relevant historical financial information;<br><br>o checking the mathematical accuracy of valuation calculations;<br><br>• Assessing the appropriateness of the use of the price quoted by counterparties as the fair value of certain Level 3 Financial Instruments at reporting date. This included assessing any events which had occurred between the transaction date and the reporting date which may have impacted the value of the investments and the valuations performed by independent valuers;<br><br>• Inspecting sale and purchase agreements for the investments to identify key terms of accounting significance and assessing the accounting treatment therefor; and<br><br>• Making inquiry for the background of the contracted parties and obtaining direct external confirmations from the contracted parties to understand the relevant investments and identifying any conditions that were relevant to the valuation of Level 3 Financial Instruments.<br><br>We found the fair values to be consistent with the key assumptions and available information. |

# INDEPENDENT AUDITORS' REPORT

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon (the "Other Information").

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 the Other Information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

## AUDITORS' 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 auditors' report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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

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

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

- Conclude on the appropriateness of the 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 auditors' 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 auditors' 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 the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 director on the audit resulting in this independent auditors' report is Yu Chi Fat.

**HLB Hodgson Impey Cheng Limited**
Certified Public Accountants

**Yu Chi Fat**
Practising Certificate Number: P05467

Hong Kong, 30 June 2017

# CONSOLIDATED INCOME STATEMENT

*For the year ended 31 March 2017*

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| REVENUE | 6 | **193,511** | 96,992 |
| COST OF SERVICES | | **(115,202)** | (43,276) |
| Other income | 7 | **3,347** | 5,887 |
| Other net loss | 7 | **(21,937)** | (47,256) |
| Fair value gains on investments at fair value through profit or loss, net | 9 | **409,448** | 240,842 |
| Employee benefit expenses | 9 | **(52,357)** | (38,131) |
| Depreciation | 16 | **(15,257)** | (6,522) |
| Minimum lease payments under operating lease in respect of land and buildings | | **(9,959)** | (8,401) |
| Administrative expenses | | **(87,313)** | (46,163) |
| Finance costs | 8 | **(113,483)** | (42,033) |
| PROFIT BEFORE TAX FROM CONTINUING OPERATIONS | 9 | **190,798** | 111,939 |
| Income tax expense | 12 | **(31,442)** | (41,459) |
| PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS | | **159,356** | 70,480 |
| **Discontinued operation** | | | |
| Profit for the year from discontinued operation | 13 | **—** | 1,216 |
| PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY | | **159,356** | 71,696 |
| EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY | | | |
| From continuing and discontinued operations | | | |
| Basic | 15 | **HK$0.83 cents** | HK$0.39 cents |
| Diluted | 15 | **HK$0.83 cents** | HK$0.39 cents |
| From continuing operations | | | |
| Basic | 15 | **HK$0.83 cents** | HK$0.38 cents |
| Diluted | 15 | **HK$0.83 cents** | HK$0.38 cents |

Details of dividend are set out in note 14 to the consolidated financial statements.

The accompanying notes form an integral part of the consolidated financial statements.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the year ended 31 March 2017*

| | Note | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| PROFIT FOR THE YEAR | | **159,356** | 71,696 |
| OTHER COMPREHENSIVE (LOSS)/INCOME | | | |
| *Items that may be reclassified subsequently to consolidated income statement:* | | | |
| Release of translation reserve arising on disposal of subsidiaries | 33(a) | **–** | 2,698 |
| Exchange difference arising on translation of foreign operations | | **(60,077)** | (4,672) |
| TOTAL OTHER COMPREHENSIVE LOSS FOR THE YEAR | | **(60,077)** | (1,974) |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY | | **99,279** | 69,722 |

The accompanying notes form an integral part of the consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2017*

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 16 | **153,569** | 168,698 |
| Intangible assets | 18 | **1,248,269** | 1,243,156 |
| Available-for-sale investments | 20 | **345,400** | 4,600 |
| Finance lease receivables | 21 | **411,133** | 664,576 |
| Investments at fair value through profit or loss | 22 | **253,795** | 96,010 |
| Loans receivables | 23 | **—** | 155,500 |
| Restricted cash | 24 | **30,126** | 72,127 |
| Total non-current assets | | **2,442,292** | 2,404,667 |
| CURRENT ASSETS | | | |
| Available-for-sale investments | 20 | **—** | 340,800 |
| Finance lease receivables | 21 | **215,995** | 260,404 |
| Investments at fair value through profit or loss | 22 | **1,578,957** | 2,185,079 |
| Loans receivables | 23 | **56,503** | 20,000 |
| Prepayments, deposits and other receivables | 25 | **196,487** | 321,532 |
| Restricted cash | 24 | **25,052** | 37,204 |
| Cash and cash equivalents | 26 | **220,544** | 327,621 |
| Total current assets | | **2,293,538** | 3,492,640 |
| CURRENT LIABILITIES | | | |
| Other payables and accruals | 27 | **80,442** | 207,183 |
| Tax payable | | **2,035** | 1,382 |
| Borrowings | 28 | **218,314** | 922,381 |
| Total current liabilities | | **300,791** | 1,130,946 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2017*

| | Notes | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|---|
| NET CURRENT ASSETS | | **1,992,747** | 2,361,694 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | **4,435,039** | 4,766,361 |
| NON-CURRENT LIABILITIES | | | |
| Borrowings | 28 | **313,105** | 499,000 |
| Convertible bonds | 29 | **743,522** | 937,705 |
| Deferred tax liabilities | 30 | **191,743** | 170,301 |
| Total non-current liabilities | | **1,248,370** | 1,607,006 |
| Net assets | | **3,186,669** | 3,159,355 |
| CAPITAL AND RESERVES | | | |
| Equity attributable to owners of the Company | | | |
| Issued capital | 31 | **4,797** | 4,828 |
| Reserves | | **3,181,872** | 3,154,527 |
| Total equity | | **3,186,669** | 3,159,355 |

The consolidated financial statements were approved and authorised for issued by the board of directors on 30 June 2017 and are signed on its behalf by:

**Yau Wai Lung**
*Director*

**Wang Zhenjiang**
*Director*

The accompanying notes form an integral part of the consolidated financial statements.

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital HK$'000 | Share premium account HK$'000 (note i) | Share options reserve HK$'000 (note ii) | Capital redemption reserve HK$'000 (note iii) | Contributed surplus HK$'000 (note iv) | Available-for-sale investments revaluation reserve HK$'000 (note v) | Convertible bonds reserve HK$'000 (note vi) | Statutory reserve HK$'000 (note vii) | Translation reserve HK$'000 | Accumulated losses HK$'000 | Total equity HK$'000 |
| At 1 April 2015 | 4,236 | 1,649,764 | 40,150 | 1,177 | 1,524,577 | 120 | – | – | (2,698) | (1,796,253) | 1,421,073 |
| Profit for the year | – | – | – | – | – | – | – | – | – | 71,696 | 71,696 |
| Other comprehensive (loss)/ income for the year: | | | | | | | | | | | |
| Release of translation reserve arising on disposal of subsidiaries | – | – | – | – | – | – | – | – | 2,698 | – | 2,698 |
| Exchange difference arising on translation of foreign operations | – | – | – | – | – | – | – | – | (4,672) | – | (4,672) |
| Other comprehensive loss for the year | – | – | – | – | – | – | – | – | (1,974) | – | (1,974) |
| Total comprehensive (loss)/ income for the year | – | – | – | – | – | – | – | – | (1,974) | 71,696 | 69,722 |
| Issuance of new shares (note 31(a)) | 590 | 1,581,355 | – | – | – | – | – | – | – | – | 1,581,945 |
| Issuance of emolument shares to a director (note 31(b)) | 2 | 4,998 | – | – | – | – | – | – | – | – | 5,000 |
| Equity component on issue of convertible bonds (note 29) | – | – | – | – | – | – | 97,743 | – | – | – | 97,743 |
| Deferred tax arising on issue of convertible bonds (note 30) | – | – | – | – | – | – | (16,128) | – | – | – | (16,128) |
| At 31 March 2016 | 4,828 | 3,236,117 | 40,150 | 1,177 | 1,524,577 | 120 | 81,615 | – | (4,672) | (1,724,557) | 3,159,355 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 March 2017*

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Issued capital HK$'000 | Share premium account HK$'000 (note i) | Share options reserve HK$'000 (note ii) | Capital redemption reserve HK$'000 (note iii) | Contributed surplus HK$'000 (note iv) | Available-for-sale investments revaluation reserve HK$'000 (note v) | Convertible bonds reserve HK$'000 (note vi) | Statutory reserve HK$'000 (note vii) | Translation reserve HK$'000 | Accumulated losses HK$'000 | Total equity HK$'000 |
| At 1 April 2016 | 4,828 | 3,236,117 | 40,150 | 1,177 | 1,524,577 | 120 | 81,615 | – | (4,672) | (1,724,557) | 3,159,355 |
| Profit for the year | – | – | – | – | – | – | – | – | – | 159,356 | 159,356 |
| Other comprehensive loss for the year: | | | | | | | | | | | |
| Exchange difference arising on translation of foreign operations | – | – | – | – | – | – | – | – | (60,077) | – | (60,077) |
| Other comprehensive loss for the year | – | – | – | – | – | – | – | – | (60,077) | – | (60,077) |
| Total comprehensive (loss)/income for the year | – | – | – | – | – | – | – | – | (60,077) | 159,356 | 99,279 |
| Repurchase of ordinary shares (note 31(c)) | (31) | (81,575) | – | – | – | – | – | – | – | – | (81,606) |
| Redemption of convertible bonds | – | – | – | – | – | – | (45,517) | – | – | 31,872 | (13,645) |
| Equity component on issue of convertible bonds (note 29) | – | – | – | – | – | – | 27,887 | – | – | – | 27,887 |
| Deferred tax arising on issue of convertible bonds (note 30) | – | – | – | – | – | – | (4,601) | – | – | – | (4,601) |
| Appropriation of reserve | – | – | – | – | – | – | – | 20,899 | – | (20,899) | – |
| **At 31 March 2017** | 4,797 | 3,154,542 | 40,150 | 1,177 | 1,524,577 | 120 | 59,384 | 20,899 | (64,749) | (1,554,228) | 3,186,669 |

Notes:

**(i) Share premium account**

Share premium account represents the excess of proceeds received over the nominal value of the Company's shares issued, less share issue expenses. Pursuant to the Companies Act of Bermuda, the Company's share premium account may be distributed in the form of fully paid bonus shares.

**(ii) Share options reserve**

Share options reserve relates to share options granted to employees under new share option scheme. Further information about share-based payments to employees is set out in note 32 below.

Notes: (continued)

**(iii) Capital redemption reserve**

Capital redemption reserve arose from the reduction of the nominal value of the issued capital of the Company upon the cancellation of the repurchased shares.

**(iv) Contributed surplus**

Contributed surplus arose from capital reorganisation in previous years. Under the Companies Act of Bermuda, the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of its assets would thereby be less than the aggregate of its liabilities.

**(v) Available-for-sale investments revaluation reserve**

The reserve comprises the cumulative net changes in fair value of available-for-sale investments held at the end of the reporting period.

**(vi) Convertible bonds reserve**

Convertible bonds reserve relates to convertible bonds issued/redeemed during the year.

**(vii) Statutory reserve**

The statutory reserve of the Group refers to the People's Republic of China ("PRC") statutory reserve fund. Appropriations to such reserve fund are made out of profit after tax as recorded in the statutory financial statements of the PRC subsidiaries. The amount should not be less than 10% of the profit after tax as recorded in the statutory financial statements unless the aggregate amount exceeds 50% of the registered capital of the PRC subsidiaries. The statutory reserve can be used to make up prior year losses, if any, and can be applied in conversion into the PRC subsidiaries' capital by means of capitalization issue.

# CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31 March 2017*

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax from continuing operations | | **190,798** | 111,939 |
| Loss before tax from discontinued operation | | **—** | (205) |
| Profit before tax | | **190,798** | 111,734 |
| Adjustments for: | | | |
| Unrealised gains on investments at fair value through profit or loss, net | 9 | **(867,184)** | (231,845) |
| Amortisation | | **—** | 6,050 |
| Depreciation | 16 | **15,257** | 6,622 |
| Loss on redemption of convertible bonds | 9 | **21,934** | — |
| Interest expenses | 9 | **157,367** | 42,033 |
| Loss on disposal of property, plant and equipment | 9 | **3** | 24 |
| Impairment loss on loans receivables | 9 | **—** | 45,000 |
| Impairment loss on other receivables | 9 | **—** | 2,232 |
| Impairment loss on available-for-sale investments | 9 | **771** | — |
| Interest income from a convertible bond | 6 | **(190)** | — |
| Bank interest income | 7 | **(2,422)** | (3,307) |
| Operating cash flows before movements in working capital | | **(483,666)** | (21,457) |
| Decrease/(increase) in loans receivables | | **117,931** | (175,500) |
| Decrease/(increase) in investments at fair value through profit or loss, net | | **1,305,459** | (1,185,474) |
| Decrease/(increase) in finance lease receivables | | **247,031** | (90,486) |
| Decrease/(increase) in prepayments, deposits and other receivables | | **108,454** | (25,621) |
| (Decrease)/increase in other payables and accruals | | **(118,648)** | 35,152 |
| Cash generated from/(used in) operations | | **1,176,561** | (1,463,386) |
| Tax paid | | **(5,211)** | (4,316) |
| Net cash generated from/(used in) operating activities | | **1,171,350** | (1,467,702) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31 March 2017*

| | Notes | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|---|
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of property, plant and equipment | | **(688)** | (3,368) |
| Proceeds from disposal of property, plant and equipment | | **107** | — |
| Addition to biological assets | | **—** | 68 |
| Net cash (outflow)/inflow resulting from acquisitions of subsidiaries | 33(b) | **(49,917)** | 90,682 |
| Net cash inflow resulting from disposals of subsidiaries | 33(a) | **—** | 717,851 |
| Bank interest income received | | **5,917** | 3,239 |
| Net cash (used in)/generated from investing activities | | **(44,581)** | 808,472 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Net proceeds from issue of convertible bonds | | **—** | 999,845 |
| Interest paid | | **(136,871)** | (6,292) |
| Early redemption of convertible bonds | | **(232,500)** | — |
| New bank borrowings raised | | **287,763** | 107,007 |
| Repayment of bank borrowings | | **(1,148,611)** | (113,308) |
| Net cash (used in)/generated from financing activities | | **(1,230,219)** | 987,252 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | **(103,450)** | 328,022 |
| Cash and cash equivalents at beginning of the year | | **327,621** | 4,331 |
| Effect of foreign exchange rate changes | | **(3,627)** | (4,732) |
| CASH AND CASH EQUIVALENTS AT END OF THE YEAR | 26 | **220,544** | 327,621 |

The accompanying notes form an integral part of the consolidated financial statements.

## 1. CORPORATE INFORMATION

China Innovative Finance Group Limited (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and the principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda, and Rooms 1405–1410, 14th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, respectively. Details of substantial shareholders of the Company are disclosed in the paragraph headed "Substantial Shareholders' Interests or Short Positions in Shares of the Company" in the section headed "Report of the Directors" of this annual report.

The Company acts as an investment holding company and its subsidiaries (together with the Company, collectively referred to as the "Group") involve in various kinds of financial services, including financial leasing, operation of an asset trading platform, investments in securities, money lending and investment holding.

The consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is the same as the functional currency of the Company, and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

## 2. APPLICATION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, the following new and amended Hong Kong Financial Reporting Standards ("new and amended HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") which have become effective for the accounting period beginning on or after 1 April 2016.

| | |
|---|---|
| Amendments to HKAS 1 | Disclosure Initiative |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012–2014 Cycle |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations |
| HKFRS 14 | Regulatory Deferral Accounts |

The application of the new and amended HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

| | |
|---|---|
| Amendments to HKAS 7 | Disclosure Initiative[1] |
| Amendments to HKAS 12 | Recognition of Deferred Tax Assets for Unrealised Losses[1] |
| Amendments to HKAS 40 | Transfer of Investment Property[2] |
| HKFRS 9 | Financial Instruments[2] |
| HKFRS 15 | Revenue from Contracts with Customers[2] |
| HKFRS 16 | Leases[3] |
| HK(IFRIC)-Int 22 | Foreign Currency Transactions and Advance Consideration[2] |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based Payment Transactions[2] |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[2] |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5] |
| Amendments to HKFRS 15 | Clarifications to HKFRS 15 Revenue from Contract with Customers[2] |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2014–2016 Cycle[4] |

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

## 2. APPLICATION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

### HKFRS 9 Financial Instruments

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

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

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

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

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

## 2. APPLICATION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

### HKFRS 9 Financial Instruments (continued)

- the new general hedge accounting requirements retain 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 retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Group's financial instruments and risk management policies as at 31 March 2017, application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as fair value through other comprehensive income (subject to fulfillment of the designation criteria). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

The directors of the Company anticipate that the application of new hedging requirements may not have a material impact on the Group's current hedge designation and hedge accounting as most hedging instruments are expected to meet hedge designation and hedge effectiveness upon the application of new hedging requirements.

However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Group performs a detailed review.

### HKFRS 15 Revenue from Contracts with Customers

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

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

## 2. APPLICATION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

### HKFRS 15 Revenue from Contracts with Customers (continued)

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 considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have an impact on the amounts reported as the timing of revenue recognition and the allocation of total consideration to respective performance obligations based on relative fair values may be affected, and more disclosures relating to revenue is required. In addition, the application of HKFRS 15 in the future may result in more disclosures in the consolidated financial statements.

### HKFRS 16 Leases

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

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

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

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

## 2. APPLICATION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS (continued)

**HKFRS 16 Leases** (continued)

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2017, the Group has non-cancellable operating lease commitments of HK$40,138,000 as disclosed in note 35 to the consolidated financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

**Amendments to HKAS 7 Disclosure Initiative**

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1st January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

The directors of the Company do not anticipate that the application of the amendments to HKAS 7 *Disclosure Initiative* will have a material effect on the Group's consolidated financial statements.

Except as described above, the directors of the Company do not anticipate that the application of these new and amended HKFRSs will have a material effect on the amounts recognised in the Group's consolidated financial statements in the future.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs (which include all HKFRSs, Hong Kong Accounting Standards ("HKAS") and Interpretations) issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities of the Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the disclosure requirements of the Hong Kong Companies Ordinance ("CO").

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

The consolidated financial statements have been prepared under the historical cost basis, except for investments at fair value through profit or loss and certain available-for-sale investments, which are measured at fair values, as appropriate, as explained in the accounting policies set out below.

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

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

In addition, for financial reporting purposes, fair value measurements are categorized 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 with 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.

### Basis of consolidation

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Basis of consolidation (continued)

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

### Investments in subsidiaries

Investments in subsidiaries are included in the Company's statement of financial position at cost plus additional capital contribution, less any identified impairment loss, unless the investment is classified as held for sale or included in a disposal group that is classified as held for sale. The results of the subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### Business combinations

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Business combinations (continued)

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment transactions with share-based payment transactions of the Group are measured in accordance with HKFRS 2 at the acquisition date;

- assets or liabilities related to an operating lease in which the acquiree is the lease shall not be recognised, unless the terms of an operating lease are favorable or unfavorable relative to market terms. In that case, an intangible asset or a liability, as appropriate, is recognised; 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 entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Goodwill

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

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

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

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets other than goodwill 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. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the consolidated income statement on a straight line basis over the expected lives of the related assets.

### Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

### Segment Reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's chief operating decision maker ("CODM") for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical location.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### 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 of the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) the entity and 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 employees of either the Group or an entity related to the Group.

