ZHIDAO INTERNATIONAL (HOLDINGS) LIMITED
志 道 國 際 (控 股) 有 限 公 司 *

(Incorporated in Bermuda with limited liability)

(Stock Code: 1220)

2017
Annual Report

* For identification purpose only

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

Mr. Tung Yee Shing *(Chairman)*

Independent Non-executive Directors

Mr. Chan Yin Tsung
Mr. Li Kam Chung
Mr. Kwok Lap Fung, Beeson

AUDIT COMMITTEE

Mr. Chan Yin Tsung *(Chairman)*
Mr. Li Kam Chung
Mr. Kwok Lap Fung, Beeson

REMUNERATION COMMITTEE

Mr. Li Kam Chung *(Chairman)*
Mr. Chan Yin Tsung
Mr. Tung Yee Shing

NOMINATION COMMITTEE

Mr. Chan Yin Tsung *(Chairman)*
Mr. Li Kam Chung
Mr. Kwok Lap Fung, Beeson

COMPANY SECRETARY

Mr. Lee Cheuk Man

LEGAL ADVISORS

TC & Co.

AUDITORS

Ascenda Cachet CPA Limited
Certified Public Accountants

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

PRINCIPAL OFFICE IN HONG KONG

Unit 3328D, 33rd Floor
China Merchants Tower, Shun Tak Centre
168 Connaught Road Central
Sheung Wan, Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of Communications Co., Ltd.
Hong Kong Branch

STOCK CODE

01220

COMPANY WEBSITE

www.zdihl.com

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

On behalf of the board of directors (the "**Board**") of Zhidao International (Holdings) Limited (the "**Company**"), I am pleased to present the results and operations of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2017 (the "**Year**").

BUSINESS REVIEW

For the Year, the environment for the aluminium trading businesses remained challenging as a result of the volatile and slowly growing global economy. The Group continued the strategy in shifting its resources to other segments. With the change of focus to the money lending business instead of its aluminium trading businesses, the revenue of the Group, because of their very different nature, substantially decreased to approximately HK$23.4 million, compared to that of approximately HK$65.0 million for the year of 2015/16.

The change of focus to the Group's money lending business has rendered a higher gross profit for the Year at approximately HK$15.9 million (2015/16: approximately HK$7.7 million), representing an approximately 106.5% increase in comparison to that of last year. The gross margin for the Year was approximately 68.0% (2015/16: approximately 11.9%).

With the re-allocation of financial resources from the trading of aluminium product business, the Group did not record any revenue from its trading of aluminium products segment during the Year (2015/16: approximately HK$58.4 million).

The local estate market had a strong momentum during the Year, which generated higher demand for our construction projects products and services. The Group's construction projects segment recorded a revenue of approximately HK$11.3 million for the Year, an approximately 264.5% increase from that of approximately HK$3.1 million for the year 2015/16. Gross margin of the construction projects segment recorded a slight increase to approximately 33.9% for the Year, in comparison to approximately 33.0% last year.

Revenue and gross profit of the money lending segment, which were mainly interest income with no direct interest expense, were both approximately HK$11.3 million for the Year, contributing approximately 48.3% of total revenue and approximately 71.0% of total gross profit of the Group.

The newly acquired business of financing guarantee services contributed approximately HK$0.9 million of revenue and gross profit, without direct cost, to the Group. Since the completion of acquiring the financing guarantee services business, the management has adopted a new provision policy and recognized a provision for the impairment of receivables for default guarantee payments and receivables from guarantee customers of approximately HK$11.8 million. The management continues in aligning the strategy and risk management of the new financing guarantee services business to that of the Group, and believes that it will become another profit source for the Group as a whole.

DIVIDENDS

The Board did not recommend the payment of any dividend for the years ended 31 March 2017 and 2016.

PROSPECTS

The management expects to concentrate at the money lending businesses and simultaneously engage in the construction sector. The Group will continue to identify and pursue new business and investment opportunities in different areas which could bring potential and long-term value to the Group and its shareholders.

On 13 September 2016, the Company announced an acquisition of a business engaged in the provision of financing guarantee services in Guizhou, the People's Republic of China (the "**PRC**"). The acquisition was then completed on 12 December 2016. Although the contribution of the business of financing guarantee services has yet generated profit for the Year, the management believes it does provide an opportunity for the Company to learn and grow its potentials in the financial industry in the PRC.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2017, the Group had cash and bank balances of approximately HK$290.3 million (2016: HK$259.4 million) while net assets was approximately HK$446.2 million (2016: HK$459.5 million). The Group's gearing ratio, being a ratio of total bank and other borrowings to shareholders' funds, was nil as at 31 March 2017 (2016: nil).

Details of the movements in the share capital of the Company during the Year are set out in note 24 to the consolidated financial statements.

Use of Proceeds

On 24 August 2015, the Company completed the placing agreement dated 10 August 2015 with a placing agent pursuant to which, the Company issued and allotted (the "**Placing**") 330,000,000 new ordinary shares of the Company (the "**Placing Shares**") to various placees at a placing price of HK$0.985 per Placing Share with net proceed of approximately HK$324 million (the "**Net Proceeds**"). Details of the Placing are set out in note 24 to the consolidated financial statements.

As disclosed in the announcement of the Company dated 4 December 2015 and the interim report for the six months ended 30 September 2016, the Board intended to allocate the Net Proceeds from the Placing of approximately HK$324 million as to: (a) approximately HK$124 million for the potential acquisition(s) in the next twelve months; and (b) approximately HK$200 million for money lending business as loan disbursements.

The Company would like to update its shareholders on the current status of the application of and the current intended use of the Net Proceeds. As at the date of this report, the Company has utilised the entire Net Proceeds from the Placing of approximately HK$324 million to (a) approximately HK$70 million for an acquisition, and (b) approximately HK$254 million for money lending business as loan disbursements. Details of the original allocation of the Net Proceeds, the revised allocation of the Net Proceeds, and the utilisation of the Net Proceeds as at 30 June 2017 are summarized below:

Proposed use of Net Proceeds	**Original allocation** *(Note 1)* *(Approximately)* HK$'000	**Revised allocation** *(Note 2)* *(Approximately)* HK$'000	**Utilisation as at 30 June 2017** *(Approximately)* HK$'000
Funding potential acquisition	150,000	124,000	70,000 *(Note 3)*
General working capital	174,000	–	–
Money lending business	–	200,000	254,000 *(Note 4)*
	324,000	324,000	324,000

Note 1: As disclosed in the announcement of the Company dated 10 August 2015, the Proceeds from the Placing would be used (i) for funding potential acquisition in the future; and (ii) for the general working capital of the Group to meet any future business development plans and obligations. The original budget was approximately HK$150 million for potential acquisition(s) and the remaining balance of approximately HK$174 million would be allocated as general working capital.

Note 2: As disclosed in the announcement of the Company dated 4 December 2015, the Group commenced the money lending business and the Board has changed the intended use of the Net Proceeds as (i) approximately HK$200 million for developing the money lending business of the Group, and (ii) the remaining balance of approximately HK$124 million for funding potential acquisition(s) by the Group in the future.

Note 3: As disclosed in the announcement of the Company dated 13 September 2016, a wholly-owned subsidiary of the Company entered into an acquisition agreement to acquire the entire interest and shareholder's loan of a target company at an aggregate consideration of HK$70 million, which shall be settled in cash. The acquisition was completed on 12 December 2016.

Note 4: As disclosed in this report, the loan receivables as at 31 March 2017 was approximately HK$68,000,000 (31 March 2016: approximately HK$101,840,000). The new loan disbursement since the financial year ended 31 March 2016 was as follows:

	New Loan Disbursement HK$'000
For the year ended 31 March 2016	121,840
For the year ended 31 March 2017	153,700
For the period between 1 April 2017 and the date of this report	110,900
	386,440

The Net Proceed from the Placing of approximately HK$324 million has been fully utilised, which approximately HK$70 million was used in acquiring a subsidiary and the remaining of approximately HK$254 million was used in financing the new loan disbursement of the money lending business.

Share Option Scheme

The existing share option scheme was approved and adopted by the shareholders of the Company at the special general meeting held on 31 August 2015 ("**2015 Scheme**"). The primary purpose of the 2015 Scheme is to provide participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. Further details of the 2015 Scheme are as disclosed in the circular of the Company dated 30 July 2015.

Details of the movements in the Share Options under the Share Option Scheme during the Year are set out in note 25 to the consolidated financial statements.

FOREIGN EXCHANGE EXPOSURE

As at 31 March 2017, the majority of the Group's assets and liabilities were denominated in Hong Kong dollars. The Board considered its exposure to foreign exchange risk was insignificant, therefore no financial instruments was made to hedge such exposure.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2017, the Group had 94 (2016: 55) employees. The Group's remuneration policy is reviewed periodically and determined by reference to market terms, the Group's performance, and individual qualifications and performance.

The emolument policy for the employees of the Group is set up by the Company's remuneration committee on the basis of their merit, qualifications and competence. Discretionary bonus and share options may be awarded to eligible employees with reference to individual performance and the Group's business performance. The emoluments of the directors are decided by the remuneration committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Disclosure of directors' emoluments is set out in note 7 to the consolidated financial statements.

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The 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 PERFORMANCE

The Group has minimised the operation impact on the environment and natural resource. To build a greener future, the Company is committed to implementing policies and measures to foster reduction of the Group's environmental impact. During the Year, the Group has collected recycled papers and used it as key printing materials. Aluminium bits and filings from production process was collected for disposal of with recycle purpose. The fabrication factory was fulfilled the standard of ISO9001 on the quality management. Energy saving and power monitoring systems are in place for the fabrication factory to monitor our environmental performance. The Company also strives to follow energy saving practices in office premises where applicable.

CHAIRMAN'S STATEMENT AND MANAGEMENT DISCUSSION AND ANALYSIS

COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to complying with the requirements of the Personal Data (Privacy) Ordinance, and ordinance relating to disability, sex, and family status, as well as the Employment Ordinance, the Minimum Wage Ordinance and well-being of its employees. The Group is also committed to safeguarding the security of personal data. When collecting and processing such data, the Group complies with the Personal Data (Privacy) Ordinance and guidelines issued by the Office of the Privacy Commissioner for Personal Data, with a view to protecting the privacy of its employees and customers, etc. The Group has also complied with the Stamp Duty Ordinance, Rating Ordinance and Inland Revenue Ordinance in respect of renting of premises during the Year. During the Year, the Group was not aware of any non-compliance with any relevant laws and regulations that has a significant impact on it.

APPRECIATIONS

On behalf of the Board, I would like to take this opportunity to express our appreciation to the staff and management team of the Group for their contribution during the Year and also to give our sincere gratitude to all our shareholders for their continuous support.

Tung Yee Shing
Chairman

Hong Kong, 30 June 2017

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Tung Yee Shing, aged 42, was appointed as an executive Director on 1 December 2013. Mr. Tung has extensive professional and management experience in finance and accounting, mergers and acquisitions ("**M&A**") and strategic planning. Mr. Tung is currently the Chief Financial Officer ("**CFO**") of Taung Gold International Limited (listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**")). Mr. Tung was the CFO of the Company from January 2012 to October 2012, where he focused on financial and accounting management of the Group and assisting the Board in strategic planning of the Group. Before joining the Company as the CFO, Mr. Tung was a Vice President in a private consulting firm focusing on pre-IPO and M&A strategic consulting services.

Prior to that, from 1999 to 2008, Mr. Tung worked for Deloitte Touche Tohmatsu, a global professional firm, mainly in its management consulting and corporate finance divisions, where Mr. Tung assisted various companies in their strategic planning, operational improvement and mergers and acquisitions.

Mr. Tung was an executive director of Green International Holdings Limited (listed on the Stock Exchange) from 7 November 2012 to 31 July 2013.

Mr. Tung is a member of the Association of Chartered Certified Accountant and the Hong Kong Institute of Certified Public Accountants. He holds a Master Degree in Business Administration from the Chinese University of Hong Kong and a Bachelor Degree in Social Science (Economics) from the Chinese University of Hong Kong.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Yin Tsung, aged 37, was appointed as an independent non-executive Director on 15 September 2014. Mr. Chan is a Certified Public Accountant certified under the American Institute of Certified Public Accountants. He holds a bachelor degree in commerce from the University of British Columbia and a master degree in financial analysis from The Hong Kong University of Science and Technology.

Mr. Chan has over 14 years of experience in initial public offering, corporate merger and acquisitions, restructuring, due diligence, audit, financial modeling and business valuation. From 2003 to 2010, Mr. Chan held various positions in Ernst & Young, KPMG Transaction Advisory Services and PricewaterhouseCoopers Corporate Finance, providing transaction advisory and audit services in China and Hong Kong to various corporations. Mr. Chan joined the investment banking division of Essence International Financial Holdings Limited in October 2010 where he focused on advising clients in initial public offering. In August 2011, Mr. Chan joined the private equity department of the same company as a senior manager and he was responsible for investment projects' origination, analysis and execution. From July 2012 to July 2013, Mr. Chan was appointed as an executive director of Green International Holdings Limited (listed on the Stock Exchange). Mr. Chan was the Chief Executive Officer of Hao Wen Holdings Limited (listed on the Stock Exchange) from 17 February 2014 to 19 May 2016.

Mr. Li Kam Chung, aged 65, was appointed as an independent non-executive Director on 9 January 2012. Mr. Li is also an independent non-executive director of Taung Gold International Limited (listed on the Stock Exchange). Mr. Li was the chairman of Joint Village Office for Villages in Shuen Wan, Tai Po, New Territories and is currently a member of Tai Po District Council Environment, Housing and Works Committee.