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

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

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

A related party transaction is a transfer of resources, services or obligations between the Group and a related party, regardless of whether a price is charged.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Related parties** (continued)

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:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependants of that person or that person's spouse or domestic partner.

**Discontinued operation**

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographical area of operations, or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

**Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Property, plant and equipment and depreciation (continued)

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| | |
|---|---|
| Leasehold improvements | Over the shorter of the lease terms and 20% |
| Furniture, fixtures and office equipment | 10%–20% |
| Motor vehicles | 20%–30% |
| Aircraft | 6% |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated income statement in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Leases**

### *(a) Where the Group is the lessor*

*Finance lease*

A finance lease is a lease that the Group as the lessor uses to transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. At the commencement of the lease term, the Group recognises the minimum lease amounts receivable by the Group as a finance lease receivable and records the unguaranteed residual value as an asset within the same category. The difference between (a) the aggregate of the minimum lease amounts and the unguaranteed residual value and (b) their present value (presented in the balance sheet as finance lease receivables — net) is recognised as unearned finance income. Minimum lease amounts are the payments over the lease term that the lessee is or can be required to make plus any residual value guaranteed to the lessor by the lessee, or a party unrelated to the lessor.

Unearned finance income is allocated to each period during the lease term using the effective interest method that allocates each rental between finance income and repayment of capital in each accounting period in such a way that finance income is recognised as a constant periodic rate of return (implicit effective interest rate) on the lessor's net investment in the lease. Lease agreements for which the base rent is based on floating interest rates are included in minimum lease payments based on the floating interest rate existing at the commencement of the lease; any increase or decrease in lease payments that result from subsequent changes on floating interest rate is recorded as an increase or a decrease in finance lease income in the period of the interest rate change.

*Operating lease*

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. Amounts received from lessees under operating leases (net of any incentives grant to the lessee) are recognised in profit or loss on a straight-line basis over the period of the lease. Initial direct costs incurred by the Group as the lessor in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

### *(b) Where the Group is the lessee*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Convertible bonds

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

At initial recognition the liability component of the convertible bonds is measured as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component.

Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds.

The liability component is subsequently carried at amortised cost. The interest expense recognised in profit or loss on the liability component is calculated using the effective interest method. The equity component is recognised in the convertible bonds reserve until either the bond is converted or redeemed.

If the convertible bond is converted, the convertible bonds reserve, together with the carrying amount of the liability component at the time of conversion, is transferred to share capital and share premium as consideration for the shares issued. If the convertible bond is redeemed, the convertible bonds reserve is released directly to retained profits.

When the convertible bond is extinguished before maturity through an redemption or repurchase where the original conversion privileges are unchanged, the consideration paid and any transaction costs for the redemption or repurchase are allocated to the liability component and equity component using the same allocation basis as when the convertible bond was originally issued. Once the allocation of consideration and transaction costs is made, any resulting gain or loss relating to the liability component is recognised in profit or loss and the amount of consideration relating to equity component is recognised in equity.

### Financial assets

#### *Initial recognition and measurement*

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial assets** (continued)

***Subsequent measurement***

The subsequent measurement of financial assets depends on their classification as follows:

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

Financial assets are classified as at fair value through profit or loss when the financial assets is either held for trading or it is designed as at fair value through profit or loss initial recognition.

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 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 hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if:

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

Financial assets at fair value through profit or loss are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss in the period in which they arise.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial assets** (continued)

***Subsequent measurement*** (continued)

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

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets or management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify them. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of the assets. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, as these instruments cannot be reclassified after initial recognition.

*(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any identified impairment loss (see accounting policy on impairment of financial assets below), unless the effect of discounting would be immaterial, in which case, they are stated at cost less any identified impairment loss. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate.

*(iii) Available-for-sale financial investments*

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments and debt securities that are either designated as available-for-sale or are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investments, at which time the cumulative gain or loss is recognised in profit or loss, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investments revaluation reserve to profit or loss (see accounting policy in respect of impairment of financial assets below).

For available-for-sale financial investments that do not have a quoted market price in an active market and whose fair value cannot be measured, they are measured at cost less any identified impairment losses at the end of each reporting period.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial assets** (continued)

***Subsequent measurement*** (continued)

*(iii) Available-for-sale financial investments* (continued)

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets or management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

**Derivative financial instruments**

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

Derivatives not designated into an effective hedge relationship are classified as current or non-current on the basis of their expected settlement dates.

***Embedded derivatives***

Embedded derivatives are treated as separate derivatives when their economic characteristics and risk are not clearly and closely related to those of the host contract; the terms of the embedded derivatives would meet the definition a stand-alone derivatives they were contained in a separate contract; and the combined contract is not held for trading or designated at fair value. These embedded derivatives are measured at fair value with changes therein recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the contractual rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed a contractual obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the assets, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

### Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Impairment of financial assets** (continued)

***Financial assets carried at amortised cost***

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

For finance lease receivables, the amount of impairment loss is measured as the difference between the carrying amount of the receivable and the present value of the estimated future cash flows, discounted at the implicit effective interest rate used on initial recognition.

***Available-for-sale financial investments***

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Impairment of financial assets (continued)

***Available-for-sale financial investments*** (continued)

In the case of debt instruments classified as available for sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Impairment losses on debt instruments are reversed through the profit or loss if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in profit or loss.

### Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

***Financial liabilities***

*Initial recognition and measurement*

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss and loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

*Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

(i) Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Financial liabilities and equity** (continued)

***Financial liabilities*** (continued)

*Subsequent measurement* (continued)

(i) Loans and borrowings (continued)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

(ii) Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

(iii) Convertible bonds

The component of convertible bonds that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs. On issuance of convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond; and this amount is carried as a long term liability on the amortised cost basis until extinguished on conversion or redemption. The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity, net of transaction costs. The carrying amount of the conversion option is not remeasured in subsequent years. Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

***Equity instruments***

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Financial liabilities and equity (continued)

***Equity instruments*** (continued)

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

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

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, demand deposits with banks, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the Company's statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated income statement.

### Income tax

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

The tax currently payable is based on taxable profits for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income and 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 bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if temporary difference arises from goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Income tax (continued)

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 at the end of the reporting period. The measurement of deferred tax assets and liabilities 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 are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

### Revenue recognition

Revenue comprises the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

***(i) Financial leasing income***

The income under financial leasing is recognised in the consolidated income statement using the effective interest rate implicit in the lease over the term of the lease.

***(ii) Consultancy services and handling fee income***

Fee income is recognised when the corresponding service is provided, except where the fee is charged to cover the cost of a continuing service to. In such case, the fee is recognised as income in the accounting period in which the costs or risk are incurred or is accounted for as income.

***(iii) Dividend income***

Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

**Revenue recognition** (continued)

***(iv) Interest income***

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

**Share-based payments**

The Company currently operates a share option scheme for the purpose of providing incentives and rewards to eligible participants (including the Company's directors and other employees of the Group and of the investee entities and any consultant, advisor or agent engaged by any member of the Group or any investee entity) who render services and/or contribute to the success of the Group's operations. Employees (including directors) and investment advisors of the Group receive remuneration in the form of share-based payments, whereby employees/investment advisors render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee/investment advisors as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Retirement benefit scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Pursuant to the relevant regulations of the government in the PRC, the subsidiaries in PRC participate in the municipal government contribution scheme whereby the subsidiaries are required to contribute to the scheme for the retirement benefit of eligible employees. The only obligation of the Group with respect to the scheme is to pay the ongoing contributions required by the scheme. The Group's contributions to the scheme are expensed as incurred.

### Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

### Borrowing costs

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### Foreign currencies (continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Disposal of foreign operation (i.e. a disposal of the Group's entire interest in foreign operation, on a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate 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. In addition, in relation to a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

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

## 4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in these consolidated financial statements:

#### *Classification of financial assets*

The Group needs to make judgments on the classification of financial assets as different classification will affect the accounting treatment for the financial assets, financial position and operating results of the Group. The judgments on these classifications depend on the nature and purposes of acquiring those financial assets at their initial recognitions. Subsequent reclassifications may be made if the intention of holding a particular financial asset changed and that reclassification is permitted by HKFRSs.

#### *Classification of leases*

The Group has entered into certain property, plant and equipment leases whereby the Group has determined that it has transferred substantially all the risks and rewards incidental to ownership of the leased to the lessees, as the present values of the minimum lease payments of the lease amounts to at least substantially all of the fair values of the leased assets at the inception of the leases. Accordingly, the Group has excluded the property, plant and equipment from its consolidated statement of financial position and has instead, recognised finance lease receivables in their place. Otherwise the Group includes the property, plant and equipment under operating lease in property, plant and equipment. The determination of whether the Group has transferred substantially all the risks and rewards incidental to ownership depends on an assessment of the relevant arrangements relating to the lease and this has involved critical judgments by management.

#### *Impairment of loans receivables and interest receivables*

The Group estimates impairment loss for loans receivables and the respective interest receivables resulting from the inability of the borrowers to make the required payment. The Group bases on the estimation of the aging of the loans receivables, interest receivables and borrowers creditworthiness.

## 4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

**Judgments** (continued)

***Impairment of property, plant and equipment***

The Group reviews the carrying amounts of the assets at the end of each reporting period to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cash flow to assess the differences between the carrying amount and value in use and provided for impairment loss. Any change in the assumptions adopted in the cash flow forecasts would increase or decrease in the provision of impairment loss and affect the Group's results in future years.

**Estimation uncertainty**

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, are described below.

***Estimated impairment loss on loans receivables***

The Group assesses at the end of each reporting period whether there is objective evidence that a loan receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

The Group maintains an allowance for estimated losses arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of its debtor balances, debtors' creditworthiness, repayment history, historical write-off experience and other relevant information. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

***Estimated impairment loss on finance lease receivables***

The Group reviews the finance lease receivables portfolio on a regular basis, evaluates any indications of impairment, and assesses impairment loss in the case of impairment under specific circumstances. The directors of the Company are of the views that there is no need to make any allowance for impairment loss for finance lease receivables based on their assessment.

## 4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

### Estimation uncertainty (continued)

#### *Income taxes*

Significant judgments on the future tax treatment of certain transactions are required in determining income tax provisions. The Group carefully evaluates tax implications of transactions and tax provisions are made accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

#### *Estimated impairment loss on other receivables*

The Group assesses at the end of each reporting period whether there is objective evidence that loans and other receivables are impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtors and default or significant delay in payments.

The Group maintains an allowance for estimated losses arising from the inability of its debtors to make the required payments. The Group makes its estimates based on the ageing of its debtors balances, debtors' creditworthiness, repayment history, historical write-off experience and other relevant information. If the financial condition of its debtors was to deteriorate so that the actual impairment loss might be higher than expected, the Group would be required to revise the basis of making the allowance and its future results would be affected.

#### *Estimated useful lives of property, plant and equipment*

The Group's management reviews the estimated useful lives of property, plant and equipment in determining their depreciation charges at the end of each reporting period. This estimate is based on the historical experience of the actual useful lives of assets of similar nature and functions. The Group will revise the depreciation charge where useful lives are different to those previously estimated.

#### *Estimated impairment loss of goodwill*

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the CGU to which goodwill has been allocated. The recoverable amount of the CGU has been determined based on value in use. Should the recoverable amount is less than the carrying amount of the CGU to which goodwill has been allocated, a material impairment loss may arise.

## 4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

**Estimation uncertainty** (continued)

***Estimated impairment loss of non-financial assets (other than goodwill and property, plant and equipment)***

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets with finite useful lives are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Non-financial assets with indefinite useful lives are tested for impairment annually and whenever there are indications that it may be impaired. An impairment exists when the carrying value of an asset or a CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and/or its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices, or fair value as determined by professional valuer, less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows.

***Measurement of fair values of financial assets***

The Group has significant amounts of financial assets measured at fair values that are classified as Level 2 and Level 3 fair value measurement under HKFRS 13 *Fair Value Measurement*. The Group engaged independent competent valuers to perform the valuation of those financial instruments. As at 31 March 2017, the financial assets that are classified as Level 2 and Level 3 fair value measurement under HKFRS 13 amounted to approximately HK$166,451,000 (2016: HK$100,610,000) and HK$913,822,000 (2016: Nil), respectively. Details of the fair value measurement are set out in note 38 to the consolidated financial statements.

## 5. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the reports that are used to make strategic decisions reviewed by the Group's CODM. For the year ended 31 March 2017, the Group had three reportable operating segments from continuing operations. Details are as follows:

(i) the investments in securities segment engages primarily in the purchase and sale of securities and derivatives and the holding of equity and debt investments primarily for interest income, dividend income and capital appreciation;

(ii) the money lending segment engages primarily in money lending operations; and

(iii) the financial leasing segment engages primarily in the direct financial leasing, advisory services and asset trading platform.

CODM monitors the results of the Group's operating segments separately as described above, for the purpose of making decisions about resource allocation and assessment of the Group's performance. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted profit before tax from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that unallocated income, unallocated finance costs and unallocated expenses are excluded from such measurement.

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

- all assets are allocated to reportable segments other than unallocated corporate assets such as property, plant and equipment; and
- all liabilities are allocated to reportable segments other than current and deferred tax liabilities, and unallocated corporate liabilities such as other payables and accruals.

## 5. OPERATING SEGMENT INFORMATION (continued)

| | Investments in securities | | Money lending | | Financial leasing | | Unallocated | | Consolidated | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2017 HK$'000** | 2016 HK$'000 | **2017 HK$'000** | 2016 HK$'000 | **2017 HK$'000** | 2016 HK$'000 | **2017 HK$'000** | 2016 HK$'000 | **2017 HK$'000** | 2016 HK$'000 (restated) |
| Segment revenue: | | | | | | | | | | |
| Revenue from external customers | **7,919** | – | **20,763** | 8,215 | **164,543** | 88,777 | **286** | – | **193,511** | 96,992 |
| Segment results | **234,932** | 177,257 | **20,660** | (39,747) | **208,378** | 69,655 | **–** | – | **463,970** | 207,165 |
| Reconciliations: | | | | | | | | | | |
| Unallocated income | | | | | | | | | **3,611** | 123 |
| Unallocated finance costs | | | | | | | | | **(112,002)** | (38,420) |
| Unallocated expenses* | | | | | | | | | **(164,781)** | (56,929) |
| Profit before tax from continuing operations | | | | | | | | | **190,798** | 111,939 |
| Other segment information: | | | | | | | | | | |
| Finance costs | **(645)** | (2,621) | **–** | – | **(836)** | (992) | **(112,002)** | (38,420) | **(113,483)** | (42,033) |
| Depreciation | **–** | – | **–** | – | **(4,625)** | (3,476) | **(10,632)** | (3,046) | **(15,257)** | (6,522) |
| Fair value gains on investments at fair value through profit or loss, net** | **241,536** | 184,133 | **–** | – | **167,912** | 56,709 | **–** | – | **409,448** | 240,842 |
| Impairment loss on available-for-sale investment | **(771)** | – | **–** | – | **–** | – | **–** | – | **(771)** | – |
| Impairment loss on loans receivables | **–** | – | **–** | (45,000) | **–** | – | **–** | – | **–** | (45,000) |
| Impairment loss on interest receivables | **–** | – | **–** | (2,232) | **–** | – | **–** | – | **–** | (2,232) |
| Loss on disposal of property, plant and equipment | **–** | – | **–** | – | **–** | – | **(3)** | (24) | **(3)** | (24) |
| Loss on redemption of convertible bonds | **–** | – | **–** | – | **–** | – | **(21,934)** | – | **(21,934)** | – |
| Capital expenditure*** | **–** | – | **–** | – | **–** | 455 | **1,282** | 2,913 | **1,282** | 3,368 |

* Unallocated expenses mainly included employee benefit expenses of approximately HK$48,938,000 (2016: HK$24,047,000), loss on redemption of convertible bonds of approximately HK$21,934,000 (2016: Nil), exchange loss of approximately HK$14,054,000 (2016: HK$10,271,000), legal and professional fee of approximately HK$10,757,000 (2016: HK$11,432,000) and depreciation of approximately HK$10,632,000 (2016: HK$3,046,000).

** For the year ended 31 March 2017, there was a fair value gain on investments at fair value through profit or loss of approximately HK$167,912,000 (2016: HK$56,709,000) included in the segment results of the financial leasing segment. The fair value gain on investment at fair value through profit or loss under the financial leasing segment represented an unrealised fair value gain on an investment. Such investment has not been classified as held for trading. Significant involvement from the management of financial leasing segment had been made on acquisition of such investment, including investment analysis, contract negotiation with the sellers and project monitoring and management. Moreover, all of the related purchase costs and expenses of such investment were also recorded under the financial leasing segment. Therefore, such unrealised gain on investment have been recorded under the financial leasing segment for the years ended 31 March 2017 and 2016.

The whole financial leasing segment are separately and regularly reviewed by the CODM to make decisions about resources to be allocated to the segment and assess its performance.

*** Capital expenditure consists of additions to property, plant and equipment and intangible asset.

## 5. OPERATING SEGMENT INFORMATION (continued)

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

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| **Segment assets:** | | |
| Investment in securities | 1,610,243 | 2,217,712 |
| Money lending | 118,434 | 327,403 |
| Financial leasing | 2,295,786 | 2,633,497 |
| | 4,024,463 | 5,178,612 |
| Unallocated assets | 711,367 | 718,695 |
| Total assets | 4,735,830 | 5,897,307 |
| **Segment liabilities:** | | |
| Investment in securities | 5,665 | 634,325 |
| Financial leasing | 496,627 | 787,858 |
| | 502,292 | 1,422,183 |
| Unallocated liabilities | 1,046,869 | 1,315,769 |
| Total liabilities | 1,549,161 | 2,737,952 |

### Revenue from external customers

The Group's revenue from continuing operations is substantially derived from its external customers in Hong Kong and other parts of the PRC.

### Information about major customers

Revenue from customers individually contributing over 10% of the Group's revenue is as follows:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Customer A | 40,907 | 38,174 |

## 5. OPERATING SEGMENT INFORMATION (continued)

### Geographical information

The Group's operations are mainly located in Hong Kong and other parts of the PRC. The geographical information about the Group's revenue based on the locations of the customers and non-current assets based on the locations of the assets is set out below:

| | Revenue from external customers | | Non-current assets (note) | |
|---|---|---|---|---|
| | **2017 HK$'000** | 2016 HK$'000 | **2017 HK$'000** | 2016 HK$'000 |
| Hong Kong | **28,968** | 8,215 | **159,960** | 157,928 |
| Other parts of the PRC | **164,543** | 88,777 | **1,272,004** | 1,326,053 |
| | **193,511** | 96,992 | **1,431,964** | 1,483,981 |

Note: Non-current assets exclude available-for-sale investments, finance lease receivables, investments at fair value through profit or loss and loans receivables.

## 6. REVENUE

Revenue, which is also the Group's turnover, represents interest income from money lending operations; financial leasing and consultancy services income from financial leasing operations; handling fee income; and dividend and interest income from investments at fair value through profit or loss during the year.

| | **2017 HK$'000** | 2016 HK$'000 |
|---|---|---|
| An analysis of revenue from continuing operations is as follows: | | |
| Financial leasing income | **105,484** | 48,315 |
| Consultancy services income (note i) | **54,098** | 38,982 |
| Interest income from money lending operations | **19,121** | 6,183 |
| Interest income from a convertible bond | **190** | — |
| Handling fee income (note ii) | **6,889** | 3,512 |
| Dividend income from investments at fair value though profit or loss | **7,729** | — |
| | **193,511** | 96,992 |

## 6. REVENUE (continued)

Notes:

(i) Consultancy services income arising from financial leasing segment represents income derived from consultancy services provided for the financial leasing customers and asset trading platform services provided for investors and issuers, including but not limited to:

(a) formulation of financial leasing and trading platform structure;

(b) provision of legal analysis;

(c) provision of advice on transaction arrangement; and

(d) financial and taxation analysis.