Mr. Kwok Lap Fung Beeson, aged 31, was appointed as an independent non-executive Director on 9 January 2012. Mr. Kwok holds a Bachelor of Business awarded by the University of Technology, Sydney, Australia and is an associate member of CPA Australia.

DIRECTORS' REPORT

The directors (the "**Directors**") of Zhidao International (Holdings) Limited (the "**Company**") are pleased to present the annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2017 (the "**Year**").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holdings. The Group is principally engaged in (i) trading of aluminium products; (ii) supply of aluminium products in the construction projects; and (iii) money lending business. During the Year, the Group extended its business into provision of financing guarantee services in The People's Republic of China (the "**PRC**"). Details of the principal activities and other particulars of its principal subsidiaries are set out in note 1 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the Year and the Group's financial position as at 31 March 2017 are set out in the consolidated financial statements on pages 39 to 40.

The board of the Directors of the Company (the "**Board**") did not recommend the payment of any dividend for the year ended 31 March 2017.

GROUP FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out on pages 111 to 112 of this report.

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in note 36 to the consolidated financial statements and the consolidated statement of changes in equity respectively.

BUSINESS REVIEW

Further discussion and analysis of the principal activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a fair review of the business and a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year 2016/17, and an indication of likely future development in the Group business, can be found in the preceding sections of this annual report set out in pages 3 to 7. The preceding sections form part of this report.

PROPERTY, PLANT, EQUIPMENT AND INVESTMENT PROPERTY

Details of movements in property, plant, equipment and investment property of the Group during the Year are set out in note 12 and 13 to the consolidated financial statements, respectively.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Year are set out in note 24 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

Under the Companies Act of Bermuda, the share premium of the Company can be used in paying up unissued shares of the Company to be issued to members of the Company as fully paid bonus shares. As at 31 March 2017, there was no aggregate amount of reserves available for distribution to equity holders of the Company (2016: nil).

DIRECTORS

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

Executive Directors
Mr. Tung Yee Shing, *Chairman*
Ms. Cheung Oi Chun (resigned on 3 January 2017)

Independent Non-executive Directors
Mr. Chan Yin Tsung
Mr. Li Kam Chung
Mr. Kwok Lap Fung, Beeson

In accordance with Bye-laws 87(1) and 87(2), Mr. Chan Yin Tsung and Mr. Kwok Lap Fung, Beeson will retire by rotation and, being eligible, have offered themselves for re-election at the forthcoming annual general meeting of the Company ("**AGM**").

Biographical details of Directors are set out on page 8.

CONFIRMATION OF INDEPENDENCE

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**"). The Company considers all independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS

None of Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2017, the interests or short positions of the Directors, chief executives of the Company or their associates in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("**SFO**")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules adopted by the Company for the Year were as follows:

Long position in the shares and underlying shares

Ordinary shares of HK$0.01 each of the Company

Name of Directors	Number of underlying shares held under share options	Approximate percentage of the issued share capital of the Company
Tung Yee Shing	19,800,000	1.00%
Chan Yin Tsung	4,166,666	0.21%
Li Kam Chung	4,166,666	0.21%
Kwok Lap Fung, Beeson	4,166,666	0.21%

Save as disclosed above, none of the Directors and chief executive of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Save as the related parties transactions disclosed in note 31 to the consolidated financial statements, there were no contract of significance to which the Company, its holding companies and any of its subsidiaries, was a party and in which a Director had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the Year.

SHARE OPTIONS SCHEME

The Company adopted a share option scheme at the annual general meeting held on 31 August 2015 (the "**Adoption Date**") (the "**2015 Scheme**") for the purpose of providing incentives to Participants (as defined in the 2015 Scheme) to contribute to the Group and/or to enable the Group to recruit high-calibre employees and attract resources that are valuable to the Group and the shareholders of the Company as a whole. Participants include the directors and any employees of the Group, supplier of goods or services of the Group, any person provides professional advice, consultancy service or technical support to the Group and any shareholders of any member of the Group. Unless otherwise terminated or amended, the 2015 Scheme will remain in force for 10 years from the Adoption Date. The principal terms of the 2015 Scheme are summarised as follows:

(a) The maximum number of shares in respect of which share options may be granted under the 2015 Scheme must not exceed 10% of the number of shares of the Company in issue as at the Adoption Date. Subject to prior shareholders' approval, the Company may, at any time thereafter, refresh the scheme mandate limit to the extent not exceeding 10% of the shares in issue as at the date of the shareholders' approval. Following the adoption at the Adoption Date, the maximum number of shares in respect of which options may be granted under the 2015 Scheme is 198,000,000 shares, representing 10% of the total number of shares in issue as at the Adoption Date, and representing 10% of the issued share capital of the Company as at 31 March 2016 and the date of this annual report respectively. The maximum number of shares to be issued under the share options granted to each Participant in the 2015 Scheme within any 12-month period is limited to 1% of the number of 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.

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

(c) The offer of a grant of share options may be accepted within 21 days from the date of offer, upon payment of a consideration of HK$1.00 in total by the grantee. The vesting period and exercise period of the share options granted is determinable by the directors, but not exceeding 10 years from the offer date.

(d) The exercise price of the share options is determinable by the directors, but shall not be less than the highest of (i) the closing price of the Company's shares stated in the Stock Exchange's daily quotation sheets on the date of grant; and (ii) the average closing price of the Company's shares stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a share.

At the end of the reporting period and at the date of approval of these consolidated financial statements, the Company had 111,499,998 share options valid and outstanding under the 2015 Scheme, exercisable at a price of HK$1.20 per share ("**Share Options**"), which represented approximately 5.63% of the issued ordinary shares of the Company as at the end of the reporting period. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 111,499,998 additional ordinary shares of the Company and additional share capital of approximately HK$1,115,000 and share premium of approximately HK$132,685,000 (before issue expenses).

Details of the Share Options that remain outstanding as at 31 March 2017 are as follows:

Grant Date	Exercise Price HK$	Grantees	Number of Share Options As at 1/4/2016	Granted	Exercised	Lapsed	As at 31/3/2017	Exercisable Period
2015 Share Option Scheme								
2/3/2016	1.20	Tung Yee Shing	19,800,000	–	–	–	19,800,000	2/3/2016–1/3/2021
		Cheung Oi Chun *(note 3)*	19,800,000	–	–	(19,800,000)	–	
		Chan Yin Tsung	4,166,666	–	–	–	4,166,666	
		Li Kam Chung	4,166,666	–	–	–	4,166,666	
		Kwok Lap Fung, Beeson	4,166,666	–	–	–	4,166,666	
		Continuous Contract Employees	79,200,000	–	–	–	79,200,000	
		Total	131,299,998	–	–	(19,800,000)	111,499,998	

Notes:

(1) The closing market price per share as at the date preceding the date on which the share options were granted and stated in the Stock Exchange's daily quotation sheet on 1 March 2016 was HK$1.17.

(2) The above share options granted are recognised as expenses in the consolidated financial statements in accordance with the Group's accounting policy as set out in note 2.4 to the consolidated financial statements. Other details of share options granted by the Group are set out in note 25 to the consolidated financial statements.

(3) Ms. Cheung Oi Chun resigned as executive director of the Company on 3 January 2017. The Share Options granted to her were lapsed as a result of her resignation.

(4) Except for above, no Share Options were granted, exercised, lapsed or cancelled during the years ended 31 March 2017 and 2016.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate, and neither the Directors nor any of their spouse or children under the age of 18, had any rights to subscribe for the securities of the Company, or exercised any such rights.

MANAGEMENT CONTRACTS

Save as disclosed above, no contract of significance had been entered into between the Company or any of the subsidiaries and the controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2017, so far as is known to any Directors or chief executive of the Company, other than the interests disclosed above in respect of the Directors and the chief executive, the following substantial shareholders had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Long position in the shares and underlying shares

Ordinary shares of HK$0.01 each of the Company

Substantial shareholder	Capacity	Number of ordinary shares	Approximate percentage of the issued share capital of the Company
Ng Ting Wai	Interest of controlled corporation *(Note a)*	450,000,000	22.73%
Kwok Tao Capital Investment Limited	Beneficial owner	400,000,000	20.20%
	Interest of controlled corporation *(Note a)*	50,000,000	2.53%
		450,000,000	22.73%
深圳市鼎益豐資產管理股份有限公司	Interest of controlled corporation *(Note b)*	238,420,000	12.04%
HK DYF Int'l Holding Group Limited	Beneficial owner	228,550,000	11.54%
	Interest of controlled corporation *(Note b)*	9,870,000	0.50%
		238,420,000	12.04%

Notes:

(a) Mr. Ng Ting Wai ("**Mr. Ng**") was deemed to be interested in these shares through his controlling interest in Kwok Tao Capital Investment Limited ("**Kwok Tao**"). 50,000,000 shares were beneficially owned by Goldstar Success Limited, which was owned as to 70.00% by Prosper Wing Limited and as to 30.00% by Kwok Tao. Kwok Tao was in turn wholly-owned by Mr. Ng.

(b) 深圳市鼎益豐資產管理股份有限公司 ("**深圳市鼎益豐**") was deemed to be interested in these shares through its controlling interest in HK DYF Int'l Holding Group Limited ("**HK DYF**") which was owned as to 74.55% by 深圳市鼎益豐. 9,870,000 shares were beneficially owned by Singapore DYF Int'l Capital Management Pte. Ltd. which was 95.00% owned by HK DYF.

Save as disclosed above, no other parties had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange as at 31 March 2017.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirm that the Company has maintained a sufficient public float as required under the Listing Rules during the Year and up to the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the laws of Bermuda, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the respective percentage of purchases attributable to the Group's five largest suppliers combined by value, accounted for 79.6% in value of total purchases, while purchase attributable to the Group's largest supplier by value, accounted for 62.8% in value of total purchases during the Year. The respective percentage of revenue attributable to the Group's five largest customers combined by value accounted for 80.1% in value of the revenue during the Year, while revenue attributable to the Group's largest customer by value accounted for 48.3% in value of the revenue during the Year.

At no time during the Year did the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in the major suppliers or customers noted above.

SIGNIFICANT INVESTMENTS AND MATERIAL ACQUISITIONS

Details of significant investments or material acquisitions for the Year are set out in note 27 to the consolidated financial statements.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2017.

COMMITMENTS

Details of the commitments are set out in note 29 and 30 to the consolidated financial statements.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors and senior management of the Company is currently in force and was in force throughout the Year. The Group has appropriately purchased directors and officers liability insurance for the Year to minimize the risks of Directors and senior management for the performance of their corporate duties.

DIRECTORS' REPORT

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group believes that employees are valuable assets and the key element to sustain its growth and development. Thus the Group maintain a competitive remuneration package, discretionary bonus, training and occupational health and safety to retain the employees. The Group will consistently review the remuneration packages so as to competitive with the market. Further, the Group has adopted a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group. Customers and suppliers are another important elements for the Group to success. Thus the Group would value good relationship with the customers and suppliers by ways of providing high quality services and products to the customers, as well as maintaining a mutual trust and commitment with the suppliers.

EQUITY-LINK AGREEMENTS

During the Year, other than the 2015 Scheme as set out above and note 25 to the consolidated financial statements, the Company has not entered into any equity-linked agreement.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of consolidated financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing these consolidated financial statements for the year ended 31 March 2017, the Directors have selected suitable accounting policies and applied them consistently; made judgments and estimates that are prudent and reasonable; and have prepared the financial statements on the going concern basis. The Directors are responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the Group.

ENVIRONMENTAL PERFORMANCE AND COMPLIANCE WITH LAWS AND REGULATIONS

Details of which are set out in the section headed "Chairman's Statement and Management Discussion and Analysis" on pages 3 to 7.

AUDITORS

A resolution for the re-appointment of Ascenda Cachet CPA Limited as the auditors of the Company for the subsequent year will be proposed at the AGM.

By order of the Board
Tung Yee Shing
Chairman

Hong Kong, 30 June 2017

CORPORATE GOVERNANCE REPORT

The Company is committed to maintain good corporate governance standard and procedures to (i) enhance management effectiveness and efficiency; (ii) increase the transparency of the Company; (iii) enhance risk management and internal control of the Company and (iv) safeguard the interests of the Shareholders and the Company as a whole.

The Company has adopted the code provisions set out in Corporate Governance Code and Corporate Governance Report in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") ("**CG Code**"). The Company was in compliance with all code provisions set out in the CG Code throughout the year ended 31 March 2017 (the "**Year**") except for the following deviations as explained:

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not at present have any office with the title "chief executive officer". The board of directors (the "**Board**"/"**Directors**") is of the view that currently vesting the roles of chairman and chief executive officer in Mr. Tung Yee Shing provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies.

Save as those mentioned above and in the opinion of the Directors, the Company has met the code provisions set out in the CG Code during the Year.

The current corporate governance practice of the Company will be reviewed and updated in a timely manner in order to comply with the CG Code.

THE BOARD

Role of the Board

The Board is responsible for the leadership and control of the Company, and is responsible for setting up the overall strategy as well as reviewing the operation and financial performance of the Group. The Board reserved for its decision or consideration matters covering overall Group strategy, major acquisitions and disposals, annual budgets, annual and interim results, recommendations on Directors' appointment or re-appointment, approval of major capital transactions and other significant operational and financial matters. The management was delegated the authority and responsibility by the Board for the daily management of the Group. In addition, the Board has also delegated various responsibilities to the Board committees. Further details of these committees are set out in this report.