(ii) Included in handling fee income was an amount of approximately HK$4,961,000 (2016: HK$1,480,000) from financial leasing segment, approximately HK$1,642,000 (2016: HK$2,032,000) from money lending segment and approximately HK$286,000 (2016: Nil) from securities brokerage business which is included in the unallocated segment.

## 7. OTHER INCOME AND OTHER NET LOSS

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Other income: | | |
| An analysis of other income from continuing operations is as follows: | | |
| Bank interest income | 2,422 | 3,307 |
| Government subsidy (note) | 681 | 2,377 |
| Sundry income | 244 | 203 |
| | 3,347 | 5,887 |

## 7. OTHER INCOME AND OTHER NET LOSS (continued)

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Other net loss: | | |
| An analysis of other net loss from continuing operations is as follows: | | |
| Loss on disposal of property, plant and equipment | **(3)** | (24) |
| Loss on redemption of convertible bonds | **(21,934)** | — |
| Impairment loss on loans receivables | **—** | (45,000) |
| Impairment loss on interest receivables | **—** | (2,232) |
| | **(21,937)** | (47,256) |

Note: This is the one-off subsidy received from the PRC government regarding the development and setting up of a financial institution in Shanghai Pudong area.

## 8. FINANCE COSTS

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| An analysis of finance costs from continuing operations is as follows: | | |
| Interest on bank borrowings wholly repayable within five years | **7,688** | 2,671 |
| Interest on margin and other loans | **645** | 2,621 |
| Amortised interest on bonds | **1,142** | 1,138 |
| Amortised interest on convertible bonds | **104,008** | 35,603 |
| | **113,483** | 42,033 |

## 9. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

The Group's profit before tax from continuing operations is arrived at after charging/(crediting):

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Auditors' remuneration: | | |
| — Audit services | 2,400 | 2,349 |
| — Non-audit services | 619 | 2,688 |
| | 3,019 | 5,037 |
| Employee benefit expenses: | | |
| Directors' remuneration: | | |
| — Fees | 1,092 | 638 |
| — Salaries and allowances | 10,085 | 8,302 |
| — Retirement benefit scheme contributions (defined contribution scheme)* | 53 | 36 |
| — Emolument shares | 2,726 | 2,781 |
| Sub-total | 13,956 | 11,757 |
| Other staff's costs: | | |
| — Salaries and allowances | 36,207 | 20,313 |
| — Retirement benefit scheme contributions (defined contribution scheme)* | 2,194 | 1,061 |
| — Inducement fee | — | 5,000 |
| Sub-total | 38,401 | 26,374 |
| Total employee benefit expenses | 52,357 | 38,131 |
| Sales proceeds from disposal of securities | (769,716) | (189,768) |
| Carrying amount of securities | 724,108 | 176,184 |
| Realised gains from investments at fair value through profit or loss — securities (note 22(c)(ii)) | (45,608) | (13,584) |
| Unrealised (gains)/losses from investments at fair value through profit or loss — securities and bond (note 22(c)(i)) | (867,184) | 262,732 |
| Fair value (gains)/losses on investments at fair value through profit or loss — securities and bond, net | (912,792) | 249,148 |
| Realised losses from investments at fair value through profit or loss — derivative financial instruments (note a) | 503,344 | 4,587 |
| Unrealised gains from investments at fair value through profit or loss — derivative financial instruments | — | (494,577) |
| Fair value losses/(gains) on investments at fair value through profit or loss — derivative financial instruments, net | 503,344 | (489,990) |
| Fair value gains on investment at fair value through profit or loss, net | (409,448) | (240,842) |
| Net foreign exchange loss | 14,054 | 10,271 |
| Interest expenses (note b) | 157,367 | 42,033 |
| Impairment loss on available-for-sale investments | 771 | — |
| Impairment loss on loans receivables | — | 45,000 |
| Impairment loss on interest receivables | — | 2,232 |
| Loss on disposal of property, plant and equipment | 3 | 24 |
| Loss on redemption of convertible bonds | 21,934 | — |
| Depreciation | 15,257 | 6,622 |

## 9. PROFIT BEFORE TAX FROM CONTINUING OPERATIONS (continued)

Notes:

(a) The amount mainly included realised losses on call option of shares of China New City Commercial Development Ltd. of HK$495,400,000.

(b) The interest expenses were included in cost of services and finance costs.

* As at 31 March 2017, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (2016: Nil).

## 10. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the CO and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Fees | **1,092** | 638 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | **10,085** | 8,302 |
| Retirement benefit scheme contributions (defined contribution scheme) | **53** | 36 |
| Emolument shares* | **2,726** | 2,781 |
| | **12,864** | 11,119 |
| Directors' remuneration included in employee benefit expenses (note 9) | **13,956** | 11,757 |

* The issuance of emolument shares to a director is pursuant to the service contract.

### (a) Independent non-executive directors

The fees paid to independent non-executive directors ("INEDs") during the year were as follows:

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Mr. To Shing Chuen | **120** | 120 |
| Mr. Cheung Wing Ping (note i) | **120** | 114 |
| Mr. Chung Yuk Lun | **120** | 120 |
| Mr. Ha Kee Choy Eugene (note ii) | **—** | 6 |
| | **360** | 360 |

## 10. DIRECTORS' REMUNERATION (continued)

### (a) Independent non-executive directors (continued)

Notes:

(i) Mr. Cheung Wing Ping was appointed as an INED of the Company at the annual general meeting with effect from 17 April 2015.

(ii) Mr. Ha Kee Choy Eugene retired as an INED of the Company at the annual general meeting with effect from 17 April 2015.

There were no other emoluments payable to INEDs during the year ended 31 March 2017 (2016: Nil).

There was no arrangement under which INEDs waived or agreed to waive any remuneration during the year (2016: Nil).

No emoluments have been paid to INEDs as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

### (b) Non-executive directors

The fees paid to non-executive directors ("NEDs") during the year were as follows:

| | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|
| Mr. Qiu Jianyang (note i) | **500** | 278 |
| Mr. Li Hang (note ii) | **232** | — |
| | **732** | 278 |

Notes:

(i) Mr. Qiu Jianyang was appointed as a NED of the Company at the annual general meeting with effect from 11 September 2015.

(ii) Mr. Li Hang was appointed as a NED of the Company at the annual general meeting with effect from 18 October 2016.

There were no other emoluments payable to NEDs during the year ended 31 March 2017 (2016: Nil).

There was no arrangement under which NEDs waived or agreed to waive any remuneration during the year (2016: Nil).

No emoluments have been paid to NEDs as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

## 10. DIRECTORS' REMUNERATION (continued)

### (c) Executive directors

The fees paid to executive directors ("EDs") during the year were as follows:

| | Fees HK$'000 | Salaries, allowances and benefit in kind HK$'000 | Retirement benefit scheme contributions HK$'000 | Equity-settled share-based payment expenses HK$'000 | Emolument shares HK$'000 | Total remuneration HK$'000 |
|---|---|---|---|---|---|---|
| 2017 | | | | | | |
| Mr. Ji Kewei (note i) | — | 4,584 | 11 | — | 2,726 | 7,321 |
| Mr. Ma Chao (note ii) | — | 1,200 | 18 | — | — | 1,218 |
| Mr. Yau Wai Lung | — | 2,282 | 18 | — | — | 2,300 |
| Ms. Cheng Yan (note iii) | — | 1,202 | 6 | — | — | 1,208 |
| Mr. Wang Zhenjiang (note iv) | — | 817 | — | — | — | 817 |
| | — | 10,085 | 53 | — | 2,726 | 12,864 |
| 2016 | | | | | | |
| Mr. Ji Kewei (note i) | — | 5,367 | 7 | — | 2,781 | 8,155 |
| Mr. Ma Chao (note ii) | — | 1,123 | 11 | — | — | 1,134 |
| Mr. Yau Wai Lung | — | 1,560 | 18 | — | — | 1,578 |
| Dr. Jonathan Ross (note v) | — | 252 | — | — | — | 252 |
| | — | 8,302 | 36 | — | 2,781 | 11,119 |

Notes:

(i) Mr. Ji Kewei was appointed as an ED and the chief executive of the Company with effect from 11 September 2015 and resigned with effect from 18 October 2016.

(ii) Mr. Ma Chao was appointed as an ED of the Company with effect from 22 April 2015.

(iii) Ms. Cheng Yan was appointed as an ED and the chief executive of the Company with effect from 9 December 2016.

(iv) Mr. Wang Zhenjiang was appointed as an ED and the vice president of the Company with effect from 18 October 2016.

(v) Dr. Jonathan Ross was resigned as an ED of the Company with effect from 13 August 2015.

## 10. DIRECTORS' REMUNERATION (continued)

### (c) Executive directors (continued)

There was no arrangement under which EDs waived or agreed to waive any remuneration during the year (2016: Nil).

No emoluments have been paid to EDs as an inducement to join or upon joining the Group or as compensation for loss of office for both years.

## 11. FIVE HIGHEST PAID EMPLOYEES

For the years ended 31 March 2017 and 2016, the five highest paid employees included three (2016: three) current directors of the Company, details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining two (2016: two) non-director, highest paid employees of the Group are as follows:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Salaries and allowances | **5,120** | 1,240 |
| Retirement benefit scheme contributions (defined contribution scheme) | **27** | 11 |
| Inducement fee | **—** | 5,000 |
| | **5,147** | 6,251 |

The emoluments of the remaining two (2016: two) individuals including the salaries paid to one (2016: Nil) former director after his resignation fell within the following bands:

| | 2017<br>Number of<br>individual | 2016<br>Number of<br>individual |
|---|---|---|
| Nil–HK$1,000,000 | **—** | 1 |
| HK$1,000,001–HK$2,000,000 | **—** | — |
| HK$2,000,001–HK$3,000,000 | **2** | — |
| HK$3,000,001–HK$4,000,000 | **—** | — |
| HK$4,000,001–HK$5,000,000 | **—** | — |
| HK$5,000,001–HK$6,000,000 | **—** | 1 |
| | **2** | 2 |

For the year ended 31 March 2016, included in the emoluments of one of the remaining two individuals was the inducement fee upon joining the Group totaling HK$5,000,000.

## 12. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% (2016: 16.5%) on the estimated assessable profits for the year. No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group did not generate any assessable profits for both years.

The PRC Enterprise Income Tax for the PRC subsidiaries are calculated at the PRC Enterprise Income Tax rate of 25% (2016: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Current tax | | |
| — Over-provision for Hong Kong Profits Tax in prior years | — | 432 |
| — PRC Enterprise Income Tax | (5,630) | (4,316) |
| — Under-provision for PRC Enterprise Income Tax in prior years | (337) | — |
| | (5,967) | (3,884) |
| Deferred tax expense (note 30) | (25,475) | (37,575) |
| Total income tax expense recognised in consolidated income statement | (31,442) | (41,459) |

The income tax expense for the year can be reconciled to profit before tax from continuing operations for the consolidated income statement as follows:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Profit before tax from continuing operations | 190,798 | 111,939 |
| Tax at the statutory tax rates of different jurisdictions | 45,746 | 24,273 |
| Tax effect of income not taxable for tax purposes | (63,515) | (44,268) |
| Tax effect of expenses not deductible for tax purposes | 33,044 | 8,834 |
| Utilisation of tax losses previously not recognised | — | (4,475) |
| Tax effect of tax losses not recognised | 15,830 | 19,952 |
| Tax effect of temporary differences | — | 37,575 |
| Under/(over) provision in prior years | 337 | (432) |
| Total income tax expense recognised in consolidated income statement | 31,442 | 41,459 |

## 13. DISCONTINUED OPERATION

### For the year ended 31 March 2016

On 21 May 2015, the Company entered into a conditional sale and purchase agreement with Trillion Cheer Toprich Limited ("Trillion Cheer"), pursuant to which the Company conditionally agreed to dispose of, and Trillion Cheer conditionally agreed to purchase, the entire issued share capital of Gold Mountain Limited ("Gold Mountain"), together with the assignment of the entire shareholder's loan and other indebtedness owed by Gold Mountain or its subsidiaries to the Group as at completion for an aggregate consideration of HK$720,000,000.

Gold Mountain is principally engaged in investment in and management of the Forestlands in the PRC, the results of which are classified as discontinued operation and are set out below.

| | Notes | 2016<br>HK$'000 |
|---|---|---|
| Profit for the year from discontinued operation of management of the Forestlands | | |
| REVENUE | | – |
| Other income | | 14 |
| Employee benefit expenses | | (373) |
| Depreciation | | (100) |
| Amortisation of prepaid lease payment | 17 | (371) |
| Amortisation of intangible assets | 18 | (5,679) |
| Minimum lease payments under operating leases in respect of land and buildings | | (553) |
| Other expenses | | (426) |
| Loss before taxation | | (7,488) |
| Income tax credit | | 1,421 |
| Loss for the year from discontinued operation | | (6,067) |
| Gain on disposal of subsidiaries | 33(a) | 7,283 |
| | | 1,216 |

## 13. DISCONTINUED OPERATION (continued)

Loss for the year from discontinued operation of management of the Forestlands is arrived at after charging:

| | 2016<br>HK$'000 |
|---|---|
| Auditors' remuneration: | |
| — Audit services | — |
| Depreciation | 100 |
| Amortisation of prepaid lease payment | 371 |
| Amortisation of intangible assets | 5,679 |
| Other staff's costs: | |
| — Salaries and allowances | 373 |

**Cash flows from discontinued operation**

| | |
|---|---|
| Net cash inflows from operating activities | 1,013 |
| Net cash outflows from investing activities | (69) |
| Net cash inflows | 944 |

## 14. DIVIDEND

No dividend was paid or proposed for the year ended 31 March 2017 (2016: Nil), nor has any dividend been proposed since the end of the reporting period.

## 15. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

### From continuing and discontinued operations

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

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Earnings for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share | **159,356** | 71,696 |
| *Number of share ('000)* | | |
| Weighted average number of ordinary shares for the purposes of basic earnings per share | **19,236,701** | 18,293,308 |
| Effect of dilutive potential ordinary shares — Share options | **63,958** | 94,507 |
| Weighted average number of ordinary shares for the purposes of diluted earnings per share | **19,300,659** | 18,387,815 |
| Basic earnings per share in (in HK cents) | **0.83** | 0.39 |
| Diluted earnings per share (in HK cents) | **0.83** | 0.39 |

### From continuing operations

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

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Earnings for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share | **159,356** | 71,696 |
| Less: Earnings for the year attributable to owners of the Company from discontinued operation | **—** | (1,216) |
| Earnings for the purposes of basic and diluted earnings per share from continuing operations | **159,356** | 70,480 |

## 15. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY (continued)

**From continuing operations** (continued)

Diluted earnings per share did not assume the conversion of convertible bonds since their assumed conversion had an anti-dilutive effect on earnings per share for the years ended 31 March 2017 and 2016.

Diluted earnings per share assumed the exercise of the share options since the average share price of the Company is higher than the exercise price for the years ended 31 March 2017 and 2016.

**From discontinued operation**

For the year ended 31 March 2016, basic and diluted earnings per share for the discontinued operation was HK$0.01 cents per share, based on the earnings from the discontinued operation of approximately HK$1,216,000, and the denominators are the same as those detailed above for basic and diluted earnings per share.

## 16. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements HK$'000 | Furniture, fixtures and office equipment HK$'000 | Motor vehicles HK$'000 | Aircraft HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **31 March 2017** | | | | | |
| At 1 April 2016: | | | | | |
| Cost | 10,256 | 11,926 | 3,849 | 156,574 | 182,605 |
| Accumulated depreciation | (6,073) | (4,812) | (568) | (2,454) | (13,907) |
| Net carrying amount | 4,183 | 7,114 | 3,281 | 154,120 | 168,698 |
| At 1 April 2016, net of accumulated depreciation and impairment | 4,183 | 7,114 | 3,281 | 154,120 | 168,698 |
| Acquisition of subsidiaries (note 33(b)) | — | 94 | — | — | 94 |
| Additions | — | — | 688 | — | 688 |
| Depreciation provided during the year | (1,723) | (2,950) | (1,190) | (9,394) | (15,257) |
| Disposals | — | (110) | — | — | (110) |
| Exchange realignment | (189) | (311) | (44) | — | (544) |
| At 31 March 2017, net of accumulated depreciation and impairment | 2,271 | 3,837 | 2,735 | 144,726 | 153,569 |
| At 31 March 2017: | | | | | |
| Cost | 9,952 | 11,296 | 4,480 | 156,574 | 182,302 |
| Accumulated depreciation | (7,681) | (7,459) | (1,745) | (11,848) | (28,733) |
| Net carrying amount | 2,271 | 3,837 | 2,735 | 144,726 | 153,569 |

## 16. PROPERTY, PLANT AND EQUIPMENT (continued)

| | Leasehold improvements HK$'000 | Furniture, fixtures and office equipment HK$'000 | Motor vehicles HK$'000 | Aircraft HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| 31 March 2016 | | | | | |
| At 1 April 2015: | | | | | |
| Cost | 4,833 | 4,803 | 3,496 | — | 13,132 |
| Accumulated depreciation | (4,701) | (4,267) | (1,709) | — | (10,677) |
| Net carrying amount | 132 | 536 | 1,787 | — | 2,455 |
| At 1 April 2015, net of accumulated depreciation and impairment | 132 | 536 | 1,787 | — | 2,455 |
| Acquisition of subsidiaries (note 33(b)) | 4,793 | 8,264 | 944 | 156,574 | 170,575 |
| Additions | 778 | 397 | 2,193 | — | 3,368 |
| Disposal of subsidiaries (note 33(a)) | — | (126) | (720) | — | (846) |
| Depreciation provided during the year | (1,373) | (2,173) | (622) | (2,454) | (6,622) |
| Disposals | — | (24) | — | — | (24) |
| Exchange realignment | (147) | 240 | (301) | — | (208) |
| At 31 March 2016, net of accumulated depreciation and impairment | 4,183 | 7,114 | 3,281 | 154,120 | 168,698 |
| At 31 March 2016: | | | | | |
| Cost | 10,256 | 11,926 | 3,849 | 156,574 | 182,605 |
| Accumulated depreciation | (6,073) | (4,812) | (568) | (2,454) | (13,907) |
| Net carrying amount | 4,183 | 7,114 | 3,281 | 154,120 | 168,698 |

Property, plant and equipment of approximately HK$144,726,000 (2016: Nil) was pledged to secure a bank borrowing obtained by the Group (note 34).

## 17. PREPAID LEASE PAYMENTS

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Leasehold land in the PRC under medium-term lease: | | |
| At beginning of the year | — | 44,844 |
| Amortisation | — | (371) |
| Disposal of subsidiaries (note 33(a)) | — | (44,473) |
| At end of the year | — | — |

## 17. PREPAID LEASE PAYMENTS (continued)

The Group's prepaid lease payments represent the land portion of the Forestlands use rights granted to the Group and are located in Qinglong of the PRC. The Forestlands use rights will expire in the year 2057. Usage of the Forestlands is regulated by the implementation regulations of the PRC Forest Law promulgated by the State Council of the PRC.