Board Composition

The Board currently has one executive Director and three non-executive Directors. All the non-executive Directors are independent to ensure that proposed strategies protect all shareholders' interests.

The Board members have no financial, business, family or other material/relevant relationships with each other. Such balanced Board composition is formed to ensure strong independence exists across the Board. The composition of the Board reflects the balanced skills and experience for effective leadership. The biographical information of the Directors are set out on page 8 under the section headed "Biographical Details of Directors".

The Company has complied with Rule 3.10(1) of the Listing Rules to appoint at least three Independent Non-Executive Directors ("**INEDs**"), together with the requirements of Rule 3.10(2) of the Listing Rules stipulating that at least one of the INED must have appropriate professional qualifications or accounting or related financial management expertise. The Company has received from each of the INEDs an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. In addition, all INEDs do not involve in the daily management of the Company and there are no relationships or circumstances which would interfere with the exercise of their independent judgment. The Board considers that all of the INEDs are independent.

There is respective service contract between the Company and each Director with specific terms. All Directors are subject to re-election by shareholders at the annual general meetings of the Company ("**AGM**") and at least about once every three years on a rotation basis in accordance with the bye-laws of the Company. A retiring Director is eligible for re-election and re-election of retiring Directors at general meetings is dealt with by separate individual resolutions. No Director has a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

Shareholders may propose a candidate for election as Director in accordance with the bye-laws of the Company. The procedures for such proposal are posted on the website of the Group.

Chairman of the Board

The Chairman of the Board is Mr. Tung Yee Shing, an executive Director of the Company. The Chairman is responsible for providing leadership to, and overseeing, the functioning of the Board and, with the support of executive Directors and the Company Secretary, seeking to ensure that all Directors are properly briefed on issues arising at Board meetings and that they receive adequate and reliable information in a timely manner. The Chairman promotes a culture of openness and actively encourages Directors with different views to voice their opinion and be fully engaged in the Board's affairs so as to contribute to the Board's functions. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication with shareholders and other stakeholders, as outlined later in the report.

The Company does not at present have an office with the title "chief executive officer". The Board is of the view that currently vesting the roles of chairman and chief executive officer in Mr. Tung Yee Shing provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies.

Board Meetings

The Directors can attend meetings in person or through other electronic means of communication in accordance with the bye-laws of the Company.

The Board meets regularly with meeting dates scheduled in advance. Between scheduled meetings, senior management of the Group provides to Directors on a regular basis monthly updates and other information with respect to the performance, and business activities and development of the Group. Throughout the Year, Directors participate in the consideration and approval of routine and operational matters of the Company by way of circular resolutions with supporting explanatory materials, supplemented by additional verbal and/or written information or notification from the Group's Company Secretary ("**Company Secretary**") and other executives as and when required. Whenever necessary, additional Board meetings are held. Notice is given to all Directors so as to give them an opportunity to attend. Board papers are circulated not less than three days before the date of a Board meeting to enable the Directors to make informed decision on matters to be raised at the Board meetings. Board minutes are kept by the Company Secretary and are open for inspection by the Directors. In addition, Directors have full access to information on the Group and independent professional advice at all times whenever deemed necessary by the Directors and they are at liberty to propose appropriate matters for inclusion in Board agendas.

During the Year, the Company held 8 Board meetings and the 2016 AGM 29 August 2016. The attendance of each Director is set out as follows:

Name of Directors	Board Meeting Attended/ Eligible to Attend	2016 AGM Attended
Executive Directors		
Mr. Tung Yee Shing, *Chairman*	8/8	✓
Ms. Cheung Oi Chun (resigned on 3 January 2017)	8/8	✓
Independent Non-executive Directors		
Mr. Chan Yin Tsung	6/6	✓
Mr. Li Kam Chung	6/6	–
Mr. Kwok Lap Fung, Beeson	5/6	✓

The Board is responsible for maintaining an on-going dialogue with shareholders and in particular, uses annual general meetings or other general meetings to communicate with them and encourage their participation.

Directors' Training

All Directors have participated in continuous professional development and provided a record of training they received for the Year to the Company. In addition to their own participation in professional training, relevant training and reading materials was provided to the Directors by the Company in the Year to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Securities Transactions

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Directors confirmed that they had complied with the required standards set out in the Model Code throughout the Year.

Board Committees

The Board is supported by three permanent board committees: the Audit Committee, the Remuneration Committee and the Nomination Committee, details of which are described later in this report. The terms of reference for these Committees, which have been reviewed and revised with reference to the CG Code and adopted by the Board, are available on the websites of the Group and the Stock Exchange.

COMPANY SECRETARY

The Company Secretary is responsible to the Board for ensuring that Board procedures are followed and Board activities are efficiently and effectively conducted. These objectives are achieved through adherence to proper Board processes and the timely preparation and dissemination to Directors comprehensive meeting agendas and papers. Minutes of all Board meetings and Board Committees are prepared and maintained by the Company Secretary to record in sufficient details the matters considered and decisions reached by the Board or Committee, including any concerns raised or dissenting views voiced by any Director. All draft and final minutes of Board meetings and meetings of Board Committees are sent to Directors and Committee members respectively for comments and records and are available for inspection by any Director upon request.

The Company Secretary is responsible for ensuring that the Board is fully apprised of all legislative, regulatory and corporate governance developments relating to the Group and that it takes these into consideration when making decisions for the Group. From time to time, he organises seminars on specific topics of significance and interest and disseminate reference materials to the Directors for their information.

The Company Secretary is also directly responsible for the Group's compliance with all obligations of the Listing Rules and Codes on Takeovers and Mergers and Share Repurchases, including the preparation, publication and despatch of annual reports and interim reports within the time limits laid down in the Listing Rules, the timely dissemination to shareholders and the market of information relating to the Group.

Furthermore, the Company Secretary advises the Directors on their obligations for disclosure of interests and dealings in the Group's securities, connected transactions and inside information and ensures that the standards and disclosures required by the Listing Rules are observed and, where required, reflected in the annual report of the Company.

The appointment and removal of the Company Secretary is subject to Board approval in accordance with the bye-laws of the Company. Whilst the Company Secretary reports to the Chairman, all members of the Board have access to the advice and service of the Company Secretary. The Company Secretary has been appointed as the Company Secretary of the Company since 2011 and has day-to-day knowledge of the Group's affairs. In response to specific enquiries made, the Company Secretary confirmed that he has complied with all the required qualifications, experience and training requirements of the Listing Rules.

ACCOUNTABILITY AND AUDIT

Directors' Responsibility for the Consolidated Financial Statements

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group and ensuring that the statements give a true and fair presentation in accordance with statutory requirements and applicable accounting standards. The Directors ensure the publication of the Group's consolidated financial statements in a timely manner.

The statement of the Group's Auditors about their reporting responsibilities on the accounts of the Group is set out in the Independent Auditors' Report on pages 33 to 38 of this Annual Report.

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

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

Audit Committee

The Company established the Audit Committee with written terms of reference on 9 January 2012. The terms of reference of the Audit Committee is currently made available on the websites of the Stock Exchange and the Company. Terms of reference adopted by the Audit Committee are aligned with the code provisions set out in the CG Code. The Audit Committee is provided with sufficient resources to discharge its duties and has access to independent professional advice according to the Company's policy if considered necessary.

The Audit Committee comprises three Independent Non-executive Directors, namely, Mr. Chan Yin Tsung (Chairman of the Audit Committee), Mr. Li Kam Chung and Mr. Kwok Lap Fung, Beeson. The Chairman of the Audit Committee has the appropriate professional qualification as required by the Listing Rules.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors and to approve the remuneration and terms of engagement of the external auditors, and any questions of resignation or dismissal of such auditors; reviewing the interim and annual reports and consolidated financial statements of the Group; and overseeing the Company's financial reporting system including the adequacy of resources, qualifications and experience of staff in charge of the Company's financial reporting function and their training arrangement and budget, and internal control procedures.

The Audit Committee meets the external auditors regularly to discuss any area of concern during the audit. The Audit Committee reviews the interim and annual reports before submission to the Board. The Audit Committee focuses not only on the impact of the changes in accounting policies and practices but also on the compliance with accounting standards, the Listing Rules and the legal requirements in the review of the Company's interim and annual report.

The Audit Committee held two meeting during the Year.

Name of Members	Attended/ Eligible to Attend
Mr. Chan Yin Tsung *(Chairman)*	2/2
Mr. Li Kam Chung	2/2
Mr. Kwok Lap Fung, Beeson	2/2

The Board also delegated certain corporate governance functions to the Audit Committee, including the review and monitoring of (a) the Group's policies and practices on corporate governance and make recommendations to the Board; (b) the training and continuous professional development of Directors and senior management; (c) the Group's policies and practices on compliance with legal and regulatory requirements; (d) the code of conduct of the Group applicable to employees and Directors; and (e) the Group's compliance with the Code and disclosure in the Corporate Governance Report.

External Auditors

The Audit Committee reviews and monitors the external auditors' independence and objectivity and effectiveness of the audit process. It receives each year the letter from the external auditors confirming their independence and objectivity and holds meetings with representatives of the external auditors to consider the scope of their audit, approve their fees, and the scope and appropriateness of non-audit services, if any, to be provided by them. The Audit Committee also makes recommendations to the Board on the appointment and retention of the external auditors.

The accounts for the Year were audited by Ascenda Cachet CPA Limited whose term of office will expire upon the forthcoming AGM. The Audit Committee has recommended to the Board that Ascenda Cachet CPA Limited be re-appointed as the auditors of the Company at the forthcoming AGM.

Auditors' Remuneration

During the Year, the total remuneration in respect of statutory audit and non-audit services provided by the Company's external auditors, Ascenda Cachet CPA Limited, are as follows:

Nature of services	Amount (HK$'000)
Audit services	650
Other assurance services	105

INTERNAL CONTROL AND RISK MANAGEMENT

The Board has overall responsibilities for the establishment and maintenance of an adequate and effective internal control systems for the Group in order to safeguard the Group's assets against unauthorised use or disposition, and to protect the shareholders' interests, as well as for reviewing the effectiveness of such systems. The Board will from time to time conduct a review of the Group's internal control system. During the Year, the Board, through the Audit Committee, conducted an annual review of the overall effectiveness of the system of internal control of the Group over financial, operational and compliance issues, risk management process, information systems security, scope and quality of the management's monitoring of risks and the effectiveness of financial reporting and compliance with the Listing Rules. The Board considered that the resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget were adequate. The Board concluded that in general, the Group had set up a sound control environment and installed necessary control mechanisms to monitor and correct non-compliance.

REMUNERATION OF DIRECTORS

Remuneration Committee

The Company established the Remuneration Committee with written terms of reference on 9 January 2012. The terms of reference of the Remuneration Committee is currently made available on the websites of the Stock Exchange and the Company. Terms of reference adopted by the Remuneration Committee are aligned with the code provisions set out in the CG Code. The written terms of reference clearly define the role, authority and function of the Remuneration Committee.

The Remuneration Committee is currently chaired by Mr. Li Kam Chung with Mr. Chan Yin Tsung (both were Independent Non-executive Directors) and Mr. Tung Yee Shing (Executive Director) as members. The composition of the Remuneration Committee meets the requirements of chairmanship and independence of the Listing Rules. The Committee meets towards the end of each year for the determination of the remuneration package of Directors of the Group.

The principal duties of the Remuneration Committee are to assist the Board in achieving its objective of attracting, retaining and motivating employees of the highest calibre and experience needed to shape and execute strategy across the Group's business operations. It includes making recommendations to the Board on the Company's policy and structure on the remuneration package of all Director and senior management remuneration and on the establishment of a fair and transparent procedure for developing remuneration policy.

The Company has adopted a share option scheme on 31 August 2015. The emoluments of Directors, including discretionary bonus and share options, are determined based on the duties and responsibilities of each Director and the Group's business performance. The Directors' fees were reviewed by the Remuneration Committee.

During the Year, the Remuneration Committee held its meeting once to review and approve the remuneration package of each Director. The attendance record is set out below.

Name of Member	Attended/ Eligible to attend
Mr. Li Kam Chung *(Chairman)*	1/1
Mr. Chan Yin Tsung	1/1
Mr. Tung Yee Shing (appointed on 3 January 2017)	0/0
Ms. Cheung Oi Chun (resigned on 3 January 2017)	1/1

Remuneration Policy

The remuneration payable to Directors depend on their respective contractual terms under the employment agreements, if any, and is fixed by the Board with reference to the recommendation of the Remuneration Committee of the Company, the performance of the Group and the prevailing market conditions.

Emoluments of Directors

Details of the emoluments of the Directors for the Year are set out in note 7 to the consolidated financial statements.

NOMINATION OF DIRECTORS

Nomination Committee

In considering the nomination of new Directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates.

The Company established the Nomination Committee with written terms of reference on 9 January 2012. The terms of reference of the Nomination Committee is currently made available on the websites of the Stock Exchange and the Company. Terms of reference adopted by the Nomination Committee are aligned with the code provisions set out in the CG Code.

The Nomination Committee is currently chaired by Mr. Chan Yin Tsung with Mr. Li Kam Chung and Mr. Kwok Lap Fung, Beeson as members. All the Nomination Committee members are INEDs of the Company.

The function of the Nomination Committee are to review and monitor the structure, size and composition of the Board and made recommendations on any proposed changes to the Board to complement the Group's strategy; to identify qualified individuals to become members of the Board; to assess the independence of the independent non-executive Directors; and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman.

During the Year, the Nomination Committee held its meeting once to assess the independence of the INEDs, to consider the re-election of Directors and to review the composition of the Board. The attendance record is set out below.

Name of Member	Attended/ Eligible to attend
Mr. Chan Yin Tsung *(Chairman)*	1/1
Mr. Li Kam Chung	1/1
Mr. Kwok Lap Fung, Beeson	1/1

Board Diversity Policy

The Board has adopted a Board Diversity Policy on 28 November 2013 (the "**Policy**") which sets out the approach to achieve diversity on the Board. The Company recognises that increasing diversity at the Board level will support the attainment of the Company's strategic objectives and sustainable development. The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The Company will also take into consideration its own business model and specific needs from time to time in determining the optimum composition of the Board.

The Board delegated certain duties under the Policy to the Nomination Committee. The Nomination Committee will discuss and review the measurable objectives for implementing the Policy from time to time to ensure their appropriateness and the progress made towards achieving those objectives will be ascertained.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its continued effectiveness from time to time.

RELATIONSHIP WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

The Company is committed to a policy of open and regular communication and reasonable disclosure of information to its shareholders. The policy is subject to regular review by the Board to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Board is committed to providing clear and full information on the Group to shareholders through the publication of notices, announcements, circulars, interim and annual reports in accordance with the continuing disclosure obligations under the Listing Rules. An up-to-date consolidated version of the Bye-laws of the Company is published on the websites of the Group and the Stock Exchange.

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. Shareholders are encouraged to attend all general meetings of the Company. The results of the poll are published on the websites of the Group and the Stock Exchange. Regularly updated financial, business and other information on the Group is made available on the Group's website for shareholders and stakeholders. Directors are requested and encouraged to attend shareholders' meetings albeit presence overseas for the Group businesses or unforeseen circumstances might prevent Directors from attending such meetings. Separate resolutions were proposed at 2016 AGM on each substantive issue and the percentage of votes cast in favour of such resolutions as disclosed in the announcement of the Company dated 29 August 2016.

Procedures for Putting Forward Proposed Resolution and Statements by Shareholders at Shareholders' Meeting

Shareholders may by a written request put forward a proposed resolution to or a statement of not more than one thousand words to a resolution at a general meeting. The number of shareholders necessary shall be any number of shareholders representing not less than one-twentieth of the total voting rights of all the shareholders having at the date of the requisition a right to vote at the general meeting to which the requisition relates or not less than one hundred shareholders.

A copy or copies of requisition signed by all requisitionists shall be deposited to the company secretary at the Company's principal place of business in Hong Kong in the case of:

(i) a requisition requiring notice of a resolution, not less than six weeks before the general meeting unless the general meeting is called for a date six weeks or less after the copy has been deposited; and

(ii) any other requisition, not less than one week before the general meeting.

The Board shall include the proposed resolution in the agenda of the general meeting upon confirmation of the written requisition is proper and in order by the Company's share registrars and there is deposited or tendered with the requisition a sum reasonably sufficient to meet the Company's expenses in serving and circulating the notice of the proposed resolution or the statement to a resolution in accordance with relevant statutory requirement to give effect thereto.

Shareholders to Convene a Special General Meeting

Shareholders holding at the date of deposit of the requisition ("**Requisition Date**") not less than one-tenth of the paid-up capital of the Company carrying the voting right at general meetings are entitled to request the Board to convene special general meeting ("**SGM**") by written requisition, duly signed by all the concerned shareholders and deposited to the company secretary of the Company at the principal place of business in Hong Kong.

Shareholders shall state the purposes of SGM in the written requisition and may consist of several documents in like form each signed by one or more of those concerned shareholders.

The written requisition will be verified by the Company's share registrar and upon their confirmation that such requisition is proper and in order, the Board shall convene SGM by serving the notice to all shareholders for passing special resolution by not less than 21 clear days' notice in writing and for ordinary resolution by not less than 14 clear days' notice in writing.

If the Board do not within twenty-one (21) days from the Requisition Date proceed to convene SGM and do not within two (2) months from the Requisition Date to hold the SGM, the concerned shareholders or any of them representing more than one half of the total voting rights of all of them, may convene a SGM themselves but the SGM shall be held within three (3) months from the Requisition Date.

Voting By Poll

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, all the resolutions to be set out in the notice of 2017 AGM will be voted by poll.

Written Communications by Shareholders to the Board

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationships. Shareholders may send written enquiries, comments and suggestions to the Board or the Company addressed to the Company Secretary at the Company's principal place of business in Hong Kong by mail to Unit 3328D, 33rd Floor, China Merchants Tower, Shun Tak Centre, 168 Connaught Road Central, Sheung Wan, Hong Kong or by email at info@zdihl.com.

By order of the Board
Lee Cheuk Man
Company Secretary

Hong Kong, 30 June 2017

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Zhidao International (Holdings) Limited and its subsidiaries (the "**Group**") is committed to ethical corporate citizenship and to promoting sustainability in all of its activities. The Group demonstrate these commitments through transparent and responsible management of our environment and social values. These values respect and are informed by those of all of our stakeholders, including the communities with which the Group interact. The Group prepared this Report in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") which sets out guiding principles, policies, corresponding significance and targets regarding the environmental, social and governance management of the Company in different sections. The requirements listed below apply to the Group's operations, every subsidiary, each manager and employee, as well as any member performing work on behalf of the Group.

STAKEHOLDER ENGAGEMENT

Treating SMEs and partners as strategic alliances and interests communities, the Group looks forward to the ideal achievement of common progress and growth, and it therefore pays special attention to the quality of its own services. The Group understands the importance of developing long-term relationships and constant dialogues with various stakeholders. We seek to balance the views and interests of these various constituencies through constructive conversation.

Shareholders/Investors

In order to further strengthen communication with our shareholders, during each shareholders' meeting, the Group would communicate with its shareholders about the issues that should be communicated and ensure timely dissemination of relevant information to Shareholders at all times. Shareholders are also encouraged to raise any question freely to the Company during each meeting.

Customers

The Group is accountable to customers with its strict and standard operation, gains customer satisfaction with high-quality professional services and maintains clear and transparent relationships with customers. The staff follow the operational structure of the Group in business operation and important business operations are subject to control by administrative and management personnel. Customer feedback is invaluable as the Group operates in extremely competitive markets. There are a number of channels to solicit customer comments and recommendations such as through our website and email communications. The strict management structure allows the Group to effectively control customer service, and at the same time carefully listen to the voice of customers and effectively handle customer complaints, to provide satisfactory services to customers to the greatest extent. The Group also prohibits any acts prejudice to the interests of customers, and protects customers' privacy from leakage in any form. Meanwhile, we will evaluate customers' performance in the environmental, social and corporate governance, to reduce their risks, with a view to achieve a win-win situation with customers.

Suppliers

The Group insists on provision of convenient, efficient, sincere and considerate financing services to SMEs provided that the risks are controllable, so as to grow together with SMEs in the process serving them. Risk control is of top priority in the Group's operation and management. A sound risk management system has been established in actual business operations, making the Group the best partner for cooperating agencies. The Group adheres to the belief of trust and integrity in cooperation with all parties. In case of any risk in project, the Group will initiatively request the creditor to discharge the repayment obligation and proactively seek for assistance from the creditor in respect of claim against the guaranteed person. Thanks to the integrity maintained in the long term, the Group are in full cooperation with banks.

Government

Along with different government laws, rules and regulations between Hong Kong and the People's Republic of China (the "**PRC**"), the Group makes tremendous effort to ensure that it is complied with the relevant laws and regulations. The products and services of the Group do not have any direct relation with matters with regard to health and security, advertising and tag. During the reporting period, the Group received no complaint or litigation due to violation of any national or regional laws and regulations in relation to the provision of commercial services.

ENVIRONMENTAL

Since the Group mainly operates its business in the offices, our impacts on the environment mainly arise from the energy consumption, paper consumption and carbon emission due to the use of energy. For the sake of environmental protection and energy conservation, the Group has taken a series of environmental protection measures in its offices.

Emissions

The Group recognise the importance of good environmental stewardship and a healthy environment. Therefore, the Group are dedicated to maintaining our energy consumption and emission at low level in every single step. The Group strived to enhance operational efficiency and carried out measures to reduce the impact on the environment in order to protect the earth's resources.

The Group does not involve in production of related air, water, land pollutions and hazardous waste. Nonetheless, we have actively implemented eco-friendly measures to reduce carbon footprint in our business operations. For instance, board meetings/management meetings through telephone conference have significantly been adopted to minimize the cost of transportation and to reduce carbon emission.

Use of Resources

The Group is committed to protecting the environment by enhancing our operational efficiency and energy efficiency to reduce energy, paper and waste by following initiatives:

Paper

The Group promotes paperless office, encouraging its employees to make the best of computers to reduce paper usage:

- Using e-mails or e-fax, or adopting electronic document management system for document archiving;
- Daily communication with customers is conducted via e-mails to the possible extent;
- Electronic versions are provided for the Group's publications to reduce paper consumption;
- When it is necessary to print any document, employees are required to print double sided to save papers.

Electricity

In order to reduce electricity consumption, the Group has implemented various energy-saving measures in its offices and encourages its employees to respond through their practical actions to reduce electricity consumption to the utmost. Detailed energy-saving measures of the Group are set out as below:

- Encouraging staff members to turn off lights and air-conditioners when not needed, especially after office hours;
- Turning off electronic devices in the office during non-working hours;
- Switching off certain lights on condition of providing comfortable lighting;
- Turning off computers and display screens during non-working hours;
- Selecting lighting fixtures with high energy efficiency;
- Purchasing office facilities with high energy efficiency.

Computer

- Regular maintenance is undertaken to ensure of efficient operation and to extend the life-cycle of the computers.

Stationery and Furniture

- Reusing stationery, furniture and equipment among offices instead of buying new one or disposing of such materials.

Waste

- Encouraging recycling plastic and paper;
- For the used printed papers, confidential documents are destroyed with a shredder while general documents are put in waste paper recycling boxes at offices to be delivered to recycling companies.

The Environmental and Natural Resources

The Group believes that corporate development should not come at the expense of the environment. Therefore, the Group adopted environmental friendly practices in various aspects and company events. For example, the Group use air conditioning arrangements in the office to reduce unnecessary energy wastage; use recycled paper and double-sided printing. The Company estimates that around 20% of the paper consumption was saved by double-sided printing in the principal place of business in the PRC and in Hong Kong.

SOCIAL

Employment

The Group endeavors to create favorable working environment and platform for the employees to put their capabilities to use and rewards outstanding employees with generous treatment. The Group adopts fair and open recruitment mechanism to safeguard employment opportunities for all walks of life and show due respect to all the staff, regardless of age, gender, race, nationality, religion, marital status or disability. In case of material violations of disciplines of the Group or laws and rules by any employee, the Group will not indulge and will undertake serious punishment or even discharge such employee concerned so as to safeguard the interests of the Group and customers.

Health and Safety

The Group strives to promote safety awareness, improve occupational environment and reduce occupational risks. We continuously promote safety awareness among employees and committed to providing a healthy and safe working environment for our employees. The Group has dedicated adequate resources and effort to uphold and improve the Group's safety management measures in order to reduce the risks relating to labour safety, such as: ensuring a healthy and safe workplace and compliance with all relevant workplace health and safety laws, and maintaining various insurance policies for employees' compensation and liability.

Staff Safety

It is obligatory for the Group to guarantee the health and safety of the staff. Only under healthy physical conditions and in safe working environment can the staff concentrate on the work at ease. The Group provides relevant accident insurance for the staff to further guarantee staff safety in their routine work in line with the relevant laws and regulations. Such insurance relieves risks arising from unintentional injuries to an adequate extent that the staff are placed in safe and harmonious working and living surroundings.

There was no work related injury during the year ended 31 March 2017.

Development and Training

Knowledgeable employees who are capable to meet the demands of a dynamic market is crucial to the success of the Group. Training is an important path to improve the overall quality and provide comprehensive development of the employees. The Group encourages staff to attend trainings programs/courses and provides learning opportunities for employees to enhance the competence, job skills, knowledge and performance of staff. The Group also encourages the employees to identify their own personal objectives for development, allowing them to grow together with the Group.

Compensation Package

The Group provides rather attractive remuneration and welfares and guarantees adequate recognition and rewards for excellent employees through internal incentive mechanism and remuneration adjustment mechanism. Along with a competitive salary package, we offer discretionary bonus system to recognise performance. This measure aims at establishing a fair and reasonable mechanism for managing remuneration and providing performance incentives to boost employee loyalty and cohesiveness.

For employee benefits, employees are entitled to mandatory provident fund and are scheduled to take vacations and be off duty at the weekend in accordance with relevant laws and regulations. The Group also allocates incentive share options to excellent employees to unite them with the Group for common interests, establish a joint growth concept and own and enjoy the fruitful achievements together.

Labour Standards

The Group respects and upholds the internationally accepted human rights and consciously resists any disregard and abuse of human rights. In strict compliance with relevant laws, the Group strictly prohibits the use of child labor and forced labor, enters into labor contracts with the staff in line with the equal rule and consensus principle and has formulated relevant management systems to protect staff privacy. The Group contributes various employees benefits, provides reasonable salaries and welfares, makes vacation and paid leave arrangements and adopts the mechanism of the eighthour shift for five days in row for the staff according to the regulations. Moreover, the Group guarantees the entitlements of the staff to the rights to obtain work safety and health protection, receive vocational trainings, receive employees benefits and welfares and apply for labor dispute settlement as well as other labor rights under laws. Such full protection under regulations and systems enables the staff to devote themselves to the work of the Group without misgivings. The Group believes in nurturing and developing top talents regardless of race, gender, age, religious belief, pregnancy, marital status, family status or disability. This measure ensures all employees and job applicants enjoy equal opportunities and fair treatment.