The prepaid lease payments are amortised on a straight-line basis over the remaining term of the lease of the Forestlands.

During the year ended 31 March 2016, the Group has disposed the Forestlands use rights through the disposal of subsidiaries.

## 18. INTANGIBLE ASSETS

| | Trading right<br>HK$'000 | License<br>HK$'000 | Favourable lease asset<br>HK$'000 | Goodwill<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|---|---|
| At 1 April 2015 | — | — | 687,826 | 101,883 | 789,709 |
| Acquisition of subsidiaries (note 33(b)) | — | 447,000 | — | 796,156 | 1,243,156 |
| Disposal of subsidiaries (note 33(a)) | — | — | (682,147) | (101,883) | (784,030) |
| Amortisation during the year | — | — | (5,679) | — | (5,679) |
| At 31 March 2016 and 1 April 2016 | — | 447,000 | — | 796,156 | 1,243,156 |
| Acquisition of subsidiaries (note 33(b)) | 500 | — | — | 37,873 | 38,373 |
| Exchange alignment | — | (32,463) | — | (797) | (33,260) |
| **At 31 March 2017** | **500** | **414,537** | **—** | **833,232** | **1,248,269** |

Notes:

**(a) Trading right**

Trading right arose from the acquisition of China Innovative Finance Securities Limited ("CIFS") (formerly known as Stephil Securities Limited) (note 33(b)) which represented the eligibility right to trade on or through the Stock Exchange of Hong Kong Limited and has no foreseeable limit to the period over which the Group can use to generate net cash flows. The management of the Group considered that the trading right is capable of being renewed indefinitely at insignificant cost and is expected to generate net cash inflows indefinitely. Accordingly, the trading right will not be amortised until its useful life is determined to be finite upon reassessment of its useful life annually by the management of the Group. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired.

## 18. INTANGIBLE ASSETS (continued)

Notes: (continued)

### (a) Trading right (continued)

***Impairment testing of trading right***

For the purpose of impairment testing, trading right has been allocated to the CGU represented by securities brokerage business which is included in the unallocated segment. At 31 March 2017, the carrying amount of trading right (net of accumulated impairment losses) was HK$500,000.

Details of the determination of the recoverable amount of the CGU of securities brokerage business which is included in unallocated segment as a CGU are described in (d) below.

### (b) License

License arose from the acquisition of Hong Kong Leasing Limited ("Hong Kong Leasing") and its subsidiaries (collectively referred to as "Hong Kong Leasing Group") (see note 33(b)) and represented the license to operate an asset trading platform in Shenzhen granted by the Development of the Shenzhen Municipal Government Financial Services Office. The license does not have an expiry date. The platform can be used for trading business relating to leasing facilities, leasing assets and other related leasing properties, provision of spot trading platform and market services and consultancy services. As at 31 March 2017 and 2016, there was no foreseeable limit to the product life cycles of such leasing facilities, leasing assets and other related leasing properties, provision of spot trading platform and market services and consultancy services and hence no foreseeable limit to the period over which the license for operating financial transactions platform could be used by the Group. In the opinion of the directors of the Company, the license is expected to generate positive cash flows indefinitely. Accordingly, the license will not be amortised until its useful life is determined to be finite upon reassessment of its useful life annually by the management. Instead, it will be tested for impairment and whenever there is an indication that it may be impaired.

***Impairment testing of license***

For the purpose of impairment testing, license has been allocated to the Hong Kong Leasing Group CGU under the "financial leasing" segment. At 31 March 2017, the carrying amount of license (net of accumulated impairment losses) was approximately HK$414,537,000 (2016: HK$447,000,000).

Details of the determination of the recoverable amount of Hong Kong Leasing Group CGU under the "financial leasing" segment are described in (d) below.

## 18. INTANGIBLE ASSETS (continued)

Notes: (continued)

**(c) Favourable lease asset**

During the year ended 31 March 2016, the Group has disposed the favourable lease asset through the disposal of subsidiaries.

**(d) Goodwill**

Goodwill arose from the acquisitions (note 33(b)) and has been allocated to CGUs that is expected to benefit from the acquisitions.

Accordingly, management of the Company had determined that the CGUs from financial leasing segment and securities brokerage business were expected to benefit from the synergies of the combination.

***Impairment testing of goodwill***

For the year ended 31 March 2017, for the purpose of impairment testing, the carrying amount of goodwill (net of accumulated impairment losses) of approximately HK$821,731,000 (2016: HK$796,156,000) was allocated to the financial leasing segment and approximately HK$11,501,000 (2016: Nil) was allocated to securities brokerage business which is included in the unallocated segment.

***Financial leasing segment***

The recoverable amount of Hong Kong Leasing Group CGU under the "financial leasing" segment were determined based on a value-in-use calculation which used cash flow projections based on financial budgets approved by the directors of the Company covering a five-year period, and a pre-tax discount rate of 22.23% per annum (2016: 13.42%). Cash flows beyond that five-year period have been extrapolated using a steady growth rate of the relevant industry. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Key assumptions used in the preparation of the financial budgets included revenue and gross margin which were determined by the directors of the Company based on past performance and its expectation for market development. The values assigned to key assumptions were based on historical experience, current market condition, approved forecasts and consistent with external information sources. The directors of the Company believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU comprising goodwill of carrying amount of HK$796,156,000, license as mentioned in (b) above and other assets and liabilities belonging to the CGU to exceed the aggregate of its recoverable amount. Therefore, no impairment loss for the respective goodwill and license are required for the years ended 31 March 2017 and 2016.

## 18. INTANGIBLE ASSETS (continued)

Notes: (continued)

**(d) Goodwill** (continued)

***Financial leasing segment*** (continued)

The recoverable amount of China Innovative Finance Zhonghong (Shenzhen) Business Factoring Company Limited (formerly known as Shenzhen Qianhai Haotian Zhonghong Business Factoring Company Limited) ("China Innovative Finance Zhonghong") CGU under the "financial leasing" segment were determined based on a value-in-use calculation which used cash flow projections based on financial budgets approved by the directors of the Company covering a three-year period, and a pre-tax discount rate of 21.68% per annum. Cash flows beyond that three-year period have been extrapolated using a steady growth rate of the relevant industry. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Key assumptions used in the preparation of the financial budgets included revenue and gross margin which were determined by the directors of the Company based on past performance and its expectation for market development. The values assigned to key assumptions were based on historical experience, current market condition, approved forecasts and consistent with external information sources. The directors of the Company believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU comprising goodwill of carrying amount of HK$26,372,000 and other assets and liabilities belonging to the CGU to exceed the aggregate of its recoverable amount. Therefore, no impairment loss for the respective goodwill is required for the year ended 31 March 2017.

***Securities brokerage business***

The recoverable amount of the CGU under the securities brokerage business which is included in the unallocated segment were determined based on a value-in-use calculation which used cash flow projections based on financial budgets approved by the directors of the Company covering a three-year period, and a pre-tax discount rate of 18.32% per annum. Cash flows beyond that three-year period have been extrapolated using a steady growth rate of the relevant industry. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Key assumptions used in the preparation of the financial budgets included revenue and gross margin which were determined by the directors of the Company based on past performance and its expectation for market development. The values assigned to key assumptions were based on historical experience, current market condition, approved forecasts and consistent with external information sources. The directors of the Company believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU comprising goodwill of carrying amount of HK$11,501,000, trading right as mentioned in (a) above and other assets and liabilities belonging to the CGU to exceed the aggregate of its recoverable amount. Therefore, no impairment loss for the respective goodwill and trading right are required for the year ended 31 March 2017.

## 19. BIOLOGICAL ASSETS

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| At beginning of the year | — | 61,242 |
| Increase due to purchases | — | 68 |
| Disposal of subsidiaries (note 33(a)) | — | (61,310) |
| At end of the year | — | — |

During the year ended 31 March 2016, the Group disposed all its biological assets through disposal of subsidiaries.

## 20. AVAILABLE-FOR-SALE INVESTMENTS

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| **Non-current assets** | | |
| Club membership debenture, at fair value (note a) | **4,600** | 4,600 |
| Unlisted equity investment, at cost | | |
| — In Hong Kong (note b) | **340,800** | — |
| — In the PRC (note c) | **—** | — |
| | **345,400** | 4,600 |
| **Current assets** | | |
| Unlisted equity investment, at cost | | |
| — In Hong Kong (note b) | **—** | 340,800 |
| | **—** | 340,800 |

## 20. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes:

(a) Club membership debenture classified as an available-for-sale investment at initial recognition and has no fixed maturity date or coupon rate. The fair value of club membership debenture is based on its quoted price in an open market. The Group does not intend to dispose the investment in the near future.

During the year ended 31 March 2017, no fair value gain on club membership debenture was recognised in statement of other comprehensive income (2016: Nil).

(b) During the year ended 31 March 2017, the Group acquired 48,000,000 shares of HEC Capital Limited ("HEC Capital") by way of exchange of 56,800,000 shares of Joint Global Limited ("Joint Global"), a company incorporated in the Republic of the Marshall Islands. The directors of the Company considered no impairment loss recognised as the recoverable amount is greater than its carrying amount.

During the year ended 31 March 2016, the Group subscribed 56,800,000 shares of Joint Global at a consideration of approximately HK$340,800,000. The directors of the Company considered no impairment loss recognised as the recoverable amount is greater than its carrying amount.

(c) The Group, through the acquisition of China Innovative Finance Zhonghong, acquired an unlisted equity investment in a private entity engaged in software development and electronic hardware trading with the initial carrying amount approximately Renminbi ("RMB") 684,000 (equivalent approximately to HK$794,000). The investment was measured at cost less impairment.

During the year ended 31 March 2017, the Group recognised an impairment loss of approximately HK$771,000 in profit or loss as the directors of the Company considered that as the private entity was loss-making and the recoverable amount of the unlisted equity investment was less than its carrying amount.

## 21. FINANCE LEASE RECEIVABLES

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Present value of minimum lease payments receivables | **627,128** | 924,980 |
| Less: Current portion included under current assets | **(215,995)** | (260,404) |
| Amounts due after one year included under non-current assets | **411,133** | 664,576 |

Financial lease receivables of approximately HK$450,557,000 (2016: HK$668,467,000) were pledged to secure the bank borrowings obtained by the Group.

The directors of the Company are of the view that the credit risk inherent among the Group's outstanding finance lease receivables balances is low. The Group has not encountered any delay or default in the collection of the scheduled payments of finance lease receivables. No impairment allowance was made for the finance lease receivables as at 31 March 2017 and 2016.

Reconciliation between the minimum lease payments receivables and the present value of minimum lease payments receivables under such leases is set out below:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Minimum lease payments receivables | **712,142** | 1,093,980 |
| Less: Unearned finance income related to minimum lease payments receivables | **(85,014)** | (169,000) |
| Present value of minimum lease payments receivables | **627,128** | 924,980 |

## 21. FINANCE LEASE RECEIVABLES (continued)

The table below analyses the Group's minimum lease payments receivables under finance leases by relevant maturity groupings:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| — Within one year | 268,247 | 337,485 |
| — In the second year | 333,254 | 282,439 |
| — In the third to fifth years | 110,641 | 474,056 |
| | 712,142 | 1,093,980 |

The table below analyses the Group's present value of minimum lease payments receivables under finance leases by relevant maturity groupings:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| — Within one year | 215,995 | 260,404 |
| — In the second year | 309,758 | 226,532 |
| — In the third to fifth years | 101,375 | 438,044 |
| | 627,128 | 924,980 |

The Group's finance lease receivables are denominated in RMB.

The following table sets forth the finance lease receivables attributable to individual customers:

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | HK$'000 | % | HK$'000 | % |
| Customer A | 394,237 | 62.86 | 516,052 | 55.79 |
| Customer B | 61,951 | 9.88 | 66,007 | 7.14 |
| Customer C | 56,320 | 8.98 | 84,008 | 9.08 |
| Customer D | 56,320 | 8.98 | 60,006 | 6.49 |
| Customer E | 50,688 | 8.08 | 54,005 | 5.84 |
| Customer F | 4,233 | 0.68 | 12,889 | 1.39 |
| Customer G | 3,379 | 0.54 | – | – |
| Customer H | — | — | 48,005 | 5.19 |
| Customer I | — | — | 38,404 | 4.15 |
| Customer J | — | — | 30,003 | 3.24 |
| Customer K | — | — | 12,001 | 1.30 |
| Customer L | — | — | 3,600 | 0.39 |
| | 627,128 | 100.00 | 924,980 | 100.00 |

## 21. FINANCE LEASE RECEIVABLES (continued)

### Concentration of risks of financial assets with credit exposure

During the years ended 31 March 2017 and 2016, all the lessees of the Group are located in China. If any of them experiences financial difficulties, the recovery of the Group's finance lease receivables through regular lease payments might be adversely affected and the Group may have to resort to recovery through repossession of the leased assets.

For the year ended 31 March 2017, the Group's finance lease receivables were secured by collaterals, mainly properties, and deposits of approximately HK$48,315,000 (2016: HK$91,509,000) (note 27).

Estimates the fair values of collaterals are made during the credit approval process. These estimates of valuations are made at the inception of finance lease, and generally not updated except when the receivable is individually impaired. When a finance lease receivable is identified as impaired, the corresponding fair value of collateral of that receivable is updated by reference to market value such as recent transaction price of the assets.

The Group is not permitted to sell, or repledge the collaterals of the finance lease receivables without consent from the lessees in the absence of default by the lessees. No assets have been repledged to secure borrowings of the Group as at 31 March 2017 (2016: Nil).

To manage this risk, the Group assesses the business performance of the lessees on a regular basis. In view of the fact that the lessees are operating smoothly and the sound collection history of the receivable due from them, management believes that the credit risk inherent in the Group's outstanding finance lease receivables balances from lessees is low.

## 22. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| **Non-current asset** | | |
| Listed equity investment, at fair value | | |
| (2016: Unlisted equity investment) (note a): | | |
| In the PRC | **253,795** | 96,010 |
| **Current assets** | | |
| Held-for-trading listed equity investments, at fair value | | |
| (notes b, c and d): | | |
| In Hong Kong | **757,079** | 1,119,830 |
| In elsewhere | **—** | 4,933 |
| Sub-total | **757,079** | 1,124,763 |
| Unlisted equity investment, at fair value (note c): | | |
| In elsewhere | **265,837** | — |
| Unlisted convertible bonds, at fair value (note c): | | |
| In Hong Kong | **394,190** | — |
| Investment fund, at fair value (note c): | | |
| In elsewhere | **161,851** | — |
| Sub-total | **821,878** | — |
| Total | **1,578,957** | 1,124,763 |
| **Current assets** | | |
| Derivative financial instruments, at fair value (notes c and e): | | |
| Call options (note f) | **—** | 497,000 |
| Futures contracts (note g) | **—** | 562,678 |
| Warrants | **—** | 638 |
| Total | **—** | 1,060,316 |

## 22. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes:

(a) As at 31 March 2017, the listed equity investment (2016: the unlisted investment) was, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss. The listed and unlisted equity investments form a group of financial assets which are managed and their performances are evaluated on a fair value basis, in accordance with the Group's investment strategy. Their performances are regularly reviewed by the key management personnel of the Group.

The Group holds 29,951,000 shares (2016: 30,000,000 shares) of Yunnan Highway, representing 8.32% (2016: 8.33%) of its issued share capital. Shares of Yunnan Highway are listed in the National Equities Exchange and Quotations in the PRC during the year ended 31 March 2017. As at 31 March 2017, the fair value of Yunnan Highway was approximately HK$253,795,000 (2016: HK$96,010,000) and an unrealised gain of approximately HK$167,912,000 (2016: HK$56,406,000) was recognised in the consolidated income statement during the year. The fair value was determined with reference to the valuation report issued by a firm of independent qualified professional valuers, using the income approach. This is classified as Level 3 fair value measurement under HKFRS 13. Details of the fair value measurement are set out in note 38.

(b) As at 31 March 2017 and 2016, the listed equity investments were held for trading and were classified as financial assets at fair value through profit or loss. The fair values of the listed equity investments were determined by quoted prices in active markets.

## 22. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes: (continued)

(c) (i) Unrealised gains/(losses) from investments at fair value through profit or loss — securities and bonds:

| Nature of investments | Number of shares held as at 31 March 2017 | Percentage of shareholding as at 31 March 2017 | Fair value/carrying amount as at 31 March 2017 | Fair value/carrying amount as at 31 March 2016 | Percentage to the Group's net assets as at 31 March 2017 |
|---|---|---|---|---|---|
| | | % | HK$'000 | HK$'000 | % |
| **Non-current asset** | | | | | |
| Listed equity investment in the PRC | | | | | |
| Yunnan Highway (stock code: 839650) | 29,951,000 | 8.32% | 253,795 | 96,010 | 7.96% |
| **Current assets** | | | | | |
| Listed equity investments in Hong Kong | | | | | |
| China Smarter Energy Group Holdings Limited (stock code: 1004) | 777,736,000 | 8.30% | 614,411 | 559,970 | 19.28% |
| Far East Holdings International Limited (stock code: 36) | 11,814,000 | 1.08% | 8,979 | 7,442 | 0.28% |
| Huatai Securities Co., Ltd. (stock code: 6886) | 2,600 | — | 39 | 48 | — |
| Hao Tian Development Group Limited (stock code: 474) | 330,000,000 | 7.89% | 133,650 | — | 4.19% |
| Disposed securities | | | — | 552,370 | |
| | | | 757,079 | 1,119,830 | |
| Listed equity investments in the PRC | | | | | |
| Western Securities Co., Ltd. (stock code: 2673) | — | — | — | 324 | — |
| Guangxi Guidong Electric Power Co., Ltd. (stock code: 660310) | — | — | — | 4,608 | — |
| Hua Xia Bank Co., Limited (stock code: 600015) | — | — | — | 1 | — |
| | | | — | 4,933 | |
| Unlisted equity investment outside Hong Kong | | | | | |
| Ba Shen Bai Asia Investment Limited | 4,500 | 45.00% | 265,837 | — | 8.34% |
| Unlisted convertible bonds in Hong Kong | | | | | |
| Code Agriculture (Holdings) Limited (1,000,000,000 conversion shares) | — | N/A | 394,190 | — | 12.37% |
| Investment fund outside Hong Kong | | | | | |
| Haitong International Investment Fund | 200,000 | N/A | 161,851 | — | 5.08% |
| | | | 1,578,957 | 1,124,763 | |

## 22. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes: (continued)

(c) (i) Unrealised gains/(losses) from investments at fair value through profit or loss — securities and bonds: (continued)

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Unrealised gains/(losses) of Hong Kong securities and bonds for the year, net | 427,119 | (321,988) |
| Unrealised gains of outside Hong Kong (including PRC) securities for the year, net | 440,065 | 59,256 |
| Unrealised gains/(losses) from investments at fair value through profit or loss (note 9) | 867,184 | (262,732) |

Unrealised gains from investments at fair value through profit or loss of the Group for the year ended 31 March 2017 amounted to approximately HK$867,184,000 (2016: losses of HK$262,732,000) (note 9).

(c) (ii) Realised gains from investments at fair value through profit or loss — securities:

| | Disposal amount | Carrying amount | Realised gains/(losses) for the year ended 31 March | |
|---|---|---|---|---|
| | 2017<br>HK$'000 | 2017<br>HK$'000 | 2017<br>HK$'000 | 2016<br>HK$'000 |
| Realised gains of Hong Kong securities, net | 754,892 | 709,330 | 45,562 | 16,130 |
| Realised gains/(losses) of outside Hong Kong (including PRC) securities, net | 14,824 | 14,778 | 46 | (2,546) |
| Realised gains from investments at fair value through profit or loss (note 9) | 769,716 | 724,108 | 45,608 | 13,584 |

The above tables set out those investments which constitute a significant portion of the net asset value of the Group.