Anti-corruption

The Group resolutely resists commercial bribery, extortion, fraud, money laundry and other illegal operations and prohibits any acts that might harm the interests of customers and the Group. The Group abides by the relevant PRC and local regulations on anti-corruption to normalize operations, prevent jobbery and reduce the risk of the Group to safeguard the legitimate interests of the Group.

The Group has an independent internal audit function carrying out independent and objective supervision and evaluation, and reviews the appropriateness, legality and effectiveness of operations and internal control to promote steady operation of the provision of financing guarantee business.

During the Year, the management of the Group did not find any cases of bribery or fraud. Through the controlled environment developed by all staff throughout the years, the Group believes that the risk of the occurrence of fraud behavior has been minimised. The Group will continue to monitor the related risks so as to maximise the values for the shareholders and other related parties.

There was no non-compliance case noted in relation to corruption related laws and regulations as of 31 March 2017.

Ascenda CACHET
天健德揚

13F Neich Tower
128 Gloucester Road
Wanchai Hong Kong

To the members of Zhidao International (Holdings) Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Zhidao International (Holdings) Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 39 to 110, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 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 HKICPA. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability assessment for the trade receivables, loan and interest receivables	
Reference is made to notes 2.4 and 3 to the consolidated financial statements for the directors' disclosures of the related accounting policies, judgements and estimates and notes 16 and 17 to the consolidated financial statements for further information. Included in the carrying amount of the Group's trade receivables, loan and interest receivables were approximately HK\$10,164,000 and HK\$69,454,000, respectively, as at 31 March 2017. The recoverability of both of trade receivables, loan and interest receivables are estimated by the management through the application of judgment and estimation. The Group's policy for recognition of impairment on trade receivables, loan and interest receivables is based on the evaluation of recoverability, ageing analysis and on management's judgement. A considerable amount of judgement is required in assessing the recoverability of the trade receivables, loan and interest receivables including the current creditworthiness and the past collection history of the debtors, the borrowers and the guarantors, or any of its underlying pledged assets and securities, if any.	Our procedures in relation to management's assessment of the recoverability of the trade receivables, loan and interest receivables included: — Obtaining an understanding of how management estimated the recoverability of the trade receivables, loan and interest receivables and evaluating the historical accuracy of the impairment estimation by management (including revision of the loan agreements, and assessment of the collectability of the debtors, the borrowers, the guarantors, or any of its underlying pledged assets and securities, if any); — Reviewing management's assessment of whether indicators of impairment exist and evaluating this assessment, including a challenge of the validity and completeness of the indicators identified with reference to our knowledge of the business obtained elsewhere in our audit (e.g. the current creditworthiness and the past collection history of the debtors, the borrowers, the guarantors, or any of its underlying pledged assets and securities, if any); — Assessing the basis of management's assessment of recoverability of the trade receivables, loan and interest receivables with reference to the management's evaluation of debtors or borrowers' creditworthiness, debtors or borrowers' credit history including default or delay in payments, debtors or borrowers' settlement records, subsequent settlements from debtors or borrowers and ageing analysis of each individual debtors or borrowers; and — Recalculating the amount of the impairment on the trade receivables, loan and interest receivables and assessing the sufficiency of the impairment as at 31 March 2017.

Key Audit Matter	How our audit addressed the Key Audit Matter

(i) Provision for the liabilities from guarantees and (ii) Recoverability assessment of corresponding receivables for default guarantee payments and receivables from guarantee customers

Key Audit Matter

Reference is made to notes 2.4 and 3 to the consolidated financial statements for the directors' disclosures of the related accounting policies, judgements and estimates and notes 23 and 18 to the consolidated financial statements for further information.

Included in the carrying amount of the Group's provision for the liabilities from guarantees and corresponding receivables for default guarantee payments and receivables from guarantee customers of approximately HK$38,189,000 and HK$26,297,000, respectively, as at 31 March 2017 was (i) a provision that the holder of the financial guarantee contract (the "**Guarantee Contract**") probably called upon the Group under the Guarantee Contract, or the claims (the "**Claims**") on the Group is expected to exceed the amount currently carried in deferred income in respect of the Guarantee Contract; and (ii) the corresponding receivables for default guarantee payments and receivables from guarantee customers to cover the Claims.

The provision for the liabilities from guarantees and the recoverability of receivables for default guarantee payments and receivables from guarantee customers are estimated by the management through the application of judgment and estimation. The Group's policy for recognition of (i) the provision for the liabilities from guarantees is based on prior experience and default history of the business and on management's judgement; and (ii) the impairment on the receivables for default guarantee payments and receivables from guarantee customers is based on the evaluation of recoverability, ageing analysis and on management's judgement. A considerable amount of judgement is required in assessing (i) the claims on the Group expected to probably exceed the amount currently carried in deferred income in respect of the Guarantee Contract; (ii) the recoverability of these receivables for default guarantee payments and receivables from guarantee customers, including the current creditworthiness and the past collection history of the customers or any of its underlying pledged assets and securities, if any.

How our audit addressed the Key Audit Matter

Our procedures in relation to management's assessment of provision for the liabilities from guarantees and the recoverability assessment of the receivables for default guarantee payments and receivables from guarantee customers included:

— Obtaining an understanding of how management estimated (i) the provision for the liabilities from guarantees; and (ii) the recoverability of the receivables for default guarantee payments and receivables from guarantee customers and evaluating the historical accuracy of the impairment estimation by management (including revision of the Guarantee Contract, and assessment of the collectability of the customers or any of its underlying pledged assets and securities, if any);

— Reviewing management's assessment of whether indicators of impairment exist and evaluating this assessment, including a challenge of the validity and completeness of the indicators identified with reference to our knowledge of the business obtained elsewhere in our audit (e.g. the current creditworthiness and the past collection history of the customers or any of its underlying pledged assets and securities, if any);

— Assessing the basis of management's assessment of recoverability of the receivables for default guarantee payments and receivables from guarantee customers with reference to the management's evaluation of customers' creditworthiness, customers' credit history including default or delay in payments, customers' settlement records, subsequent settlements from customer and ageing analysis of each individual customers; and

— Recalculating the amount of (i) provision for the liabilities from guarantees; and (ii) the impairment on the receivables for default guarantee payments and receivables from guarantee customers and assessing the sufficiency of the impairment as at 31 March 2017.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company (the "**Directors**") are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial 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.

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 auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Chi Yuen.

Ascenda Cachet CPA Limited
Certified Public Accountants

Chan Chi Yuen
Practising Certificate Number P02671

Hong Kong
30 June 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March 2017

	Notes	**2017 HK$'000**	2016 HK$'000
REVENUE	*5*	**23,437**	64,999
Cost of sales		**(7,489)**	(57,283)
Gross profit		**15,948**	7,716
Other income and gains	*5*	**5,568**	307
Equity-settled share options expenses	*25*	**–**	(70,377)
General and administrative expenses		**(14,445)**	(10,772)
Impairment of receivables for default guarantee payments and receivables from guarantee customers	*18*	**(11,846)**	–
Impairment of associates	*14*	**(260)**	–
LOSS BEFORE TAX	*6*	**(5,035)**	(73,126)
Income tax expense	*9*	**(8,589)**	(547)
LOSS FOR THE YEAR		**(13,624)**	(73,673)
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(266)**	(214)
Release of translation reserve upon the disposal of a subsidiary	*28*	**583**	–
NET OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**317**	(214)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(13,307)**	(73,887)
Loss attributable to:			
Owners of the Company		**(13,624)**	(73,673)
Non-controlling interests		**–**	–
		(13,624)	(73,673)
Total comprehensive income attributable to:			
Owners of the Company		**(13,307)**	(73,887)
Non-controlling interests		**–**	–
		(13,307)	(73,887)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*10*		
Basic		**(0.69) cents**	(3.98) cents
Diluted		**(0.69) cents**	(3.98) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	*12*	**4,350**	339
Investment property	*13*	**3,254**	–
Prepayments	*19*	**577**	–
Interests in associates	*14*	**19,740**	–
Total non-current assets		**27,921**	339
CURRENT ASSETS			
Inventories	*15*	**942**	584
Trade receivables	*16*	**10,164**	95,409
Loan and interest receivables	*17*	**69,454**	103,224
Receivables for default guarantee payments and receivables from guarantee customers	*18*	**26,297**	–
Prepayments, deposits and other receivables	*19*	**27,302**	4,004
Pledged bank deposits	*20*	**37,306**	–
Cash and cash equivalents	*20*	**290,287**	259,378
Total current assets		**461,752**	462,599
CURRENT LIABILITIES			
Trade payables	*21*	**1,716**	75
Other payables and accruals	*22*	**2,364**	3,296
Liabilities from guarantees	*23*	**38,189**	–
Tax payables		**1,196**	52
Total current liabilities		**43,465**	3,423
NET CURRENT ASSETS		**418,287**	459,176
TOTAL ASSETS LESS CURRENT LIABILITIES		**446,208**	459,515
Net assets		**446,208**	459,515
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*24*	**19,800**	19,800
Reserves	*26*	**426,408**	439,715
Total equity		**446,208**	459,515

Tung Yee Shing
Chairman

Chan Yin Tsung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 March 2017

	Attributable to owners of the Company									
	Issued capital HK$'000	Share premium account HK$'000	Capital reserve HK$'000	Translation reserve HK$'000	Share option reserve HK$'000	Regulatory reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Notes		*(26(i))*	*(26(ii))*	*(26(iii))*	*(26(iv))*	*(26(v))*				
At 1 April 2015	16,500	164,612*	30*	109*	–*	–*	(42,563)*	138,688	(30)	138,658
Loss for the year	–	–	–	–	–	–	(73,673)	(73,673)	–	(73,673)
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations	–	–	–	(214)	–	–	–	(214)	–	(214)
Total comprehensive income for the year	–	–	–	(214)	–	–	(73,673)	(73,887)	–	(73,887)
Equity-settled shares option arrangements *(note 25)*	–	–	–	–	70,377	–	–	70,377	–	70,377
Acquisition of subsidiaries *(note 27(b))*	–	–	(30)	–	–	–	–	(30)	30	–
Issue of shares *(note 24)*	3,300	321,750	–	–	–	–	–	325,050	–	325,050
Shares issue expenses *(note 24)*	–	(683)	–	–	–	–	–	(683)	–	(683)
At 31 March 2016 and 1 April 2016	**19,800**	**485,679***	**–***	**(105)***	**70,377***	**–***	**(116,236)***	**459,515**	**–**	**459,515**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**(13,624)**	**(13,624)**	**–**	**(13,624)**
Other comprehensive income for the year:										
— Exchange differences on translation of foreign operations	**–**	**–**	**–**	**(266)**	**–**	**–**	**–**	**(266)**	**–**	**(266)**
— Disposal of a subsidiary *(note 28)*	**–**	**–**	**–**	**583**	**–**	**–**	**–**	**583**	**–**	**583**
Total comprehensive income for the year	**–**	**–**	**–**	**317**	**–**	**–**	**(13,624)**	**(13,307)**	**–**	**(13,307)**
Regulatory reserve appropriation	**–**	**–**	**–**	**–**	**–**	**63**	**(63)**	**–**	**–**	**–**
Transfer of share option reserve upon lapsing of share options *(note 25)*	**–**	**–**	**–**	**–**	**(10,613)**	**–**	**10,613**	**–**	**–**	**–**
At 31 March 2017	**19,800**	**485,679***	**–***	**212***	**59,764***	**63***	**(119,310)***	**446,208**	**–**	**446,208**

* These reserve accounts comprise the consolidated reserves of approximately HK$426,408,000 (2016: HK$439,715,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2017

	Notes	2017 HK$'000	2016 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		**(5,035)**	(73,126)
Adjustments for:			
Depreciation of property, plant and equipment	*12*	**62**	22
Depreciation of investment property	*13*	**23**	–
Other interest income	*5*	**(24)**	(305)
Loss on disposal of property, plant and equipment		**61**	–
Impairment of receivables for default guarantee payments and receivables from guarantee customers		**11,846**	–
Equity-settled share option expenses		**–**	70,377
Gain on disposal of a subsidiary	*5, 28*	**(3,408)**	–
Gain on bargain purchase	*5, 27(a)*	**(2,125)**	–
Impairment of associates	*14*	**260**	–
		1,660	(3,032)
Increase in inventories		**(358)**	(147)
Decrease in retention receivables		**–**	325
Decrease/(Increase) in trade receivables		**85,246**	(864)
Decrease/(Increase) in loan and interest receivables		**33,770**	(103,224)
Increase in receivables for default guarantee payments and receivables from guarantee customers		**(31,145)**	–
(Increase)/Decrease in prepayments, deposits and other receivables		**(6,455)**	263
Increase in trade payables		**1,641**	3
Decrease in other payables and accruals		**(873)**	(608)
Decrease in retention payables		**–**	(325)
Increase in liabilities from guarantees		**37,019**	–
Cash generated from/(used in) operations		**120,505**	(107,609)
Hong Kong profits tax paid		**(926)**	–
PRC income tax paid		**(175)**	(61)
Net cash flows from/(used in) operating activities		**119,404**	(107,670)
CASH FLOWS FROM INVESTING ACTIVITIES			
Other interest received		**24**	305
Purchases of items of property, plant and equipment	*12*	**(7)**	(88)
Proceeds from disposal of property, plant and equipment		**44**	–
Acquisition of subsidiaries	*27(a)*	**(66,122)**	–
Acquisition of associates		**(181)**	–
Advance of loan to an associate		**(19,819)**	–
Proceeds from disposal of a subsidiary	*28*	**(2,477)**	–
Decrease in pledged bank deposits		**290**	–
Net cash flows (used in)/from investing activities		**(88,248)**	217

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 March 2017

	Notes	**2017 HK$'000**	2016 HK$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of shares	*24*	**–**	324,367
Preference shares dividend paid		**–**	(697)
Net cash flows from financing activities		**–**	323,670
NET INCREASE IN CASH AND CASH EQUIVALENTS		**31,156**	216,217
Cash and cash equivalents at beginning of year		**259,378**	43,365
Effect of foreign exchange rate changes, net		**(247)**	(204)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**290,287**	259,378
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**290,287**	259,378

1. CORPORATE AND GROUP INFORMATION

Zhidao International (Holdings) Limited (the "**Company**") is a limited liability company incorporated in Bermuda on 8 July 1997. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business in Hong Kong is situated at Unit 3328D, 33th Floor, China Merchants Tower, Shun Tak Centre, 168 Connaught Road Central, Sheung Wan, Hong Kong.