Realised gains from investments at fair value through profit or loss of the Group for the year ended 31 March 2017 amounted to approximately HK$45,608,000 (2016: HK$13,584,000) (note 9).

## 22. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes: (continued)

(c) (iii) Unrealised gains from investments at fair value through profit or loss — derivative financial instruments:

| Futures | Number of contract | | Valuation as at 31.3.2016 | Valuation as at 31.3.2016 | | Unrealised gains/ (losses) for the year ended 31 March 2016 |
|---|---|---|---|---|---|---|
| | Short | Long | Short | Long | Long-short | |
| | | | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| 10-Year U.S. Treasury Bond | 0 | 41 | — | 20,705 | 20,705 | (20) |
| 2-Year U.S. Treasury Bond | 0 | 109 | — | 46,237 | 46,237 | 53 |
| 30-Year U.S. Treasury Bond | 0 | 15 | — | 19,116 | 19,116 | (89) |
| 5-Year U.S. Treasury Bond | 0 | 60 | — | 14,181 | 14,181 | 128 |
| 3-Month Eurodollar Rate | 0 | 182 | — | 349,716 | 349,716 | 533 |
| Wheat | 37 | 0 | 6,789 | — | (6,789) | (133) |
| Natural Gas | 14 | 0 | 2,126 | — | (2,126) | 157 |
| Japanese Yen | 0 | 20 | — | 17,251 | 17,251 | (4) |
| Canadian Dollar | 29 | 0 | 17,321 | — | (17,321) | (542) |
| Corn | 43 | 0 | 5,857 | — | (5,857) | 340 |
| Platinum | 21 | 0 | 7,955 | — | (7,955) | 44 |
| Silver | 0 | 12 | — | 7,191 | 7,191 | (189) |
| Low Sulphur Diesel | 13 | 0 | 3,660 | — | (3,660) | (333) |
| Gasoline | 8 | 0 | 3,805 | — | (3,805) | 54 |
| Heating Oil | 8 | 0 | 3,129 | — | (3,129) | 184 |
| Coffee | 12 | 0 | 4,445 | — | (4,445) | (377) |
| Live Cattle | 20 | 0 | 7,690 | — | (7,690) | 264 |
| British Pound | 28 | 0 | 19,493 | — | (19,493) | (142) |
| Crude Oil | 9 | 0 | 2,773 | — | (2,773) | (253) |
| Copper | 14 | 0 | 5,921 | — | (5,921) | (172) |
| Cotton | 45 | 0 | 10,190 | — | (10,190) | 266 |
| Soybean | 19 | 0 | 6,705 | — | (6,705) | (193) |
| Soybean Meal | 46 | 0 | 9,636 | — | (9,636) | (150) |
| Gold | 0 | 10 | — | 9,576 | 9,576 | (113) |
| Swiss Franc | 17 | 0 | 17,200 | — | (17,200) | (368) |
| Lead | 0 | 27 | 12,865 | 21,772 | 8,907 | (1,236) |
| Mexican Peso | 55 | 0 | 12,253 | — | (12,253) | (333) |
| Euro | 0 | 21 | — | 23,216 | 23,216 | 269 |
| Lean Hog | 0 | 40 | — | 10,025 | 10,025 | (158) |
| Aluminium | 30 | 0 | 8,783 | — | (8,783) | 34 |
| Zinc | 15 | 0 | 8,774 | 3,509 | (5,265) | (45) |
| Australian Dollar | 0 | 26 | — | 15,415 | 15,415 | 470 |
| Sugar | 0 | 47 | — | 6,262 | 6,262 | 216 |
| Nickel | 9 | 0 | 3,542 | — | (3,542) | 185 |
| | | | 180,912 | 564,172 | 383,260 | (1,653) |
| Short contract | | | | | 179,418 | |
| Fair value as at 31 March 2016 | | | | | 562,678 | |
| Unrealised losses for the year | | | | | | (1,653) |

## 22. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes: (continued)

(c) (iii) Unrealised gains from investments at fair value through profit or loss — derivative financial instruments: (continued)

| | **Fair value as at 31 March 2016** HK$'000 | **Investment cost** HK$'000 | **Net unrealised gains for the year ended 31 March 2016** HK$'000 |
|---|---|---|---|
| **Call options** | | | |
| China New City Commercial Development Limited (stock code: 1321) | 497,000 | 1,400 | 495,600 |
| **Warrants** | | | |
| CMBC Capital Holdings Limited (formerly known as "Skyway Securities Group Limited" and "Mission Capital Holdings Limited") (warrant code: 1153) | 638 | 8 | 630 |
| | 497,638 | | 496,230 |
| | 1,060,316 | | 494,577 |

(iv) Realised losses from investments at fair value through profit or loss — derivative financial instruments:

| | **Realised losses for the year ended 31 March 2016** HK$'000 |
|---|---|
| Realised losses — trading of futures contracts (include: bond, foreign exchange and commodity) | (4,587) |

(d) **At 31 March 2017**

The Group's investments in listed equity securities with carrying value of approximately HK$246,018,000 were pledged to certain financial institutions to secure certain margin financing facilities granted to the Group for the investments. As at 31 March 2017, the Group did not utilise any of the granted margin financing facilities (note 28(b)).

**At 31 March 2016**

The Group's investments in listed equity securities with carrying value of approximately HK$835,644,000 were pledged to certain financial institutions to secure certain margin financing facilities granted to the Group for the investments. As at 31 March 2016, the Group utilised the granted margin financing facilities of approximately HK$613,538,000 (note 28(b)).

The Group's investments in listed equity securities with carrying value of approximately HK$275,000,000 were pledged to a bank to secure a term loan granted to the Group (note 28(a)).

## 22. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes: (continued)

(e) Derivative financial assets are categorised as financial assets at fair value through profit or loss unless they are designated as hedges.

(f) During the year ended 31 March 2016, the Group entered into legally binding options agreements (the "Options Agreements") with a number of independent third parties (the "Option Grantors") whereby the Group had been granted by the Option Grantors options to purchase (the "Call Options"), for a period of one year, an aggregate of 70,000,000 ordinary shares of China New City Commercial Development Limited (stock code: 1321), a company listed in Hong Kong.

As at 31 March 2016, the fair value of the Call Options was approximately HK$497,000,000 and thus an unrealised gain of approximately HK$495,600,000 was recognised in the consolidated income statement during the year ended 31 March 2016. The fair value was determined with reference to the valuation report issued by a firm of independent qualified professional valuers. Details of the fair value measurement are set out in note 38.

During the year ended 31 March 2017, the Group disposed of the entire Call Options and thus an realised loss of approximately HK$495,400,000 was recognised in the consolidated income statement.

(g) During the year ended 31 March 2017, the Group disposed of the entire futures contracts. Futures contracts are financial instruments for trading of commodities with a financial institution. Futures contracts are measured at the quoted price in active markets. They were financed by the margin facilities granted by the financial institution. As at 31 March 2016, futures contracts with carrying value of approximately HK$562,678,000 were pledged to the financial institution to secure the margin facilities.

## 23. LOANS RECEIVABLES

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Loans receivables | **101,503** | 220,500 |
| Less: allowance for impairment loss | **(45,000)** | (45,000) |
| | **56,503** | 175,500 |
| Less: amount classified as current assets | **(56,503)** | (20,000) |
| Non-current portion | **—** | 155,500 |

Loans receivables represent receivables arising from the money lending business of the Group, and bear interest at rates ranging from 7.5% to 24% per annum (2016: 4% (plus investment income of 40%) to 10% per annum). The grants of these loans were approved and monitored by the Group's management.

Except for loans receivables with carrying amounts of approximately HK$45,473,000 (2016: HK$155,500,000) as at 31 March 2017, which were secured by the pledge of collateral, all of the remaining loans receivables as at 31 March 2017 and 2016 were unsecured.

During the year ended 31 March 2017, a loan receivable with a carrying amount of approximately HK$155,500,000 was settled in exchange for 200,000 units of Haitong International Investment Fund (note 22).

## 23. LOANS RECEIVABLES (continued)

An ageing analysis of loans receivables, determined based on the age of the loans receivables since the effective drawn down date of the loans, as at the end of the reporting period is as follows:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Loans receivables: | | |
| Within 90 days | **45,424** | 175,500 |
| 181 days to one year | **11,079** | — |
| | **56,503** | 175,500 |

The movements in the allowance for impairment loss of loans receivables are as follows:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| At beginning of the year | **45,000** | — |
| Impairment loss for the year | **—** | 45,000 |
| At end of the year | **45,000** | 45,000 |

No impairment loss was recognised during the year ended 31 March 2017.

The allowance for impairment loss of loans receivables as at 31 March 2016 was an individually impaired loans receivable amount of HK$45,000,000 with an original carrying amount of HK$45,000,000.

The individually impaired loans receivable relates to a borrower that was in financial difficulties and had defaulted in the payments of both interest and principal.

An ageing analysis of the loans receivables (that are not considered to be impaired) as at the end of the reporting period, based on the payment due date, is as follows:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Neither past due nor impaired | **56,503** | 175,500 |

## 24. RESTRICTED CASH

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Pledged for factoring loans (note 28(a)) | **41,502** | 72,127 |
| Pledged for term loans (note 28(a)) | **—** | 21,602 |
| Pledged for banking facilities (note a) | **—** | 15,602 |
| Restricted bank deposits (note b) | **13,676** | — |
| | **55,178** | 109,331 |
| Less: amounts included under current assets | **(25,052)** | (37,204) |
| Non-current portion | **30,126** | 72,127 |

Notes:

(a) The amount of approximately HK$15,602,000 were restricted as at 31 March 2016 and subsequently released in April 2016. However, the related banking facilities had been settled during the year ended 31 March 2016.

(b) The Group maintain bank accounts with banks to hold customers' deposits arising from businesses in securities brokerage and asset trading platform.

The effective interest rates on restricted cash except the restricted bank deposit were ranged from 2.80% per annum to 4.75% per annum (2016: 2.80% per annum to 4.75% per annum) and the original maturity was 5 years (2016: ranged from 2 to 5 years). The restricted bank deposits bear interest at the prevailing market rates.

## 25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Prepayments | **7,077** | 14,557 |
| Deposits | **14,923** | 7,357 |
| Deposit paid for trading of derivative financial instruments | **—** | 35,061 |
| Interest receivables | **14,330** | 12,244 |
| Other receivables (note) | **160,157** | 252,313 |
| | **196,487** | 321,532 |

## 25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (continued)

Note: As at 31 March 2017, other receivables mainly represent (i) an amount due from China Hover Dragon Group Limited ("China Hover Dragon") of approximately HK$128,714,000 (2016: HK$130,630,000) (note 36(a)) of which China Hover Dragon has committed to pay on behalf of Hainan Xinli Industry Limited of approximately HK$13,486,000 (2016: HK$14,299,000) and (ii) an amount due from Yunnan Highway of approximately HK$13,949,000 (2016: HK$22,160,000), which are unsecured, non-interest bearing, and repayable on demand.

As at 31 March 2016, in addition to the above receivables, there were consideration receivables of approximately HK$81,606,000 in respect of the acquisition of Hong Kong Leasing Group. Included in the consideration receivables were HK$78,973,000 (note 36(b)) and HK$2,633,000 due from China Hover Dragon and Mr. Gao Chuanyi ("Mr. Gao"), respectively. The balances were fully settled during the year ended 31 March 2017.

## 26. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were denominated in the following currencies:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| HK$ | 136,472 | 265,020 |
| RMB | 73,471 | 62,187 |
| United States Dollar ("USD") | 10,601 | 414 |
| Cash and cash equivalents | 220,544 | 327,621 |

Cash at banks earn interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

As at 31 March 2017, the Group maintained cash and cash equivalents amounting to approximately HK$127,254,000 (2016: HK$171,501,000) in the PRC, the remittance of which is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

## 27. OTHER PAYABLES AND ACCRUALS

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Accrued expenses | **9,369** | 13,995 |
| Other payables | | |
| — Amount received from lessees (note 21) | **48,315** | 91,509 |
| — Interest payables (note a) | **767** | 3,460 |
| — Margin | **—** | 19,181 |
| — Others (note b) | **21,991** | 79,038 |
| | **80,442** | 207,183 |

Notes:

(a) It represents the provision of interest expenses on borrowings.

(b) As at 31 March 2017, it mainly represents customer deposits of approximately HK$10,952,000 in relation to the transactions in asset trading platform.

As at 31 March 2016, it mainly represents the remaining payment of HK$76,000,000 for the acquisition of Park Rise Investments Limited ("Park Rise"). The balance was fully settled by cash during the year ended 31 March 2017.

## 28. BORROWINGS

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Interest-bearing bank borrowings (note a): | | |
| — portion of bank borrowings due for repayment within one year or which contain a repayment on demand clause | **217,331** | 307,861 |
| — portion of bank borrowings due for repayment after one year but within two years | **251,455** | 222,022 |
| — portion of bank borrowings due for repayment after two years but within five years | **42,557** | 258,026 |
| Margin and other loans (note b) | **—** | 613,538 |
| Bonds due for repayment (note c): | | |
| — within one year | **983** | 983 |
| — after one year | **19,093** | 18,951 |
| | **531,419** | 1,421,381 |
| Less: amount classified as current liabilities | **(218,314)** | (922,381) |
| Amount classified as non-current liabilities | **313,105** | 499,000 |
| Analysed as: | | |
| Secured | **511,343** | 1,401,447 |
| Unsecured | **20,076** | 19,934 |
| | **531,419** | 1,421,381 |

Notes:

**(a) Interest-bearing bank borrowings**

As at 31 March 2017, the Group has term loans and factoring loans with an aggregate carrying amount of approximately HK$60,786,000 and HK$450,557,000 (2016: HK$119,442,000 and HK$668,467,000), respectively.

As at 31 March 2016, a portion of the term loans after one year with an aggregate carrying amount of HK$100,000,000 had been reclassified under current liabilities. For the purpose of the above analysis, the borrowings were included within current interest-bearing bank borrowings and analysed into bank borrowings repayable within one year or on demand.

## 28. BORROWINGS (continued)

Notes: (continued)

### (a) Interest-bearing bank borrowings (continued)

Ignoring the effect of any repayment on demand clause and based on the maturity terms of the loans, the loans were repayable:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Within one year | 217,331 | 207,861 |
| In the second year | 251,455 | 322,022 |
| In the third to fifth years, inclusive | 42,557 | 258,026 |
| | 511,343 | 787,909 |

At 31 March 2017, approximately HK$394,237,000 of the Group's factoring loans and HK$60,786,000 of the Group's term loan were variable-rate borrowings. The effective interest rates of variable-rate borrowings range from 3.27% to 5.25% per annum. Approximately HK$56,320,000 of the Group's factoring loans were fixed-rate borrowing which carried effective interest rate of 8% per annum.

At 31 March 2017, the factoring loans with aggregate carrying amount of approximately HK$450,557,000 (2016: HK$668,467,000) were secured by finance lease receivables with aggregate carrying amount of approximately HK$450,557,000 (2016: HK$668,467,000) and bank deposits of approximately HK$41,502,000 (2016: HK$72,127,000) (note 24).

At 31 March 2016, approximately HK$19,442,000 of the Group's term loans were variable-rate borrowings which carried effective interest at 4.57% per annum and approximately HK$100,000,000 of the Group's term loans were fixed-rate borrowings which carried effective interest rate of 6% per annum.

At 31 March 2016, the Group's factoring loans were fixed-rate borrowings which carried effective interest ranging from 5.10% to 8.00% per annum.

At 31 March 2016, a portion of the term loans with aggregate carrying amount of approximately HK$19,442,000 was secured by bank deposit of approximately HK$21,602,000 (note 24). The other portion of the terms loans with aggregate carrying amount of HK$100,000,000 was secured by the group's investment in listed equity securities with carrying value of approximately HK$275,000,000 (note 22(d)).

### (b) Margin and other loans

As at 31 March 2017, the Group has no margin and other loans advanced by financial institutions. As at 31 March 2016, the Group has margin and other loans advanced by a financial institution for the purchase of futures contracts and trading securities which have no fixed terms of repayment and bear interest ranging from 5% to 10.25% per annum. The whole amount of approximately HK$613,538,000 were secured by futures contracts of approximately HK$562,678,000 (note 22(g)) and trading securities of approximately HK$835,644,000 (note 22(d)).

## 28. BORROWINGS (continued)

Notes: (continued)

### (c) Bonds

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| At beginning of the year | **19,934** | 19,796 |
| Interest charged calculated at effective interest rate (note 8) | **1,142** | 1,138 |
| Less: Bond interest paid during the year | **(1,000)** | (1,000) |
| At end of the year | **20,076** | 19,934 |
| Less: Amount classified under current liabilities | **(983)** | (983) |
| Non-current liabilities | **19,093** | 18,951 |

As at 31 March 2017 and 2016, the Company has two outstanding bonds, (i) a 5% unsecured seven-year straight bonds with principal amount of HK$10,000,000 to an independent third party. The final maturity of the bond issued is in the year 2021 and (ii) a 5% unsecured seven-year straight bonds with principal amount of HK$10,000,000 to an independent third party. The final maturity of the bond issued is in the year 2020.

### (d) Offsetting arrangement

The following table presents the recognised borrowings that are subject to netting arrangement but not offset as at 31 March 2017 and 2016, and shows the net impact would be on the consolidated statement of financial position if all offsetting rights were exercised.

***Borrowings***

| | Gross liabilities HK$'000 | Gross assets offset HK$'000 | Net amounts presented HK$'000 | Investments at fair value through profit or loss pledged HK$'000 | Deposit paid for trading of derivative financial instruments (note 25) HK$'000 | Net HK$'000 |
|---|---|---|---|---|---|---|
| **At 31 March 2017** | | | | | | |
| Margin and other loans | — | — | — | — | — | — |
| **At 31 March 2016** | | | | | | |
| Margin and other loans | 613,538 | — | 613,538 | 1,398,322 | 35,061 | (819,845) |

## 29. CONVERTIBLE BONDS

During the year ended 31 March 2017, the Company had fully redeemed the convertible bond 3 ("CB 3") and issued and partly redeemed convertible bond 4 ("CB 4") (2016: issued the convertible bond 1 ("CB 1"), convertible bond 2 ("CB 2") and CB 3).

### CB 1

On 28 October 2015, the Company issued 8% denominated convertible bonds with the aggregate principal amount of US$50,000,000 (equivalent to approximately HK$387,500,000). Each bond entitles the holder to convert to Company's ordinary share at a conversion price of HK$0.68 and maturity on 28 October 2018. Details of the CB 1 are set out in the Company's announcements dated 13 October 2015 and 28 October 2015.

The CB 1 bears interest from the date of issue at 8% per annum on the principal amount of the convertible bonds and payment to be made on the maturity date. The CB 1 is secured by a share charge of the entire share capital of Hong Kong Leasing.

The CB 1 contains two components: liability and equity elements. The equity element is presented in equity heading "convertible bonds reserve". The effective interest rate of the liability component on initial recognition is 12.08% per annum.

### CB 2

On 24 December 2015, the Company issued 8% denominated convertible bonds with the aggregate principal amount of US$40,000,000 (equivalent to approximately HK$310,000,000). Each bond entitles the holder to convert to Company's ordinary share at a conversion price of HK$0.72 and maturity on 24 December 2018. Details of the CB 2 are set out in the Company's announcements dated 15 December 2015 and 24 December 2015.