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively, the "**Group**") is principally engaged in (i) trading of aluminium products (ii) supply of aluminium products in the construction projects; and (iii) money lending business. During the year, the Group extended its business into provision of financing guarantee services in The People's Republic of China (the "**PRC**").

The shares of the Company were listed on the main board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 23 September 1997.

Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ paid-up capital	Percentage of equity attributable to the Company® Direct	Indirect	Principal activities
China Xinhunbao Group Limited (Formerly known as "Zhidao Investment Limited")	Hong Kong	HK$1	–	100	Not yet commenced business
Wealthy Hero Investments Limited *(note a)*	British Virgin Islands ("**BVI**")	US$1	100	–	Investment holding
Rongbao Holdings Limited *(note a)*	BVI	US$1	100	–	Investment holding
Golden Beach Enterprises Limited *(note a)*	BVI	US$1	100	–	Investment holding
Wealthy Hero Holdings Limited	Hong Kong	HK$1	–	100	Money lending business
Rongbao Investments Limited	Hong Kong	HK$1	–	100	Investment holding
Fast Excel Limited	Hong Kong	HK$10	–	100	Investment holding
Parkson Trade Services Limited	Hong Kong	HK$1	–	100	Trading of aluminium products
Tak Lee Metal Manufactory (Hong Kong) Company Limited *(note b)*	Hong Kong	HK$3,210,000	–	– (2016: 100)	Supply of aluminium products in construction projects
Fast Excel Gold Mountain Zhongshan Aluminium Products (Hong Kong) Limited	Hong Kong	HK$5	–	100	Not yet commence business

1. CORPORATE AND GROUP INFORMATION (continued)

Information about subsidiaries (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ paid-up capital	Percentage of equity attributable to the Company[#] Direct	Indirect	Principal activities
Zhongshan City Minzhong Deli Metal Company Limited *(notes a & c)*	PRC	US$500,000	–	100	Manufacturing and trading of aluminium windows and gates
Noble Dynasty Holdings Limited *(notes a & e)*	BVI	US$1	100 (2016: Nil)	–	Investment holding
新婚寶電子商務(中國)有限公司 *(notes a, c & f)*	PRC	–	–	100 (2016: Nil)	Not yet commence business
First Rate Ventures Limited *(notes a & e)*	BVI	US$1	100 (2016: Nil)	–	Investment holding
Hoperay Holdings Limited *(notes a & e)*	BVI	US$1	100 (2016: Nil)	–	Investment holding
Fu Ya Investments Limited *(notes a & d)*	BVI	US$10	–	100 (2016: Nil)	Investment holding
China Fortune International Investments Limited *(note d)*	Hong Kong	HK$1	–	100 (2016: Nil)	Investment holding
Guizhou Baoxin Investment and Guaranty Company Limited *(notes a, c & d)*	PRC	Renminbi ("**RMB**") 64,000,000	–	100 (2016: Nil)	Provision of financing guarantee services

Notes:

(a) Not audited by Ascenda Cachet CPA Limited.

(b) As detailed in note 28 to the consolidated financial statements, this subsidiary was disposed during the year.

(c) Registered as a wholly-foreign owned enterprise under the PRC Law.

(d) As detailed in note 27(a) to the consolidated financial statements, this subsidiary was newly acquired during the year.

(e) This subsidiary was newly incorporated during the year.

(f) The registered capital of 新婚寶電子商務(中國)有限公司 is RMB50,000,000. As at 31 March 2017, no capital has been paid up by the Group.

[#] There were no changes in the percentage of equity attributable to the Company except otherwise indicated.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, These consolidated financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 March 2017. A subsidiary is an entity, directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are 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. 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.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs, and for the first time for the current year's consolidated financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisitions of interests in Joint Operation
HKFRS 14	Regulatory Deferral Accounts
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements
Annual Improvements 2012–2014 cycle	Amendments to a number of HKFRSs

Except for the amendments to HKFRS 11, HKFRS 14 and certain amendments included in the Annual Improvements 2012–2014 cycle which are not relevant to the preparation of the Group's consolidated financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to HKFRS 10, HKFRS 12 and HKAS 28 mainly clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with HKFRS 10. The Company is not an investment entity. Also, given that the Company is a listed entity, the consolidation exception set out in the amendments will not be applicable to the Company and hence the application of these amendments has had no impact on the consolidated financial statements.

(b) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

  (i) the materiality requirements in HKAS 1;

  (ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

  (iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

  (iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the consolidated statement of financial position and the consolidated statement of profit or loss. The amendments have had no significant impact on the Group's consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

(c) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are to be applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

(d) Amendments to HKAS 27 (2011) allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying HKFRSs and electing to change to the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements are required to apply the change retrospectively.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these consolidated financial statements.

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]
HKFRS 9	Financial Instruments[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[2]
Amendments to HKFRS 15	Clarifications to 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 HKAS 7	Disclosure Initiative[1]
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses[1]
Amendments to HKAS 40	Transfers of Investment Property[2]
Annual Improvements 2014–2016 cycle	Amendments to a number of HKFRSs[2]

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 No mandatory effective date yet determined but available for adoption

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

(a) Amendments to HKFRS 2 — Classification and measurement of share-based payment transactions

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

(b) HKFRS 9 — Financial instruments

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 April 2018. During the year, the Group performed a high-level assessment of the impact of the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of HKFRS 9 are summarised as follows:

(i) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(ii) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables (add any other debt instruments as applicable). The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables (add any other debt instruments as applicable) upon the adoption of HKFRS 9.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(c) Amendment to HKFRS 10 and HKAS28 (2011) — Sale or contribution of assets between an investor and its associate or joint venture

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

(d) HKFRS 15 — Revenue from contracts with customers

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implement issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 April 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

(e) HKFRS 16 — Leases

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases — Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees — leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 April 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

(f) Amendments to HKAS 7 — Disclosure initiative

Amendments to HKAS 7 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. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 April 2017.

(g) Amendment to HKAS 12 — Recognition of deferred tax Assets for unrealised losses

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 April 2017.

(h) Amendments to HKAS 40 — Transfer to investment property

The amendments clarify that, to transfer to or from, investment properties, there must be a change in use. A change in use would involve (a) an assessment of whether a property meets, or has ceased to meet, the definition of investment property; and (b) supporting evidence that a change in use has occurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interests in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets and inventories), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of profit or loss in the period in which it arises in those expense categories consistent with the function of impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the consolidated statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person,

- (i) has control or joint control over 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; or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group 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 joint 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); and

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

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. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of 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.

2.4 SUMMARY OF 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 building	Over the lease term
Leasehold improvements	Over the lease term
Plant and machineries	10%
Furniture, fixture and equipment	10%–33%
Motor vehicles	10%

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 lease 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 statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and any impairment losses.

Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of the retirement or disposal.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the consolidated statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the consolidated statement of profit or loss on the straight-line basis over the lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus transaction costs that are attributable to the acquisition of the financial assets, except in the 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.

Subsequent measurement

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the consolidated statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the consolidated statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated as at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the consolidated statement of profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. 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. The effective interest rate amortisation is included in other income and gains in the consolidated statement of profit or loss. The loss arising from impairment is recognised in the consolidated statement of profit or loss in finance costs for loans and in other expenses for receivables.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. 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 income in the profit or loss. The loss arising from impairment is recognised in the consolidated statement of profit or loss in other expenses.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investment and debt securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to needs for liquidity or in response to changes in the market conditions.

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 investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the consolidated statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the consolidated statement of profit or loss in other expenses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the consolidated statement of profit or loss as other gains or losses in accordance with the policies set out for “Revenue recognition” below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

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, the Group may elect to reclassify these financial assets. If management has the ability and intention to hold the assets for the foreseeable future or until maturity.

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 the consolidated statement of profit or loss.

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 primarily derecognised (i.e. removed from the Group's consolidated statement of financial position) when:

- the 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 an 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 asset, 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. An impairment exists if one or more events that has occurred after the initial recognition of the asset have 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.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually 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.

The amount of any impairment loss identified 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 yet 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).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount 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 finance costs in the consolidated statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

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 the consolidated statement of profit or loss, is removed from other comprehensive income and recognised in the consolidated statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated statement of profit or loss — is removed from other comprehensive income and recognised in the consolidated statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the consolidated statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

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 the consolidated statement of profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. Impairment losses on debt instruments are reversed through the consolidated statement of profit or loss if the subsequent increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of profit or loss.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group's financial liabilities include trade payables, other payables and accruals, and liabilities from guarantees.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities (continued)

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the consolidated statement of profit or loss. The net fair value gain or loss recognised in the consolidated statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the date of initial recognition and only if the criteria of HKAS 39 are satisfied.

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 the consolidated statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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 the consolidated statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

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 the consolidated statement of 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 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, 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 consolidated statement of financial positions, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "**holder**") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a guarantee, the fair value of the guarantee contract issued is initially recognised as deferred income within liabilities from guarantees. The fair value of guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in the consolidated statement of profit or loss on initial recognition of any deferred income. The fair value of the guarantee initially recognised as deferred income is amortised in the consolidated statement of profit or loss over the term of the guarantee as income from guarantees issued.

In addition, provisions are recognised when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in deferred income in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

2.4 SUMMARY OF 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 statement of profit or loss.

Provisions for guarantee losses

When determining the amounts to be recognised in respect of liabilities arising from the guarantee business, management estimates the provisions based on prior experience and default history of the business. It is possible that the prior experience and default history is not indicative of future loss on the guarantees issued. Any increase or decrease in the provisions would affect profit or loss in future years.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses, Deferred tax assets are recognised, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sales of goods, when the significant risks and rewards of ownership have been transferred to the buyers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" below;

(c) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or shorter period, when appropriate, to the net carrying amount of the financial asset; and

(d) Guarantee fee income, when guarantee contracts have been made whereby the related guarantee obligation has been accepted, the economic benefits associated with the guarantee contracts will probably flow in, and the amount of revenue associated with guarantee contracts can be measured reliably. Guarantee fee income is determined based on the total agreed fee in the guarantee contracts and is recognised in the consolidated statement of profit or loss over the period of guarantee. Generally, the Group receives guarantee fee income in full at inception and records it as unearned income before amortising it throughout the period of guarantee.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the period plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Employee benefits

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of 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 employees of the Group's subsidiary which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payment, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a Binominal model, further details of which are given in note 25 to the consolidated financial statements.

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 the income statement 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 payment, or is otherwise beneficial to the employee 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.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of loss per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These consolidated financial statements are presented in Hong Kong dollars, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, 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.

Judgements

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

Operating lease commitment — Group as a lessor

The Group has entered into commercial property lease on its investment property. The Group has determined, based on an evaluation of the terms and conditions of the arrangement, that it retains all the significant risks and rewards of ownership of this property which is leased out on an operating lease.

Classification between investment property and owner-occupied property

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If the portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Income taxes

Significant judgements 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 provision are recorded accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislation.

Percentage of completion of construction works

The Group recognises its contract revenue according to the percentage of work performed to date of the individual contract of construction works as a percentage of total contract value. Because of the nature of the activity undertaken in construction contracts, the date at which the contract activity is entered into and the date when the activity is completed usually fall into different accounting periods. The Group reviews and revises the estimates of contract revenue, contract costs, variation orders and contract claims prepared for each construction contracts as the contract progresses. Management regularly reviews the progress of the contracts and the corresponding cost of the contract revenue.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

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.

Useful lives of property, plant and equipment

The management of the Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of the property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovation. Management will change the depreciation charge where useful lives are different from the previously estimated lives. It will also write-off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Provision for impairment of trade receivables

The policy for the provision for impairment of trade receivables of the Group is based on the evaluation of collectibles and ageing analysis of accounts and on the management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these trade receivables, including this current creditworthiness and the past collection history of each customer.

Provisions for guarantee losses

The Group makes reasonable estimate on costs required to fulfil the relevant obligation of guarantee contracts when the Group computes the provisions of guarantee losses. Such estimation is made based on the available information as of the end of the reporting period and is determined by the Group's practical experience, default history of the business, taking into consideration of industry information and market data. It is possible that the practical experience and default history is not indicative of future loss on the guarantees issued. Any increase or decrease in the provision would affect profit of loss in future years.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment of loans and interest receivables

The Group reviews its loan portfolios to assess whether there is any objective evidence that the loans receivable is impaired at least on a yearly basis. In determining whether an impairment loss should be recorded in the consolidated statement of profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans receivables before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methods and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The aggregate carrying amount of loan and interest receivables at 31 March 2017 was approximately HK$69,454,000 (2016: HK$103,224,000). More details are given in note 17 to the consolidated financial statements.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and 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 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 cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for impairment of amounts due from subsidiaries

The policy for the provision for impairment of amounts due from subsidiaries is based on the evaluation of recoverable of accounts and on the management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of the amount.

Provision for impairment of investments in subsidiaries

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the financial statements of the investee's net assets including goodwill.

4. OPERATING SEGMENT INFORMATION

The principal activities of the Group are engaged in trading of aluminium products, supply of aluminium products in the construction projects and operation of money lending business. During the year, the Group extended its business into provision of financing guarantee services.

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

(a) trading of aluminium products segment — sales of aluminium products;

(b) construction projects segment — supply of aluminium products in the construction projects;

(c) money lending segment — provision of loan financing; and

(d) financing guarantee services segment — provision of financing guarantee services.

The Group's chairman, who is the chief operating decision maker, monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/(loss), which is a measure of adjusted profit/(loss) before tax. The adjusted profit/(loss) before tax is measured consistently with the Group's loss before tax except that interest income, finance costs, impairment of associates, gain on disposal of a subsidiary and gain on bargain purchase, as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude cash and cash equivalents, pledged bank deposits, interests in associates and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payables and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March 2017	Trading of aluminium products HK$'000	Construction projects HK$'000	Money lending HK$'000	Financing guarantee services HK$'000	Total HK$'000
Segment revenue:					
Sales to external customers	–	11,328	–	–	11,328
Loans interest income	–	–	11,259	–	11,259
Guarantee fee income	–	–	–	850	850
	–	11,328	11,259	850	23,437
Segment results	(4,668)	(351)	10,399	(11,876)	(6,496)
Interest income					24
Corporate and other unallocated income					5,544
Corporate and other unallocated expenses					(4,107)
Loss before tax					(5,035)
Segment assets	8,973	7,292	69,460	56,613	142,338
Corporate and other unallocated assets					347,335
Total assets					489,673
Segment liabilities	1,075	2,233	222	38,406	41,936
Corporate and other unallocated liabilities					1,529
Total liabilities					43,465
Other segment information:					
Capital expenditure *	–	–	7	7,468	7,475
Depreciation of property, plant and equipment	–	26	–	36	62
Depreciation of investment property	–	–	–	23	23

* The capital expenditure included additions to property, plant and equipment and investment property including assets from the acquisition of subsidiaries.

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 March 2016	Trading of aluminium products HK$'000	Construction projects HK$'000	Money lending HK$'000	Total HK$'000
Segment revenue:				
Sales to external customers	58,400	3,109	–	61,509
Loans interest income	–	–	3,490	3,490
	58,400	3,109	3,490	64,999
Segment results	(33,616)	(1,432)	3,027	(32,021)
Interest income				305
Corporate and other unallocated income				2
Corporate and other unallocated expenses				(41,412)
Loss before tax				(73,126)
Segment assets	94,673	5,659	103,224	203,556
Corporate and other unallocated assets				259,382
Total assets				462,938
Segment liabilities	1,258	1,553	260	3,071
Corporate and other unallocated liabilities				352
Total liabilities				3,423
Other segment information:				
Capital expenditure *	–	88	–	88
Depreciation of property, plant and equipment	–	22	–	22

* The capital expenditure included additions of property, plant and equipment.

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

(a) Revenue from external customers

	2017 HK$'000	2016 HK$'000
Hong Kong	11,259	3,490
PRC	12,178	61,509
	23,437	64,999

The classification of the revenue arising from the trading of aluminium products segment, the construction projects segment and the financing guarantee services is based on the location of the customer's operation.

The classification of the revenue arising from money lending segment is based on the location of borrowed funds first available to their borrowers.

(b) Non-current assets

	2017 HK$'000	2016 HK$'000
Hong Kong	19,747	–
PRC	8,174	339
	27,921	339

The classification of the non-current assets is based on the locations of the assets (excluded goodwill).

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue are as follows:

	2017 HK$'000	2016 HK$'000
Customer A *	–	58,400
Customer B **	3,400	–
Customer C ***	11,328	–
	14,728	58,400

* Revenue from trading of aluminium products segment
** Revenue from money lending segment
*** Revenue from construction project segment

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents (i) net invoiced value of goods sold, after allowances for returns and trade discounts; (ii) an appropriate proportion of contract revenue of construction contracts; (iii) loan interest income from money lending business; and (iv) net guarantee fee income from provision of financing guarantee services during the year.

An analysis of revenue, other income and gains is as follows:

	2017 **HK$'000**	2016 HK$'000
Revenue		
Trading of aluminium products	**–**	58,400
Construction projects	**11,328**	3,109
Loans interest income	**11,259**	3,490
Guarantee fee income	**850**	–
	23,437	64,999
Other income and gains		
Interest income	**24**	305
Gain on disposal of a subsidiary *(note 28)*	**3,408**	–
Gain on bargain purchase *(note 27(a))*	**2,125**	–
Others	**11**	2
	5,568	307
Total revenue, other income and gains	**29,005**	65,306

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	2017 HK$'000	2016 HK$'000
Cost of sales*		
— cost of construction	7,489	2,083
— cost of inventories sold	–	55,200
	7,489	57,283
Auditor's remuneration	650	595
Depreciation property, plant and equipment *(note 12)*	62	22
Depreciation of investment property *(note 13)*	23	–
Loss on disposal of property, plant and equipment	61	–
Impairment of receivables for default guarantee payments and receivables from guarantee customers *(note 18)*	11,846	–
Employee benefits expenses (including directors' remuneration *(note 7)*):		
Wages and salaries	6,735	5,293
Pension scheme contributions	449	287
Equity-settled share option expenses	–	70,377
	7,184	75,957
Minimum lease payments under operating leases on land and buildings	1,773	1,874
Gain on disposal of a subsidiary *(note 28)*	(3,408)	–
Interest income	(24)	(305)
Gain on bargain purchase *(note 27(a))*	(2,125)	–

* Depreciation of the property, plant and equipment of approximately HK$14,000 (2016: HK$10,000) for the year ended 31 March 2017 was included in "cost of sales" in the consolidated statement of profit or loss and other comprehensive income.

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, Section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation is as follows:

	2017 HK$'000	2016 HK$'000
Fees	**350**	350
Other emoluments:		
Salaries, allowances and benefits in kind	**1,640**	1,235
Pension scheme contributions	**33**	36
Equity-settled share option expenses	**–**	27,925
	1,673	29,196
	2,023	29,546

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Equity-settled share option expenses HK$'000	Total remuneration HK$'000
2017					
Executive directors					
Mr. Tung Yee Shing	–	650	18	–	668
Ms. Cheung Oi Chun *(Note a)*	–	990	15	–	1,005
	–	1,640	33	–	1,673
Independent non-executive directors					
Mr. Kwok Lap Fung, Beeson	100	–	–	–	100
Mr. Li Kam Chung	100	–	–	–	100
Mr. Chan Yin Tsung	150	–	–	–	150
	350	–	–	–	350
	350	1,640	33	–	2,023

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Pension scheme contributions HK$'000	Equity-settled share option expenses HK$'000	Total remuneration HK$'000
2016					
Executive directors					
Mr. Tung Yee Shing	–	650	18	10,613	11,281
Ms. Cheung Oi Chun *(Note a)*	–	585	18	10,613	11,216
	–	1,235	36	21,226	22,497
Independent non-executive directors					
Mr. Kwok Lap Fung, Beeson	100	–	–	2,233	2,333
Mr. Li Kam Chung	100	–	–	2,233	2,333
Mr. Chan Yin Tsung	150	–	–	2,233	2,383
	350	–	–	6,699	7,049
	350	1,235	36	27,925	29,546

Note:

(a) Resigned on 3 January 2017

There was no arrangement under which a director of the Company (the "**Director(s)**") waived or agreed to waive any remuneration during the year (2016: Nil).

During the year, no emoluments have been paid to the Directors as an inducement to join or upon joining the Group, or as compensation for loss of office (2016: Nil).

The number of directors and chief executive, whose remuneration fell within the following bands is as follows:

	Number of directors 2017	2016
Nil to HK$1,000,000	**5**	–
HK$1,000,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$5,000,000	**–**	3
HK$5,000,001 to HK$10,000,000	**–**	–
Over HK$10,000,000	**–**	2
	5	5

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2016: two) directors, details of whose remuneration are set out in note 7 above. Details of the remuneration of the remaining three (2016: three) non-directors, highest paid employees for the year are as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits in kind	**2,460**	1,235
Pension scheme contributions	**51**	40
Equity-settled share option expenses	**–**	31,839
	2,511	33,114

The number of non-directors, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2017	2016
Nil to HK$1,000,000	**3**	–
HK$1,000,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$5,000,000	**–**	–
HK$5,000,001 to HK$10,000,000	**–**	–
Over HK$10,000,000	**–**	3
	3	3

9. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising from Hong Kong during the year.

PRC corporate income tax is calculated at 25% (2016: 25%) on the estimated assessable profits arising in the PRC during the year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries/jurisdictions in which the Group operates.

	2017 HK$'000	2016 HK$'000
Current tax — Hong Kong		
Charge for the year	**1,696**	486
Under-provision in previous year	**6,718**	–
Current tax — PRC		
Charge for the year	**322**	36
(Over-provision)/Under-provision in previous year	**(147)**	25
Total tax charge for the year	**8,589**	547

9. INCOME TAX EXPENSE (continued)

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2017 HK$'000	2017 %	2016 HK$'000	2016 %
Loss before tax	**(5,035)**		(73,126)	
Tax at the statutory tax rates	**(540)**	**10.7**	(12,106)	16.6
Expenses not deductible for tax	**2,546**	**(50.6)**	11,802	(16.1)
Income not taxable for tax	**(1,365)**	**27.1**	(50)	0.1
Tax losses not recognised	**1,398**	**(27.7)**	923	(1.3)
Temporary differences in respect of depreciable assets not recognised	**(1)**	**–**	(2)	–
Under-provision of Hong Kong profits tax in previous year	**6,718**	**(133.4)**	25	(0.1)
Over-provision of PRC income tax in previous year	**(147)**	**2.9**	–	–
Tax concession for year of assessment	**(20)**	**0.4**	(45)	0.1
Tax charge at effective tax rate	**8,589**	**(170.6)**	547	(0.7)

The Group had deferred tax benefits not recognised in respect of tax losses available and decelerated depreciation for offsetting future assessable profits and accelerated depreciation calculated at the statutory rate of 16.5% (2016: 16.5%) as follows:

	2017 HK$'000	2016 HK$'000
Tax losses	**3,723**	3,552
(Accelerated)/Decelerated depreciation	**(1)**	26
	3,722	3,578

10. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the year.

The calculations of basic loss per share are based on:

	2017 HK$'000	2016 HK$'000
Loss		
Loss for the year attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	**(13,624)**	(73,673)

	Number of shares 2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in basic loss per share calculation	**1,980,000,000**	1,849,262,295

The calculation of diluted loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares used in the basic loss per share calculation, as adjusted for the share options assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculation of diluted loss per share for the years ended 31 March 2017 and 2016 is based on:

	2017 HK$'000	2016 HK$'000
Loss		
Loss for the year attributable to ordinary equity holders of the Company, used in the basic loss per share calculation	**(13,624)**	(73,673)

	Number of shares 2017	2016
Shares		
Weighted average number of ordinary shares in issue during the year used in basic loss per share calculation	**1,980,000,000**	1,849,262,295
Effect on dilution — weighted average number of ordinary shares Shares options*	**–**	–
Weight average number of ordinary shares for the purpose of diluted loss per share	**1,980,000,000**	1,849,262,295

* For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market price of the Company's shares during the year) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated above is compared with the number of shares that would have been issued assuming the exercise of the share options. Hence, the share options have a diluted effect only when the average market price of ordinary shares exceeds the exercise price of the share options. During the years ended 31 March 2017 and 2016, there is no dilutive event as the average market price of ordinary shares did not exceed its exercise price of the share options.

11. DIVIDENDS

The directors did not recommend the payment of any dividend for the years ended 31 March 2017 and 2016.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold building HK$'000	Leasehold improvements HK$'000	Plant and machineries HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
31 March 2017						
1 April 2016:						
Cost	–	–	782	47	44	873
Accumulated depreciation	–	–	(473)	(33)	(28)	(534)
Net carrying amount	–	–	309	14	16	339
At 1 April 2016, net of accumulated depreciation	–	–	309	14	16	339
Additions	–	–	–	7	–	7
Acquisition of subsidiaries *(note 27(a))*	3,277	801	–	17	96	4,191
Disposal during the year	–	–	(6)	(3)	(96)	(105)
Depreciation provided during the year	(23)	(12)	(14)	(6)	(7)	(62)
Exchange realignment	–	–	(17)	(2)	(1)	(20)
At 31 March 2017, net of accumulated depreciation	3,254	789	272	27	8	4,350
At 31 March 2017:						
Cost	3,277	801	727	49	40	4,894
Accumulated depreciation	(23)	(12)	(455)	(22)	(32)	(544)
Net carrying amount	3,254	789	272	27	8	4,350

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Plant and machineries HK$'000	Furniture, fixture and equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
31 March 2016				
1 April 2015:				
Cost	723	47	46	816
Accumulated depreciation	(482)	(29)	(21)	(532)
Net carrying amount	241	18	25	284
At 1 April 2015, net of accumulated depreciation	241	18	25	284
Additions	88	–	–	88
Depreciation provided during the year	(10)	(4)	(8)	(22)
Exchange realignment	(10)	–	(1)	(11)
At 31 March 2016, net of accumulated depreciation	309	14	16	339
At 31 March 2016:				
Cost	782	47	44	873
Accumulated depreciation	(473)	(33)	(28)	(534)
Net carrying amount	309	14	16	339

The Group's leasehold building consists of a commercial property in Guizhou, the PRC (the "**Leasehold Building**"), held under medium term lease and for its administrative purpose.