The CB 2 bears interest from and including the issue date at 8% per annum payable every six months in arrears on 22 June and 22 December in each year commencing from 22 June 2016.

The CB 2 contains two components: liability and equity elements. The equity element is presented in equity heading "convertible bonds reserve". The effective interest rate of the liability component on initial recognition is 10.60% per annum.

### CB 3

On 31 December 2015, the Company issued 7% denominated convertible bonds with the aggregate principal amount of US$40,000,000 (equivalent to approximately HK$310,000,000). Each bond entitles the holder to convert to Company's ordinary share at a conversion price of HK$0.72 and maturity on 31 December 2017. On 16 August 2016, the Company early redeemed fully the CB 3, which was settled by the issuance of CB 4 and recognised losses of approximately HK$2,954,000 in profit or loss. Details of the CB 3 are set out in the Company's announcements dated 24 December 2015, 31 December 2015, 30 June 2016 and 16 August 2016.

## 29. CONVERTIBLE BONDS (continued)

### CB 3 (continued)

The CB 3 bears interest at 7% per annum payable in arrears every six months after the date of issue.

The CB 3 contains two components: liability and equity elements. The equity element is presented in equity heading "convertible bonds reserve". The effective interest rate of the liability component on initial recognition is 12.91% per annum.

### CB 4

On 16 August 2016, the Company issued 8% denominated convertible bonds with the `aggregate principal amount of US$40,000,000 (equivalent to approximately HK$310,000,000). The proceeds of the CB 4 was used to redeem the CB 3 in an aggregate amount of US$40,000,000 (equivalent to approximately HK$310,000,000). Each bond entitles the holder to convert to Company's ordinary share at a conversion price of HK$0.72 and maturity on 16 August 2018. On 17 October 2016 and 5 January 2017, the Company early redeemed the CB 4 in the principal amount of US$10,000,000 and US$20,000,000 (equivalent to approximately HK$77,500,000 and HK$155,000,000) and recognised losses of approximately HK$6,884,000 and HK$12,096,000 in profit or loss respectively. Details of the CB 4 are set out in the Company's announcements dated 27 July 2016, 16 August 2016, 7 December 2016 and 5 January 2017.

The CB 4 bears interest at 8% per annum payable in arrears every six months after the date of issue.

The CB 4 contains two components: liability and equity elements. The equity element is presented in equity heading "convertible bonds reserve". The effective interest rate of the liability component on initial recognition is 13.19% per annum.

### CB 1, CB 2, CB 3 and CB 4 ("All CBs")

All CBs may be converted into shares of the Company at any time on or after issue date up to the close of business on the maturity date.

Unless previously redeemed, converted, purchased or cancelled, the Company will redeem each CB at its principal amount with accrued and unpaid interest thereon on the maturity date.

## 29. CONVERTIBLE BONDS (continued)

### CB 1, CB 2, CB 3 and CB 4 ("All CBs") (continued)

The convertible bonds information are presented as follows:

| | CB 1<br>HK$'000 | CB 2<br>HK$'000 | CB 3<br>HK$'000 | CB 4<br>HK$'000 |
|---|---|---|---|---|
| Principal amounts: | | | | |
| — as at issue date | 387,500 | 310,000 | 310,000 | 310,000 |
| Interest: | in HK settlement 8% p.a. payable semi-annually | in HK settlement 8% p.a. payable semi-annually | in HK$ settlement 7% p.a. payable semi-annually | in HK$ settlement 8% p.a. payable semi-annually |
| Issue date: | 28 October 2015 | 24 December 2015 | 31 December 2015 | 16 August 2016 |
| Maturity date: | 28 October 2018 | 24 December 2018 | 31 December 2017 | 16 August 2018 |
| Conversion price per share: | HK$0.68 | HK$0.72 | HK$0.72 | HK$0.72 |

The convertible bonds recognised in the statement of financial position were calculated as follows:

| | CB 1<br>HK$'000 | CB 2<br>HK$'000 | CB 3<br>HK$'000 | CB 4<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|---|---|
| Principal amounts: | | | | | |
| Liability component | 345,789 | 287,564 | 276,404 | 282,113 | |
| Equity component | 41,711 | 22,436 | 33,596 | 27,887 | |
| Nominal value of CB | | | | | |
| — as at issue date | 387,500 | 310,000 | 310,000 | 310,000 | |
| As at 1 April 2015 | — | — | — | — | — |
| Liability component at issue date | 345,789 | 287,564 | 276,404 | — | 909,757 |
| Imputed interest charge (note 8) | 18,105 | 8,381 | 9,117 | — | 35,603 |
| Less: transaction cost# | — | (4,798) | (2,857) | — | (7,655) |
| As at 31 March 2016 and 1 April 2016 | 363,894 | 291,147 | 282,664 | — | 937,705 |
| Liability component at issue date | — | — | — | 282,113 | 282,113 |
| Imputed interest charge (note 8) | 44,031 | 32,033 | 14,118 | 13,826 | 104,008 |
| Interest paid and payable | (36,521) | (24,965) | (11,961) | (8,060) | (81,507) |
| Redemption | — | — | (284,821) | (213,976) | (498,797) |
| **As at 31 March 2017** | **371,404** | **298,215** | **—** | **73,903** | **743,522** |

# Transaction cost included legal fee and arrangement fee.

As at 31 March 2017, the fair values of the CB 1, CB 2 and CB 4 were approximately HK$440,557,000, HK$358,244,000 and HK$77,500,000 (2016: the fair values of the CB 1, CB 2 and CB 3 were approximately HK$347,898,000, HK$282,085,000 and HK$280,938,000), respectively.

## 30. DEFERRED TAX LIABILITIES

The components of deferred tax liabilities recognised in the consolidated statement of financial position and the movements during the years ended 31 March 2017 and 2016 are as follows:

| | Convertible bonds | Changes in fair values of investments at fair value through profit or loss | Fair value adjustments arising from business combination | Total |
|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| At 1 April 2015 | — | 4,848 | 185,867 | 190,715 |
| Disposal of subsidiaries (note 33(a)) | — | — | (184,446) | (184,446) |
| Acquisition of subsidiaries (note 33(b)) | — | — | 111,750 | 111,750 |
| Issuance of convertible bonds | 16,128 | — | — | 16,128 |
| (Credited)/charge to profit or loss for the year (note 12) | (5,874) | 43,449 | (1,421) | 36,154 |
| At 31 March 2016 and 1 April 2016 | 10,254 | 48,297 | 111,750 | 170,301 |
| Acquisition of subsidiaries (note 33(b)) | — | — | 82 | 82 |
| Issuance of convertible bonds | 4,601 | — | — | 4,601 |
| Redemption of convertible bonds | (6,830) | — | — | (6,830) |
| (Credited)/charge to profit or loss for the year (note 12) | (3,604) | 29,079 | — | 25,475 |
| Exchange alignment | — | (1,886) | — | (1,886) |
| **At 31 March 2017** | **4,421** | **75,490** | **111,832** | **191,743** |

At 31 March 2017, the Group had tax losses arising in Hong Kong of approximately HK$115,575,000 (2016: HK$93,216,000) that are subject to the agreement by the Hong Kong Inland Revenue Department and are available indefinitely for offsetting against future taxable profits arising in Hong Kong of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of those losses due to the unpredictability of future taxable profit streams of those companies and, accordingly, in the opinion of the directors of the Company, it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

## 31. ISSUED CAPITAL

### Authorised and issued capital

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| Authorised capital: 2,000,000,000,000 (2016: 2,000,000,000,000) ordinary shares of HK$0.00025 (2016: HK$0.00025) each | **500,000** | 500,000 |
| Issued and fully paid 19,188,648,437 (2016: 19,310,448,342) ordinary shares of HK$0.00025 (2016: HK$0.00025) each | **4,797** | 4,828 |

A summary of the movements in the Company's issued ordinary share capital and share premium account is as follows:

| | Notes | Number of shares in issue/ (repurchase) | Issued/ (repurchase) capital HK$'000 | Share premium account HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| At 1 April 2015 | | 16,943,718,244 | 4,236 | 1,649,764 | 1,654,000 |
| Share issue | (a) | 2,361,112,121 | 590 | 1,581,355 | 1,581,945 |
| Emolument shares issued to a director | (b) | 5,617,977 | 2 | 4,998 | 5,000 |
| At 31 March 2016 and 1 April 2016 | | 19,310,448,342 | 4,828 | 3,236,117 | 3,240,945 |
| Shares repurchased and cancelled | (c) | (121,799,905) | (31) | (81,575) | (81,606) |
| **At 31 March 2017** | | **19,188,648,437** | **4,797** | **3,154,542** | **3,159,339** |

Notes:

(a) On 8 April 2015, the Board announced that the Group entered into a sales and purchase agreement with China Hover Dragon and Mr. Gao to acquire the entire issued share capital of Hong Kong Leasing. The consideration was settled by way of allotment and issue of 2,361,112,121 shares (equivalent to an aggregate amount of approximately HK$1,581,945,000 based on the closing price on 31 August 2015 of HK$0.67 per share as quoted on the Stock Exchange) by the Company. Further details are set out in the Company's next day disclosure return dated 4 September 2015, the Company's circular dated 30 July 2015 and the Company's announcement dated 10 April 2015.

(b) On 11 September 2015, the Company announced that it has, on the appointment date, conditionally allotted and issue 5,617,977 shares (equivalent to an aggregate amount of approximately HK$5,000,000 based on the closing price of HK$0.89 per share as quoted on the Stock Exchange on the appointment date) to Mr. Ji Kewei pursuant to the service contract dated 11 September 2015. Further details are set out in the Company's next day disclosure return dated 6 January 2016, the Company's circular dated 18 November 2015 and the Company's announcement dated 11 September 2015.

## 31. ISSUED CAPITAL (continued)

### Authorised and issued capital (continued)

Notes: (continued)

(c) On 15 April 2016 and 21 April 2016, the Company announced that a repurchase adjustment event has arisen in relation to the acquisition of Hong Kong Leasing Group, which pursuant to the amended sales and purchase agreement, the base consideration of the acquisition shall be subject to adjustment by way of repurchase the Company shares without consideration. On 14 June 2016, the Company held a Special General Meeting and approved the off-market buy-back of 117,870,876 ordinary shares (equivalent to an amount of approximately HK$78,973,000) in the Company from China Hover Dragon and 3,929,029 ordinary shares (equivalent to an amount of approximately HK$2,633,000) in the Company from Mr. Gao at nil consideration. The buy-back of an aggregate number of 121,799,905 shares has completed and the shares have been cancelled on 22 August 2016. Further details are contained in the Company's announcements dated 15 April 2016 and 21 April 2016 and the Company's circular dated 24 May 2016.

### Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business operations and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

As at 31 March 2017, a subsidiary of the Group licensed by the Securities and Futures Commission is obliged to meet the minimum paid-up share capital of HK$10,000,000 and liquid capital requirements of HK$3,000,000 under the Securities and Futures (Financial Resources) Rules ("FRR") at all times. Another subsidiary of the Group licensed by the development of the Shenzhen Municipal Government Financial Services Office is required to maintain a minimum registered share capital of RMB100,000,000 at all times.

Save as disclosed above, no changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2017 and 2016.

The Group monitors capital using a gearing ratio, which is total borrowings divided by total assets. Total borrowings represent borrowings and convertible bonds. The Group's policy is to maintain the gearing ratio at a reasonable level. The gearing ratios at the end of the reporting periods were as follows:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Total borrowings | 1,274,941 | 2,359,086 |
| Total assets | 4,735,830 | 5,897,307 |
| Gearing ratio | 26.92% | 40.00% |

The decrease in gearing ratio as at 31 March 2017 was mainly due to the repayment of borrowings during the financial year.

## 32. SHARE OPTION SCHEME

The Company's share option scheme ("Old Share Option Scheme") was adopted pursuant to an ordinary resolution passed at a special general meeting of the Company held on 28 September 2004 for the primary purpose providing incentives to selected participants for their contribution to the Group, and has expired on 27 September 2014. On 18 August 2014, the Company adopted a new share option scheme ("New Share Option Scheme") pursuant to an ordinary resolution passed at the annual general meeting of the Company and New Share Option Scheme has been effective immediately after Old Share Option Scheme expired. The New Share Option Scheme will remain in force for a period of 10 years until 27 September 2024. Under New Share Option Scheme, the board of directors of the Company may grant options to the Company's directors, including the INEDs, and other employees of the Group and of the Group's investee entities, and any advisor or agent engaged by any member of the Group or any investee entity.

The maximum number of unexercised share options permitted to be granted under New Share Option Scheme was an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at 25 September 2014 on which refreshment of the scheme mandate limit was approved at the special general meeting. As at the date of this annual report, the total number of shares available for issue under the New Share Option Scheme is 1,694,371,824 shares of the Company, representing 8.83% of the issued share capital of the Company. The maximum number of shares issuable under share options to each eligible participant in New Share Option Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

Under New Share Option Scheme, the offer of a grant of share options may be accepted within 15 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. There is no provision as to the minimum period for which the share options must be held or the performance targets which must be achieved before the share options can be exercised. The exercise period of the share options granted is determinable by the directors of the Company and commences on the date of grant and ends on a date which is not later than 10 years from the date of offer of the share options or the expiry date of New Share Option Scheme, if earlier.

## 32. SHARE OPTION SCHEME (continued)

The exercise price of share options is determinable by the directors of the Company, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Details of the share options granted under New Share Option Scheme are as follows:

| | Number of share option* | | | | | | Adjusted price of the Company's shares** | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Name of participant | At 1 April 2016 | Granted during the year | Adjustment due to subdivision | At 31 March 2017 | Date of grant of share options | Exercise period of share options | Adjusted exercise price of share options* | At grant date of share options | Immediately before the exercise date | At exercise date of share options |
| | '000 | '000 | '000 | '000 | | | HK$ per share | HK$ per share | HK$ per share | HK$ per share |
| Mr. Yau Wai Lung | 169,400 | — | — | 169,400 | 5-12-2014 | 5-12-2014 to 4-12-2024 | 0.42 | 0.405 | N/A | N/A |

* The exercise price and the number of share options are subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options after the adjustment due to share subdivision.

The estimated fair value of the share options granted on 5 December 2014 was HK$0.948 per share option before adjustment due to share subdivision. The fair value was calculated using the Binomial Model. The inputs into the model were as follows:

| | 5 December 2014 |
|---|---|
| Expected volatility (%) — note (a) | 104.81 |
| Risk-free interest rate (%) | 1.73 |
| Option life (year) | 10 |
| Dividend yield (%) | 0 |
| Weighted average share price before adjustment due to share subdivision (HK$ per share) | 1.62 |
| Exercise multiple — note (b) | 2.47 |

Notes:

(a) The expected volatility is determined based on the historical volatility of the share prices of the Company.

(b) The exercise multiple defines the early exercise strategy.

## 32. SHARE OPTION SCHEME (continued)

No vesting conditions are set for the share options granted on 5 December 2014.

Because the Binomial Model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

For the years ended 31 March 2017 and 2016, there is no share-based payment expenses as the Company did not grant any share options in that year.

## 33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Disposal of subsidiaries

***For the year ended 31 March 2016***

*Disposal of Gold Mountain*

During the year ended 31 March 2016, the Group had entered into an agreement with an independent third party for the disposal of subsidiaries. The aggregate net assets of these subsidiaries at their respective dates of disposal were as follows:

| | 2016<br>HK$'000 |
|---|---|
| Net assets disposed of: | |
| Property, plant and equipment (note 16) | 846 |
| Biological assets (note 19) | 61,310 |
| Goodwill (note 18) | 101,883 |
| Prepaid lease payments (note 17) | 44,473 |
| Intangible assets (note 18) | 682,147 |
| Cash and cash equivalents | 2,149 |
| Prepayments, deposits and other receivables | 1,733 |
| Other payables and accruals | (76) |
| Deferred tax liabilities (note 30) | (184,446) |
| Translation reserve | 2,698 |
| | 712,717 |
| Gain on disposal of subsidiaries | 7,283 |
| Consideration satisfied by cash and net inflow of cash and cash equivalents in respect of disposal of subsidiaries | 720,000 |
| Net cash inflow arising on disposal: | |
| Cash consideration received | 720,000 |
| Less: cash and cash equivalents disposal of | (2,149) |
| | 717,851 |

Gain on disposal of approximately HK$7,283,000 has been included in profit for the year from discontinued operation for the year ended 31 March 2016.

## 33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

### (b) Acquisition of subsidiaries

***For the year ended 31 March 2017***

*(i) Acquisition of China Innovative Finance Zhonghong*

On 6 September 2016, the Group acquired the entire share capital of China Innovative Finance Zhonghong from Beijing Taitong Hengye Investment Company Limited* pursuant to a sales and purchase agreement dated 2 September 2016 at a total consideration of approximately HK$34,845,000 (equivalent to RMB30,000,000).

China Innovative Finance Zhonghong is principally engaged in factoring business, provision of consultancy services and provision of financial guarantee in Shenzhen. The consideration was settled by cash.

As a result of the acquisition, the Group expects to diversify its business to capture the benefits from the trend of business factoring in the PRC. Goodwill of approximately HK$26,372,000 arising from the acquisition is attributable as a separate CGU under the financial leasing segment of the Group.

The following table summarises the consideration paid for the acquisition and the amounts of assets acquired and liabilities assumed recognised at the date of acquisition.

| | HK$'000 |
|---|---|
| Recognised amounts of identifiable assets acquired and liabilities assumed at fair value: | |
| Property, plant and equipment (note 16) | 13 |
| Available-for-sale investments (note 20) | 794 |
| Cash and cash equivalents | 154 |
| Other receivables | 7,753 |
| Other payables | (241) |
| Total identifiable net assets of subsidiaries | 8,473 |
| Goodwill (note 18) | 26,372 |
| | 34,845 |
| Total consideration satisfied by: | |
| Cash consideration paid during the year ended 31 March 2017 | 34,845 |
| Net cash outflow arising on the acquisition during the year: | |
| Cash consideration paid during the current year | 34,845 |
| Cash and cash equivalents acquired | (154) |
| | 34,691 |

## 33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

### (b) Acquisition of subsidiaries (continued)

***For the year ended 31 March 2017*** (continued)

*(i) Acquisition of China Innovative Finance Zhonghong* (continued)

Acquisition-related costs of approximately HK$197,000 were charged to administrative expenses in the consolidated income statement for the year ended 31 March 2017.

During the year ended 31 March 2017, China Innovative Finance Zhonghong contributed approximately HK$80,000 to the Group's revenue since acquisition. The loss per the consolidated income statement for the year ended 31 March 2017 included a loss of approximately HK$2,359,000 contributed by China Innovative Finance Zhonghong over the same year. Had the acquisition been completed on 1 April 2016, the consolidated income statement would have included revenue of approximately HK$80,000 and loss of approximately HK$3,260,000.

*(ii) Acquisition of CIFS*

On 1 October 2016, the Group acquired the entire share capital of CIFS pursuant to a sales and purchase agreement dated 10 March 2016 at a total consideration of approximately HK$41,193,000. The consideration was settled by cash.

CIFS was involved in securities brokerage business. Goodwill of approximately HK$11,501,000 arising from the acquisition is attributable to the CGU of securities brokerage business which is included in unallocated segment of the Group.

## 33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

### (b) Acquisition of subsidiaries (continued)

***For the year ended 31 March 2017*** (continued)

*(ii) Acquisition of CIFS* (continued)

The following table summarises the consideration paid for the acquisition and the amounts of assets acquired and liabilities assumed recognised at the date of acquisition.

| | HK$'000 |
|---|---|
| Recognised amounts of identifiable assets acquired and liabilities assumed at fair value: | |
| Property, plant and equipment (note 16) | 81 |
| Trading right (note 18) | 500 |
| Statutory deposits | 205 |
| Cash and cash equivalents | 25,967 |
| Trade and other receivables | 10,812 |
| Bank borrowings | (7,500) |
| Trade and other payables | (291) |
| Deferred tax liabilities (note 30) | (82) |
| Total identifiable net assets of subsidiaries | 29,692 |
| Goodwill (note 18) | 11,501 |
| | 41,193 |
| Total consideration satisfied by: | |
| Cash consideration paid during the year ended 31 March 2017 | 41,193 |
| Net cash outflow arising on the acquisition during the year: | |
| Cash consideration paid during the current year | 41,193 |
| Cash and cash equivalents acquired | (25,967) |
| | 15,226 |

Acquisition-related costs of approximately HK$33,000 were charged to administrative expenses in the consolidated income statement for the year ended 31 March 2017.

During the year ended 31 March 2017, CIFS contributed approximately HK$286,000 to the Group's revenue since acquisition. The loss per the consolidated income statement for the year ended 31 March 2017 included a loss of approximately HK$483,000 contributed by CIFS over the same year. Had the acquisition been completed on 1 April 2016, the consolidated income statement would have included revenue of approximately HK$655,000 and profit of approximately HK$7,424,000.

## 33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

### (b) Acquisition of subsidiaries (continued)

***For the year ended 31 March 2016***

*(iii) Acquisition of Hong Kong Leasing Group*

On 1 September 2015, the Group acquired the entire share capital of Hong Kong Leasing pursuant to a sales and purchase agreement dated 8 April 2015 at a total consideration of approximately HK$1,581,945,000. The consideration was settled by way of allotment and issue of 2,361,112,121 shares (equivalent to an aggregate amount of approximately HK$1,581,945,000 based on the closing price on 31 August 2015 of HK$0.67 per share as quoted on the Stock Exchange) by the Company (note 31(a)).

As a result of the acquisition, the Group expects to diversify its business to capture the benefits from the trend of financial leasing in the PRC. Goodwill of approximately HK$796,156,000 arising from the acquisition is attributable to the financial leasing segment of the Group.

The following table summarises the consideration paid for the acquisition and the amounts of assets acquired and liabilities assumed recognised at the date of acquisition.

| | HK$'000 |
|---|---|
| Recognised amounts of identifiable assets acquired and liabilities assumed at fair value: | |
| Property, plant and equipment (note 16) | 14,001 |
| Intangible assets (note 18) | 447,000 |
| Finance lease receivables | 834,494 |
| Investment at fair value through profit or loss | 17,717 |
| Prepayments and other receivables | 201,432 |
| Cash and cash equivalents | 172,114 |
| Other payables and accruals | (91,615) |
| Bank borrowings | (779,210) |
| Deferred tax liabilities (note 30) | (111,750) |
| Total identifiable net assets of subsidiaries | 704,183 |
| Consideration receivables (note) | 81,606 |
| Goodwill (note 18) | 796,156 |
| | 1,581,945 |

| | HK$'000 |
|---|---|
| Total consideration satisfied by: | |
| Allot and issue of 2,361,112,121 new shares of the Company | 1,581,945 |

## 33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

### (b) Acquisition of subsidiaries (continued)

***For the year ended 31 March 2016*** (continued)

*(iii) Acquisition of Hong Kong Leasing Group* (continued)

Note:

Pursuant to the amended sales and purchase agreement, the base consideration shall be adjusted if the net asset value as stated in the completion audit accounts is less than HK$389,000,000 on completion. Accordingly, 121,799,905 shares (equivalent to an aggregate amount of approximately HK$81,606,000 based on the closing price on 31 August 2015 of HK$0.67 per share as quoted on the Stock Exchange) are to be repurchased by the Company from the Vendors at no consideration. Details were set out in the Company's announcements dated 15 April 2016 and 21 April 2016.

| | HK$'000 |
|---|---|
| Net cash inflow arising on the Acquisition during the year: | |
| Cash and cash equivalents acquired | 172,114 |

Acquisition-related costs of approximately HK$3,633,000 were charged to administrative expenses in the consolidated income statement for the year ended 31 March 2016.

During the year ended 31 March 2016, Hong Kong Leasing Group contributed approximately HK$88,777,000 to the Group's revenue since acquisition. The profit per the consolidated income statement for the year ended 31 March 2016 included a profit of approximately HK$69,655,000 contributed by Hong Kong Leasing Group over the same year. Had the acquisition been completed on 1 April 2015, the consolidated income statement would have included revenue of approximately HK$124,483,553 and profit of approximately HK$74,182,766.

*(iv) Acquisition of Park Rise*

On 19 January 2016, the Group acquired the entire share capital of Park Rise pursuant to a sales and purchase agreement dated 13 January 2016 at a total consideration of approximately HK$157,988,000. Park Rise is an investment holding company and its major asset is an aircraft. The consideration was settled by cash.

## 33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

### (b) Acquisition of subsidiaries (continued)

***For the year ended 31 March 2016*** (continued)

*(iv) Acquisition of Park Rise* (continued)

The acquisition has been accounted for as an acquisition of asset through subsidiary. The effect of the acquisition is summarised as follows:

| | HK$'000 |
|---|---|
| Recognised amounts of assets and liabilities: | |
| Property, plant and equipment | 156,574 |
| Cash and cash equivalents | 556 |
| Deposits and prepayments | 2,637 |
| Accruals | (1,779) |
| Total net assets | 157,988 |
| Total consideration satisfied by: | |
| Cash consideration paid and payable during the year ended 31 March 2016 | 157,988 |

| | HK$'000 |
|---|---|
| Net cash outflow arising on the acquisition during the year: | |
| Cash consideration paid | 81,988 |
| Cash and cash equivalents acquired | (556) |
| | 81,432 |

### (c) Major non-cash transactions

Save as disclosed elsewhere in these consolidated financial statements, the Group entered into the following major non-cash transactions:

For the year ended 31 March 2017, the Group settled the CB 3 by the issuance of the CB 4. Further details are set out in note 29 to the consolidated financial statements.

For the year ended 31 March 2017, a loan receivable with a carrying amount of approximately HK$155,500,000 was settled by a customer by way of exchange of 200,000 units of Haitong International Investment Fund. Further details are set out in note 23 to the consolidated financial statements.

## 33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

### (c) Major non-cash transactions (continued)

On 30 June 2016, the Group acquired 48,000,000 shares of HEC Capital by way of exchange of 56,800,000 shares of Joint Global. Further details are set out in note 20(b) to the consolidated financial statements.

On 15 April 2016 and 21 April 2016, the Company announced that a repurchase adjustment event has arisen, which pursuant to the amended sales and purchase agreement, regarding the base consideration of acquisition shall be subject to adjustment by way of repurchase the Company shares without consideration. Further details of the settlement are set out in note 31(c) to the consolidated financial statements.

On 1 September 2015, the Group acquired the entire share capital of Hong Kong Leasing pursuant to a sales and purchase agreement dated 8 April 2015 at a total consideration of approximately HK$1,581,945,000. The consideration was settled by way of allotment and issue of 2,361,112,121 shares by the Company. Further details are set out in note 31(a) to the financial statements.

* For identical purpose only

## 34. PLEDGE OF ASSETS

**At 31 March 2017**

A portion of the finance lease receivables with aggregate carrying amount of approximately HK$450,557,000 were pledged to the banks in the PRC (note 21).

The Group has pledged restricted cash with aggregate carrying amount of approximately HK$41,502,000 for bank loans and bank facilities (note 24).

The Group has pledged a property, plant and equipment with carrying amount of approximately HK$144,726,000 for a bank loan (note 16).

**At 31 March 2016**

The Group's investment in listed equity securities with carrying value of approximately HK$1,110,644,000 were pledged (note 22).

The Group's investment in futures contracts with carrying amount of approximately HK$562,678,000 were pledged (notes 22(g) and 28(b)).

A portion of the finance lease receivables with aggregate carrying amount of approximately HK$668,467,000 were pledged to the banks in PRC (note 21).

The Group has pledged restricted cash with aggregate carrying amount of approximately HK$93,729,000 for bank loans and bank facilities (note 24).

## 35. COMMITMENTS

### Operating lease arrangements

***As lessee***

The Group leases certain office premises under operating lease arrangements, with leases negotiated for initial terms ranging from one to five years (2016: one to five years).

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

| | **2017 HK$'000** | 2016 HK$'000 |
|---|---|---|
| Within one year | **16,364** | 7,365 |
| In the second to fifth years, inclusive | **23,774** | 13,855 |
| | **40,138** | 21,220 |

### Capital commitments

In addition to the operating lease commitments detailed above, the Group had the following capital commitments at the end of the reporting period:

| | **2017 HK$'000** | 2016 HK$'000 |
|---|---|---|
| Acquisition of a company | **7,500** | — |
| Contracted for acquisition for the property, plant and equipment | **2,408** | — |
| | **9,908** | — |

## 36. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties:

**(a)** As at 31 March 2017, the Group has an amount due from China Hover Dragon, in which Mr. Ji Kewei, the former director of the Company (2016: the director of the Company), has interest in it, of approximately HK$128,714,000 (2016: HK$130,630,000). Further details are set out in note 25 to the consolidated financial statements.

**(b)** The Group repurchased 117,870,876 ordinary shares of the Company of approximately HK$78,973,000 from China Hover Dragon at nil consideration. Further details are set out in note 31(c) to the consolidated financial statements.

## 36. RELATED PARTY TRANSACTIONS (continued)

**(c)** Compensation of key management personnel of the Group:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Short-term employee benefits | 14,809 | 14,359 |
| Post-employment benefits | — | 32 |
| Emolument shares | 2,726 | 2,781 |
| | 17,535 | 17,172 |

Further details of directors' emoluments and the five highest paid employees are included in notes 10 and 11, respectively, to the consolidated financial statements.

**(d) Applicability of the Listing Rules relating to connected transactions**

(i) On 16 January 2017, C.I.F. Financial Limited ("CIF Finance"), an indirect wholly-owned subsidiary of the Company, entered into the loan agreement with Shandong Hi-Speed Investment Fund Management Limited ("SHS Fund Management"), a company incorporated in the Cayman Islands, pursuant to which CIF Finance has agreed to provide the loan in the principal amount of HK$7,700,000 to SHS Fund Management for a term of one year after the date of advance at an interest rate of 7.5% per annum.

SHS Fund Management is an associate of the substantial shareholder of the Company and hence, a connected person of the Company. The entering into of the loan agreement and the transactions contemplated thereunder are subject to announcement and reporting requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Further details are set out in the Company's announcement dated 17 January 2017.

## 36. RELATED PARTY TRANSACTIONS (continued)

### (d) Applicability of the Listing Rules relating to connected transactions (continued)

(ii) On 31 March 2017, Greater Chance Group Limited ("Greater Chance"), an indirect wholly-owned subsidiary of the Company, has entered a sale and purchase agreement to dispose the entire issued share capital of Park Rise, the legal and beneficial owner of the aircraft held by the Group, at a consideration of HK$97,200,000 to Leading Fortune International Group Limited ("Leading Fortune"), a company incorporated in the British Virgin Islands.

The consideration was determined after negotiations between Greater Chance and Leading Fortune taking into account the carrying amount of the aircraft as at 19 January 2016 (being the date on which Greater Chance acquired the entire issued share capital of Park Rise) (see note 33(b)(iv)) in the sum of HK$156,574,000 minus the deficit of HK$59,374,000, being the amount determined by Greater Chance and Leading Fortune taking into account, inter alia, the net liabilities of Park Rise (without taking into account the value of the aircraft) as shown in the unaudited management accounts of Park Rise as at 31 March 2017.

The sale and purchase is conditional upon fulfilment of the following conditions: (a) the compliance by Greater Chance of all requirements under the Listing Rules for entering into of the sale and purchase agreement and the transactions contemplated thereunder; (b) the obtaining by Greater Chance of all approvals of its board of directors; and (c) the obtaining by Greater Chance of all consents of the financiers of Park Rise. The above transaction has not yet completed as at the date of this annual report.

Leading Fortune, being a company wholly-owned by Yau Wai Lung, an ED of the Company, is an associate of the connected person of the Company as defined under Rule 14A.07 of the Listing Rules. As such, the entering into of the sales and purchase agreement and the transactions contemplated thereunder are subject to announcement and reporting requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Further details are set out in the Company's announcement dated 31 March 2017.

Other than (1) the transactions mentioned in note 36(d)(i) and (ii) above and (2) the repurchase of Shares mentioned in note 31(c) and 36(b) above, none of the above related party transactions fall under the definition of connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

## 37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments at the end of the reporting period are as follows:

### Financial assets

| | Financial assets at fair value through profit or loss | | Loans and receivable | Available-for-sale financial assets | | |
|---|---|---|---|---|---|---|
| | – held for trading | – at fair value | | – at cost | – at fair value | Total |
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **2017** | | | | | | |
| Available-for-sale investments | – | – | – | 340,800 | 4,600 | 345,400 |
| Loans receivables | – | – | 56,503 | – | – | 56,503 |
| Finance lease receivables | – | – | 627,128 | – | – | 627,128 |
| Investments at fair value through profit or loss | 757,079 | 1,075,673 | – | – | – | 1,832,752 |
| Financial assets included in prepayments, deposits and other receivables | – | – | 189,410 | – | – | 189,410 |
| Restricted cash | – | – | 55,178 | – | – | 55,178 |
| Cash and cash equivalents | – | – | 220,544 | – | – | 220,544 |
| | 757,079 | 1,075,673 | 1,148,763 | 340,800 | 4,600 | 3,326,915 |
| 2016 | | | | | | |
| Available-for-sale investments | – | – | – | 340,800 | 4,600 | 345,400 |
| Loans receivables | – | – | 175,500 | – | – | 175,500 |
| Finance lease receivables | – | – | 924,980 | – | – | 924,980 |
| Investments at fair value through profit or loss | 2,185,079 | 96,010 | – | – | – | 2,281,089 |
| Financial assets included in prepayments, deposits and other receivables | – | – | 306,975 | – | – | 306,975 |
| Restricted cash | – | – | 109,331 | – | – | 109,331 |
| Cash and cash equivalents | – | – | 327,621 | – | – | 327,621 |
| | 2,185,079 | 96,010 | 1,844,407 | 340,800 | 4,600 | 4,470,896 |

### Financial liabilities

| | Financial liabilities at amortised cost | |
|---|---|---|
| | 2017 | 2016 |
| | HK$'000 | HK$'000 |
| Financial liabilities included in other payables and accruals | 80,442 | 207,183 |
| Borrowings | 531,419 | 1,421,381 |
| Convertible bonds | 743,522 | 937,705 |
| | 1,355,383 | 2,566,269 |

## 38. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS

### (a) Fair value of financial assets that are measured at fair value

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

| Items | 2017 HK$'000 | 2016 HK$'000 | Fair value hierarchy | Valuation model(s) and key input(s) |
|---|---|---|---|---|
| **Available-for-sale investment** | | | | |
| Club membership debenture | **4,600** | 4,600 | Level 2 | Price in an open market taken into account the estimated transfer fee of the club membership upon sale |
| **Investments at fair value through profit or loss** | | | | |
| Investments in listed equity securities | **757,079** | 1,124,763 | Level 1 | Quoted price in an active market |
| | **253,795** | — | Level 3 | Income approach* |
| Investments in unlisted equity securities | **265,837** | — | Level 3 | Price quoted by counter parties** |
| | **—** | 96,010 | Level 2 | Income approach |
| Call Options | **—** | 497,000 | Level 1 | Quoted price in an active market |
| Warrant | **—** | 638 | Level 1 | Quoted price in an active market |
| Futures | **—** | 562,678 | Level 1 | Quoted price in an active market |
| Convertible bonds | **394,190** | — | Level 3 | Price quoted by counter parties** |
| Investment fund | **161,851** | — | Level 2 | Latest transaction price |

* The key significant unobservable inputs were the weighted average cost of capital ("WACC") and terminal growth rate.

As at 31 March 2017, it is estimated that with all other variables held constant, an increase/decrease in the WACC by 10% would have decreased/increased the Group's profit by approximately HK$29,947,000 and HK$39,844,000 respectively, as a result of the changes in fair value of investments at fair value through profit or loss. Furthermore, it is estimated that with all other variables held constant, an increase/decrease in the terminal growth rate by 10% would have increased/decreased the Group's profit by approximately HK$8,519,000 and HK$7,814,000 respectively, as a result of the changes in fair value of investments at fair value through profit or loss.

** Significant unobservable input on recoverable amount was not applicable. Therefore, no sensitivity analysis is performed.

## 38. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

### (a) Fair value of financial assets that are measured at fair value (continued)

During the year ended 31 March 2017 and 2016, the Group does not have any financial assets transferred between Level 1 and Level 2 fair value hierarchy. Certain financial asset has transferred into or out of Level 3 fair value hierarchy for the year ended 31 March 2017 (2016: Nil).

***Financial assets measured at fair value:***

| | Level 1<br>HK$'000 | Level 2<br>HK$'000 | Level 3<br>HK$'000 | Total<br>HK$'000 |
|---|---|---|---|---|
| **As at 31 March 2017** | | | | |
| Available-for-sale investments | — | 4,600 | — | 4,600 |
| Investments at fair value through profit or loss | 757,079 | 161,851 | 913,822 | 1,832,752 |
| | 757,079 | 166,451 | 913,822 | 1,837,352 |
| **As at 31 March 2016** | | | | |
| Available-for-sale investments | — | 4,600 | — | 4,600 |
| Investments at fair value through profit or loss | 2,185,079 | 96,010 | — | 2,281,089 |
| | 2,185,079 | 100,610 | — | 2,285,689 |

## 38. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

### (a) Fair value of financial assets that are measured at fair value (continued)

The movement during the year in the balances of level 3 fair value measurement (recurring basis) is as follows:

| | 2017<br>HK$'000 | 2016<br>HK$'000 |
|---|---|---|
| Equity investment in the PRC | | |
| At 1 April | – | – |
| Transfer from level 2 (note) | 96,010 | – |
| Disposals | (566) | – |
| Fair value gain | 168,327 | – |
| Exchange realignment | (9,976) | – |
| At 31 March | 253,795 | – |

Note: The equity investment transferred from level 2 to level 3 fair value measurement due to the significant unobservable inputs were applied to the valuation model of the equity investment during the year.

### (b) Fair value measurement and valuation process

The management of the Group is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of a financial asset or a financial liability, the Group uses market observable data to the extent it is available. When Level 1 inputs are not available, the Group engaged independent qualified external valuers to perform the valuation. The management of the Group works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management of the Group reports to EDs of the Company semi-annually to explain the cause of fluctuations in the fair value of the financial assets and financial liabilities.

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments comprise loans receivables, finance lease receivables, deposits and other receivables, available-for-sale investments, investments at fair value through profit or loss (including securities and derivative financial instruments), restricted cash, cash and cash equivalents, other payables and accruals, convertible bonds and borrowings. Details of these financial instruments are disclosed in respective notes. The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk, foreign currency risk and equity price risk as further detailed below. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing financial assets and liabilities. As at 31 March 2017, certain of the Group's financial lease receivables, loans receivables, convertible bonds and bank borrowings are fixed rate. Although subject to interest rate risk, they are not remeasured in the consolidated financial statements in response to changes in interest rates and therefore change in interest rate risk variables would not affect reported profit or loss in the short term. Variable-rate borrowings amounted to approximately HK$455,023,000 out of the total borrowings of approximately HK$1,274,941,000 (2016: HK$19,442,000 out of the total borrowings of approximately HK$2,359,086,000). The Group currently does not have interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

#### *Sensitivity analysis*

An increase of 50 basis points in interest rates at the reporting date would have decreased or increased profit for both years by the amounts shown below. This analysis assumes that all other variables remain constant.

| | **2017**<br>**HK$'000** | 2016<br>HK$'000 |
|---|---|---|
| Variable-rate borrowings | **2,275** | 97 |

There was no material impact to the other components of equity for the years ended 31 March 2017 and 2016.

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Credit risk

As at 31 March 2017 and 2016, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets including loans receivables, finance lease receivables, available-for-sale investments, investments at fair value through profit or loss, deposits and other receivables, bank balances and restricted cash as stated in the consolidated statement of financial position.

The Group's loans receivable arise from the ordinary course of business of the Group and are closely monitored by the EDs in charge of the Group's money lending operations on an ongoing basis. In order to minimise the credit risk, the Group has established policies and systems for the monitoring and control of credit risk. The management has delegated different divisions responsible for determination of credit limits, credit approvals and other monitoring processes to ensure that follow-up action is taken to recover overdue debts. The Board has overall responsibility for the Group's credit policies and oversees the credit quality of the Group's advance portfolio. In addition, management reviews the recoverable amount of loans and receivables individually or collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced. Further quantitative data in respect of the Group's exposure to credit risk arising from loans receivables are disclosed in note 23 to the consolidated financial statements.

The Group's finance lease receivables arise from the ordinary course of business of the Group and are closely monitored by the EDs in charge of the Group's financial leasing operations on an ongoing basis. Further quantitative data in respect of the Group's exposure to credit risk arising from finance lease receivables are disclosed in note 21 to the consolidated financial statements.

The management considers that the credit risk of club membership debenture recognised as available-for-sale investments in the consolidated statement of financial position is low as the club has good reputation.

The credit risks of deposits and other receivables are low as the Group has not had any significant loss arising from non-performance by the counterparties in the past and management does not expect so in the future. The Group's liquid funds (mainly bank balances) are placed in various banks. The credit risk on liquid fund is limited because the counterparties are banks with good reputation.

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Liquidity risk

The Group's liquidity risk is managed by management on an ongoing basis by the raising of loans and/or equity fundings to meet expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, if any, to ensure that it maintains sufficient reserves of cash and bank balances to meet its liquidity requirements in the short and long terms.

As part of its ordinary brokerage activities, the Group is also exposed to liquidity risk arising from timing difference between settlements with clearing houses or brokers and customers. The goal of liquidity risk management is to ensure the Group maintains adequate liquid capital to fund its business commitments as well as to comply with the relevant FRR applying to the licensed subsidiary.

The maturity profile of the Group's financial liabilities as at end of the reporting period, based on the contractual undiscounted payments, is as follows:

| | 2017 | | | | |
|---|---|---|---|---|---|
| | On demand/ less than 3 months HK$'000 | 3 to less than 12 months HK$'000 | 1 to 5 years HK$'000 | Over 5 years HK$'000 | Total undiscounted cash flows HK$'000 |
| Financial liabilities included in other payables and accruals | 80,442 | — | — | — | 80,442 |
| Borrowings: | | | | | |
| — bonds | 500 | 500 | 23,500 | — | 24,500 |
| — interest-bearing bank borrowings | 45,760 | 195,562 | 304,246 | — | 545,568 |
| Convertible bonds | 31,010 | 31,334 | 829,756 | — | 892,100 |
| | 157,712 | 227,396 | 1,157,502 | — | 1,542,610 |

| | 2016 | | | | |
|---|---|---|---|---|---|
| | On demand/ less than 3 months HK$'000 | 3 to less than 12 months HK$'000 | 1 to 5 years HK$'000 | Over 5 years HK$'000 | Total undiscounted cash flows HK$'000 |
| Financial liabilities included in other payables and accruals | 207,183 | — | — | — | 207,183 |
| Borrowings: | | | | | |
| — bonds | 500 | 500 | 14,000 | 10,500 | 25,500 |
| — margin and other loans | 613,537 | — | — | — | 613,537 |
| — interest-bearing bank borrowings | 161,049 | 220,012 | 980,048 | — | 1,361,109 |
| Convertible bonds | 28,486 | 85,780 | 1,070,282 | — | 1,184,548 |
| | 1,010,755 | 306,292 | 2,064,330 | 10,500 | 3,391,877 |

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Foreign currency risk

Certain cash and cash equivalents and financial assets included in prepayments, deposits and other receivables are denominated in HK$ and RMB, currencies other than functional currencies of respective group entities. The Group currently does not have a foreign currency hedging policy. However, the management of the Group will monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

With transaction in the USD, the impact of it is insignificant as the HK$ is pegged to USD at a fixed rate of approximate HK$7.75 = USD1.00. Therefore, no sensitivity analysis was presented.

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

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | RMB against HK$ HK$'000 | HK$ against RMB HK$'000 | RMB against HK$ HK$'000 | HK$ against RMB HK$'000 |
| Cash and cash equivalents | — | 31 | — | 14 |
| Financial assets included in prepayments, deposits and other receivables | — | 34,394 | — | — |
| | — | 34,425 | — | 14 |

The following table details the Group's sensitivity analysis for increase and decrease in the functional currencies of the respective group entities against relevant foreign currencies and all other variables were held constant.

| | Strengthen/ (weaken by) % | Increase/ (decrease) in equity HK$'000 | Decrease/ (increase) in profit after tax HK$'000 |
|---|---|---|---|
| **2017** | | | |
| HK$ strengthen against RMB by | 5 | 1,721 | 1,721 |
| HK$ weaken against RMB by | (5) | (1,721) | (1,721) |
| 2016 | | | |
| HK$ strengthen against RMB by | 5 | 1 | 1 |
| HK$ weaken against RMB by | (5) | (1) | (1) |

The sensitivity rate used above represents management's assessment of the reasonably possible change in foreign exchange rates. The analysis is performed on the same basis for 2016.

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as held for trading equity investments and futures contracts (note 22) as at 31 March 2017 and 2016. The Group's listed investments are listed on the Hong Kong Stock Exchange and are valued at quoted market prices at the end of the reporting period. The management managed this exposure by maintaining a portfolio of investments with different risks. The management considers that there is no significant equity price risk for investments in unlisted equity securities, included Yunnan Highway and convertible bonds designated as financial assets at fair value through profit or loss and those investments were excluded for sensitivity analysis.

The following table demonstrates the sensitivity to every 15% (2016: 15%) change in equity prices of the listed equity investments and futures contracts, with all other variables held constant, based on their carrying amounts at the end of the reporting period.

| | Increase/ (decrease) in equity prices % | Carrying amount of equity investments HK$'000 | Increase/ (decrease) in equity HK$'000 | Decrease/ (increase) in loss after tax HK$'000 |
|---|---|---|---|---|
| **2017** | | | | |
| Investments listed in: | | | | |
| — Hong Kong | **15** | **757,079** | **94,824** | **94,824** |
| | **(15)** | **757,079** | **(94,824)** | **(94,824)** |

| | Increase/ (decrease) in equity prices % | Carrying amount of equity investments HK$'000 | Increase/ (decrease) in equity HK$'000 | Decrease/ (increase) in loss after tax HK$'000 |
|---|---|---|---|---|
| **2016** | | | | |
| Investments listed in: | | | | |
| — Hong Kong | 15 | 1,119,830 | 140,529 | 140,529 |
| | (15) | 1,119,830 | (140,259) | (140,259) |
| — PRC | 15 | 4,933 | 555 | 555 |
| | (15) | 4,933 | (555) | (555) |
| Futures contracts | 15 | 562,678 | 70,475 | 70,475 |
| | (15) | 562,678 | (70,475) | (70,475) |

## 39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

**Equity price risk** (continued)

The sensitivity analysis above had been determined based on the exposure to equity price risks as at 31 March 2017 and 2016. For sensitivity analysis purpose, 15% (2016: 15%) was used as the sensitivity rate for the year ended 31 March 2017 as a result of the volatile financial markets. In management's opinion, the sensitivity analysis was unrepresentative of the inherent equity price risk as it only reflects the impact of equity price changes to equity securities held as at the end of the reporting period.

## 40. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) On 25 April 2017, the Group entered into a sales and purchase agreement with Shandong International (Hong Kong) Limited ("Shandong International") and Shandong Province Rural Economic Development Investment Company* (山東省農村經濟開發投資公司) (as guarantor for Shandong International) to acquire 40% of the issued share capital of Shandong Hi-Speed (BVI) International Holdings Limited at a consideration of HK$1,500,000,000 which shall be satisfied by the allotment and issuance by the Company of 5,000,000,000 consideration shares at the issue price of HK$0.3 per consideration share to Shandong International at completion of the acquisition. Details of the acquisition were set out in the announcement of the Company dated 25 April 2017, 16 May 2017 and 30 June 2017.

(b) On 12 May 2017, the Company announced that the head office and principal place of business of the Company in Hong Kong will be changed to Rooms 1405–1410, 14/F., China Resources Building, 26 Harbour Road, Wanchai, Hong Kong with effect from 13 May 2017. The telephone number and the facsimile number of the Company will remain unchanged.

(c) On 25 May 2017, the Company announced that Mr. Lau Yau Chuen, Louis has resigned as the company secretary and authorised representative of the Company under the Listing Rules on The Stock Exchange of Hong Kong with effect from 25 May 2017. The Board further announces that Mr. Hwang Hau-zen, Basil and Mr. Yeung Chun Lap, Jacky have been appointed as joint company secretaries and authorised representatives of the Company under the Listing Rules with effect from 25 May 2017.

(d) On 30 June 2017, the Company announced that the Company proposes to change the English name of the Company from "China Innovative Finance Group Limited" to "China Shandong Hi-Speed Financial Group Limited" and to adopt "中國山東高速金融集團有限公司" as its secondary name in Chinese to replace its existing Chinese name "中國新金融集團有限公司".

* For identification purpose only

## 41. COMPARATIVE FIGURES

Certain comparative figures have been represented to the current year's presentation.

## 42. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31 March 2017 and 2016 are as follows:

| Name | Place of Incorporation/ establishment | Issued and fully paid ordinary share capital/ registered capital | Percentage of ownership interest: Held by the company % | Percentage of ownership interest: Held by subsidiaries of the company % | Principal activities |
|---|---|---|---|---|---|
| C.I.F. Financial Limited | Hong Kong | HK$530,000,001 and US$50,000,000 | – | 100 | Money lending |
| CIFS | Hong Kong | HK$36,000,000 | – | 100 | Securities brokerage business |
| Hong Kong Leasing | Hong Kong | HK$310,000,000 | – | 100 | Investment holding |
| Heritage Management (Hong Kong) Limited | Hong Kong | HK$2 | – | 100 | Provision of corporate services |
| Prostar Hong Kong Limited | Hong Kong | HK$2 | 100 | – | Provision of corporate services |
| Mass Nation Investments Limited | British Virgin Islands | US$1 | – | 100 | Investment holding |
| Park Rise | British Virgin Islands | US$3 | – | 100 | Investment holding |
| Safe Castle Limited | British Virgin Islands | US$1 | – | 100 | Investment in securities |
| 翔龍融資租賃(上海)有限公司 | PRC | RMB500,000,000 | – | 100 | Provision of financial leasing |
| 翔龍融資租賃(深圳)有限公司 | PRC | US$48,000,000 | – | 100 | Provision of financial leasing |
| 翔龍融資租賃(北京)有限公司 | PRC | RMB500,000,000 | – | 100 | Provision of financial leasing |
| 深圳亞太租賃資產交易中心有限公司 Shenzhen Asia-Pacific Leasing Assets Exchange Center Co., Ltd. | PRC | RMB100,000,000 | – | 100 | Provision of asset trading platform |
| China Innovative Finance Zhonghong | PRC | RMB100,300,000 | – | 100 | Provision of business factoring |
| 中新金（深圳）投資有限公司* | PRC | RMB60,114,099 | – | 100 | Investment holding |

* The company is a wholly foreign-owned company established in the PRC.

## 43. THE STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

### (a) The statement of financial position of the Company

| | 2017 HK$'000 | 2016 HK$'000 |
|---|---|---|
| NON-CURRENT ASSETS | | |
| Investments in subsidiaries | 1 | 1 |
| Amounts due from subsidiaries | 3,523,729 | 3,937,069 |
| Available-for-sale investments | 4,600 | 4,600 |
| Total non-current assets | 3,528,330 | 3,941,670 |
| CURRENT ASSETS | | |
| Prepayments and other receivables | 1,392 | 40,444 |
| Investments at fair value through profit or loss | — | 562,678 |
| Cash and cash equivalents | 17,300 | 105,376 |
| Total current assets | 18,692 | 708,498 |
| CURRENT LIABILITIES | | |
| Other payables and accruals | 5,620 | 24,527 |
| Borrowings | 983 | 546,135 |
| Total current liabilities | 6,603 | 570,662 |
| NET CURRENT ASSETS | 12,089 | 137,836 |
| Total assets less current liabilities | 3,540,419 | 4,079,506 |
| NON-CURRENT LIABILITIES | | |
| Borrowings | 19,093 | 118,951 |
| Convertible bonds | 743,522 | 937,705 |
| Deferred tax liabilities | 4,420 | 10,253 |
| Total non-current liabilities | 767,035 | 1,066,909 |
| Net assets | 2,773,384 | 3,012,597 |
| CAPITAL AND RESERVES | | |
| Issued capital | 4,797 | 4,828 |
| Reserves | 2,768,587 | 3,007,769 |
| Total equity | 2,773,384 | 3,012,597 |

Approved and authorized for issued by the board of directors on 30 June 2017 and are signed on its behalf by:

**Yau Wai Lung**
*Director*

**Wang Zhenjiang**
*Director*

## 43. THE STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

### (b) Reserve movement of the Company

| | Issued capital | Share premium account | Share options reserve | Capital redemption reserve | Contributed surplus | Available-for-sale investments revaluation reserve | Convertible bonds reserve | Accumulated losses | Total equity |
|---|---|---|---|---|---|---|---|---|---|
| | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| | | (note i) | (note ii) | (note iii) | (note iv) | (note v) | (note vi) | | |
| At 1 April 2015 | 4,236 | 1,649,764 | 40,150 | 1,177 | 1,524,577 | 120 | – | (1,813,862) | 1,406,162 |
| Loss for the year | – | – | – | – | – | – | – | (62,125) | (62,125) |
| Other comprehensive income for the year | – | – | – | – | – | – | – | – | – |
| Total comprehensive loss for the year | – | – | – | – | – | – | – | (62,125) | (62,125) |
| Issuance of new shares (note 31(a)) | 590 | 1,581,355 | – | – | – | – | – | – | 1,581,945 |
| Issuance of emolument shares to a director (note 31(b)) | 2 | 4,998 | – | – | – | – | – | – | 5,000 |
| Equity component of convertible bonds (note 29) | – | – | – | – | – | – | 97,743 | – | 97,743 |
| Deferred tax arising on issue of convertible bonds (note 30) | – | – | – | – | – | – | (16,128) | – | (16,128) |
| At 31 March 2016 | 4,828 | 3,236,117 | 40,150 | 1,177 | 1,524,577 | 120 | 81,615 | (1,875,987) | 3,012,597 |
| At 1 April 2016 | **4,828** | **3,236,117** | **40,150** | **1,177** | **1,524,577** | **120** | **81,615** | **(1,875,987)** | **3,012,597** |
| Loss for the year | – | – | – | – | – | – | – | **(167,248)** | **(167,248)** |
| Other comprehensive income for the year | – | – | – | – | – | – | – | – | – |
| Total comprehensive loss for the year | – | – | – | – | – | – | – | **(167,248)** | **(167,248)** |
| Repurchase of ordinary shares (note 31(c)) | **(31)** | **(81,575)** | – | – | – | – | – | – | **(81,606)** |
| Redemption of convertible bonds | – | – | – | – | – | – | **(45,517)** | **31,872** | **(13,645)** |
| Equity component on issue of convertible bonds (note 29) | – | – | – | – | – | – | **27,887** | – | **27,887** |
| Deferred tax arising on issue of convertible bonds (note 30) | – | – | – | – | – | – | **(4,601)** | – | **(4,601)** |
| At 31 March 2017 | **4,797** | **3,154,542** | **40,150** | **1,177** | **1,524,577** | **120** | **59,384** | **(2,011,363)** | **2,773,384** |

## 43. THE STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

### (b) Reserve movement of the Company (continued)

Notes:

**(i) Share premium account**

Share premium account represents the excess of proceeds received over the nominal value of the Company's shares issued, less share issue expenses. Pursuant to the Companies Act of Bermuda, the Company's share premium account may be distributed in the form of fully paid bonus shares.

**(ii) Share options reserve**

Share options reserve relates to share options granted to employees under New Share Option Scheme. Further information about share-based payments to employees is set out in note 32 above.

**(iii) Capital redemption reserve**

Capital redemption reserve arose from the reduction of the nominal value of the issued capital of the Company upon the cancellation of the repurchased shares.

**(iv) Contributed surplus**

Contributed surplus arose from capital reorganisation in previous years. Under the Companies Act of Bermuda, the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of its assets would thereby be less than the aggregate of its liabilities.

**(v) Available-for-sale investments revaluation reserve**

The reserve comprises the cumulative net changes in fair value of available-for-sale investments held at the end of the reporting period.

**(vi) Convertible bonds reserve**

Convertible bonds reserve relates to convertible bonds issued/redeemed during the year.

## 44. APPROVAL FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 30 June 2017.

# FIVE YEAR FINANCIAL SUMMARY

*For the year ended 31 March 2017*

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. The amounts for each year in the five year financial summary have been adjusted for the effects of the classification of discontinued operation as detailed in note 13 to the consolidated financial statements. Accordingly, certain prior year comparative amounts have been reclassified and restated to confirm to the current year's presentation.

## RESULTS

| | Year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2017 HK$'000** | 2016 HK$'000 | 2015 HK$'000 | 2014 HK$'000 | 2013 HK$'000 |
| **Continuing operations** | | | | | |
| REVENUE | **193,511** | 96,992 | 3,797 | 12,004 | 17,365 |
| PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS | **190,798** | 111,939 | (27,653) | 283,547 | (64,220) |
| Income tax (expense)/credit | **(31,442)** | (41,459) | (5,280) | 4,091 | (598) |
| PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS | **159,356** | 70,480 | (32,933) | 287,638 | (64,818) |
| **Discontinued operations** | | | | | |
| Profit/(loss) for the year from discontinued operations | **–** | 1,216 | (95,794) | (6,613) | (6,776) |
| PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY | **159,356** | 71,696 | (128,727) | 281,025 | (71,594) |

## ASSETS AND LIABILITIES

| | As at 31 March | | | | |
|---|---|---|---|---|---|
| | **2017 HK$'000** | 2016 HK$'000 | 2015 HK$'000 | 2014 HK$'000 | 2013 HK$'000 |
| TOTAL ASSETS | **4,735,830** | 5,897,307 | 1,664,249 | 1,741,526 | 1,071,901 |
| TOTAL LIABILITIES | **(1,549,161)** | (2,737,952) | (223,176) | (232,452) | (38,335) |
| NET ASSETS | **3,186,669** | 3,159,355 | 1,421,073 | 1,509,074 | 1,033,566 |