Impairment assessment of the Leasehold Building

The recoverable amount of the Leasehold Building has been assessed by an independent valuer, LCH (Asia-Pacific) Surveyors Limited ("**LCH**"), as at 31 March 2017. No impairment of the Leasehold Building has been provided as the recoverable amount of the Leasehold Building was higher than its carrying amount as at 31 March 2017.

Pursuant to LCH's valuation report dated 30 June 2017, the recoverable amount of the Leasehold Building in PRC was approximately RMB3,080,000 (equivalent to approximately HK$3,480,000), which was measured using the direct comparison method based on market observable transactions of similar properties without any significant adjustments.

13. INVESTMENT PROPERTY

	2017 HK$'000
At 1 April 2016, net of accumulated depreciation	–
Acquisition of subsidiaries *(note 27(a))*	3,277
Depreciation provided during the year	(23)
At 31 March 2017, net of accumulated depreciation	3,254
At 31 March 2017:	
Cost	3,277
Accumulated depreciation	(23)
Net carrying amount	3,254

The Group's investment property consists of a commercial property in Guizhou, the PRC (the "**Guizhou Property**"), held under medium term lease and to earn rentals or for capital appreciation.

At the end of the reporting period, the Group entered into a tenancy agreement with a tenant, pursuant to which, the Guizhou Property was leased under operating lease for rental income (note 5) since April 2017, further summary details of which are included in note 29 to the consolidated financial statements.

Impairment assessment of the Guizhou Property

The recoverable amount of the Guizhou Property has been assessed by an independent valuer, LCH as at 31 March 2017. No impairment of the Guizhou Property has been provided as the recoverable amount of the Guizhou Property was higher than its carrying amount as at 31 March 2017.

Pursuant to LCH's valuation report dated 30 June 2017, the recoverable amount of the Guizhou Property in PRC was approximately RMB3,000,000 (equivalent to approximately HK$3,390,000), which was measured using income approach.

13. INVESTMENT PROPERTY (continued)

Fair value hierarchy

Details of the Guizhou Property and information about the fair value hierarchy used in LCH's valuation report as at 31 March 2017 is as follows:

	Fair value measurement using			
	Quoted prices in active markets (level 1) HK$'000	Significant observable inputs (level 2) HK$'000	Significant unobservable inputs (level 3) HK$'000	Total HK$'000
As at 31 March 2017				
Guizhou Property	–	–	**3,390**	**3,390**

Key assumption for determining the recoverable amount

Below is a summary of the valuation technique used and the key inputs to LCH's valuation report of the Guizhou Property:

Description	Fair value at 31 March 2017	Valuation technique	Unobservable inputs	Relationship of unobservable inputs to fair value
Commercial property	HK$3,390,000	Income approach	Estimated rental income (per square metre and per month) with RMB24	The higher the rental income, the higher the fair value
			Reversion yield at 4%	The higher the reversion yield the lower the fair value

14. INTERESTS IN ASSOCIATES

	2017 HK$'000	2016 HK$'000
Unlisted shares, at cost	**181**	–
Share of net assets	**–**	–
Due from associates	**19,819**	–
	20,000	–
Less: Impairment	**(260)**	–
	19,740	–

Particulars of the associates are as follows:

Name	Particulars of equity interest	Place of incorporation/ registration and business	Percentage of ownership interest attributable to the Group	Principal activities
I Fun International (Holdings) Limited	Ordinary shares	British Virgin Islands	46.5%	Investment holding
I Fun (HK) Limited (formerly known as "I Do (HK) Limited")	Ordinary shares	Hong Kong	46.5%	Investment holding
貴州愛紡實業有限公司	Capital contribution	PRC	46.5%	Trading of bedroom textiles business

These associates were newly acquired on 24 March 2017 at a consideration of approximately HK$181,000. Pursuant to the shareholder agreement, the Group shall provide a shareholder's loan of HK$20,000,000 to the associates as their working capital. As at the end of the reporting period, the shareholder's loan in the amount of approximately HK$19,819,000 has been provided by the Group.

14. INTERESTS IN ASSOCIATES (continued)

The following table illustrates the summarised financial information in respect of I Fun International (Holdings) Limited and its subsidiaries (collectively, the "**I Fun Group**") adjusted for any differences in accounting policies and reconciled to the carrying amount in the unaudited consolidated financial statements:

	2017 HK$'000
Current assets	48,409
Current liabilities	(5,968)
Non-current liabilities	(42,610)
Net liabilities	(169)
Reconciliation to the Group's interest in the associates	
Proportion of the Group's ownership	46.5%
Group's share of net liabilities of the associates	(79)
Revenue	1,169
Profit for the year	78
Other comprehensive income	–
Share of profits and losses of associates*	–

* As the associates were newly acquired on 24 March 2017, no share of profits and losses of the associates for the period from 24 March 2017 to 31 March 2017 was recognised due to its immateriality.

15. INVENTORIES

	2017 HK$'000	2016 HK$'000
Raw materials	531	383
Finished goods	411	201
	942	584

16. TRADE RECEIVABLES

	2017 HK$'000	2016 HK$'000
Trade receivables	**10,164**	95,409
Less: Impairment	**–**	–
Net carrying amounts	**10,164**	95,409

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivables balances. Trade receivables are non-interest-bearing.

The Group allows a credit period normally 0 to 90 days to its trade customers. An aging analysis of the trade receivables as at the end of the reporting period, based on the date of invoice, is as follows:

	2017 HK$'000	2016 HK$'000
Within 1 month	**1,664**	13,709
1 to 2 months	**–**	–
2 to 3 months	**–**	6,300
Over 3 months	**8,500**	75,400
	10,164	95,409

The aging analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**1,664**	20,009
Less than 1 month past due	**–**	–
1 to 3 months past due	**–**	–
Over 3 months past due	**8,500**	75,400
	10,164	95,409

Receivables that were neither past due nor impaired relate to a single customer for whom there was no recent history default.

Receivables that were past due but not impaired relate to a single customer and the Group has a high concentration of credit risk accordingly. Based on the past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of this balance as there has not been a significant change in credit quality and the balance is still considered fully recoverable.

17. LOAN AND INTEREST RECEIVABLES

The loan receivables represented outstanding loans arose from the money lending business during the year.

Loan receivables bear interest at fixed rates for the range from 6% to 18% per annum, and with credit periods, mutually agreed between the contracting parties. Loan receivables are secured by the pledge of debtors' assets. Overdue balances are reviewed regularly and handled closely by senior management.

	2017 HK$'000	2016 HK$'000
Loan receivables	**68,000**	101,840
Interest receivables	**1,454**	1,384
Less: Impairment	**–**	–
Net carrying amounts	**69,454**	103,224
Less: Current portion of loan and interest receivables	**(69,454)**	(103,224)
Non-current portion of loan and interest receivables	**–**	–

The loan and interest receivables at the end of the reporting period are analysed by the remaining period to contractual maturity date as follows:

	2017 HK$'000	2016 HK$'000
Receivable:		
Within 3 months	**23,797**	21,384
3 months to 1 year	**24,500**	81,840
Past due	**21,157**	–
	69,454	103,224
Less: Current portion of loan and interest receivables	**(69,454)**	(103,224)
Non-current portion of loan and interest receivables	**–**	–

The aged analysis of the loan and interest receivables that are not individually nor collectively considered to be impaired is as follows:

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**48,297**	103,224
Less than 1 month past due	**169**	–
1 to 3 months past due	**512**	–
Over 3 months past due	**20,476**	–
	69,454	103,224

Loan and interest receivables that were neither past due nor impaired relate to certain debtors for whom there were no recent history of default. Loan and interest receivables that were past due but not impaired relate to a single customer and the Group has a high concentration of credit risk accordingly. Based on the past experience, the directors of the Company are of the opinion that no provision for impairment is necessary as the balance is considered fully recoverable.

18. RECEIVABLES FOR DEFAULT GUARANTEE PAYMENTS AND RECEIVABLES FROM GUARANTEE CUSTOMERS

During the year, the Group extended its business into provision of financing guarantee services in the PRC. The receivables from default guarantee payments and receivables from guarantee customers represented the corresponding receivables in respect of a provision that the holder of the financial guarantee contract probably called upon the Group or the claims on the Group is expected to exceed the amount currently carried in deferred income regarding the guarantee during the year.

	2017 HK$'000	2016 HK$'000
Receivables for default guarantee payments	26,894	–
Less: Impairment	(8,137)	–
	18,757	–
Receivables from guarantee customers	10,489	–
Less: Impairment	(3,709)	–
	6,780	–
	25,537	–
Premium receivables from guarantee customers	760	–
Net carrying amounts	26,297	–
Less: Current portion of the receivables for default guarantee customers and receivables from guarantee customers	(26,297)	–
Non-current portion of the receivables for default guarantee customers and receivables from guarantee customers	–	–

18. RECEIVABLES FOR DEFAULT GUARANTEE PAYMENTS AND RECEIVABLES FROM GUARANTEE CUSTOMERS (continued)

An aged analysis of the receivables for default guarantee payments and receivables from guarantee customers at the end of the reporting period, based on the date the guarantee being defaulted and net of provision, is as follows:

(i) Receivables for default guarantee payments

	2017 HK$'000	2016 HK$'000
Default:		
Less than 6 months past due	**15,932**	–
6 to 12 months past due	**2,825**	–
Over 1 year past due	**–**	–
	18,757	–

(ii) Receivables from guarantee customers

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**6,780**	–

Impairment losses in respect of receivables for default guarantee payments and receivables from guarantee customers are recorded using an allowance unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against receivables for default guarantee payments and receivables from guarantee customers.

The movement in the provision for the impairment for receivables for default guarantee payments and receivables from guarantee customers, are as follows:

	2017 HK$'000	2016 HK$'000
At beginning of year	**–**	–
Impairment losses recognised *(note 6)*	**11,846**	–
	11,846	–

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2017 HK$'000	2016 HK$'000
Prepayments	**747**	56
Trade deposits	**3,455**	1,557
Utility deposits	**491**	598
Other receivables *(note (a))*	**24,742**	3,349
	29,435	5,560
Less: Impairment	**(1,556)**	(1,556)
Less: Non-current portion of prepayments	**(577)**	–
Current portion of prepayments, deposits and other receivables	**27,302**	4,004

Note (a): Included in other receivables was amount due from 安順市永玖貿易有限公司 ("**永玖貿易**") of approximately RMB5,026,000 (equivalent to approximately HK$5,679,000) arising from a previous guarantee contract, of which, the Group has commenced a legal proceeding against 永玖貿易 in Guizhou to recover such receivable. The amount due from 永玖貿易 is secured by certain properties in the PRC. Accordingly, the Directors are of the opinion that the amount due from 永玖貿易 is fully recoverable and therefore, no impairment was provided as at 31 March 2017.

20. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS

	2017 HK$'000	2016 HK$'000
Cash and bank balances	**290,287**	259,378
Time deposits	**37,306**	–
	327,593	259,378
Less: Pledged bank deposits *	**(37,306)**	–
Cash and cash equivalents	**290,287**	259,378

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately HK$4,954,000 (2016: HK$152,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

* All pledged bank deposits represent the deposits at banks according to the requirements from Bank of Guiyang Co., Ltd ("**Bank of Guiyang**") for the financing guarantees that the Group provides to third parties for borrowing from Bank of Guiyang.

21. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2017 **HK$'000**	2016 HK$'000
Within 1 month	**768**	55
1 to 2 months	**193**	–
2 to 3 months	**197**	19
Over 3 months	**558**	1
	1,716	75

The trade payables are non-interest bearing and are normally settled on 30 to 60 day terms.

22. OTHER PAYABLES AND ACCRUALS

	2017 **HK$'000**	2016 HK$'000
Other payables	**1,259**	2,235
Accruals	**1,105**	1,061
	2,364	3,296

23. LIABILITIES FROM GUARANTEES

	2017 HK$'000	2016 HK$'000
Deferred income	806	–
Provisions for guarantee losses *(note 18)*	37,383	–
	38,189	–

The movement in the provision for guarantee losses, is as follows:

	2017 HK$'000	2016 HK$'000
At beginning of year	–	–
Provision for the year	37,383	–
At end of year	37,383	–

Where the Group issues a guarantee, the fair value of the guarantee contract issued is initially recognised as deferred income within liabilities from guarantees. The fair value of guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services (i.e. the premium received). The fair value of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from guarantees issued.

The provisions for guarantee losses are recognised when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in deferred income in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

24. SHARE CAPITAL

	2017 HK$'000	2016 HK$'000
Authorised:		
2,800,000,000 ordinary shares of HK$0.01 each	**28,000**	28,000
850,000,000 preference shares of HK$0.01 each	**8,500**	8,500
	36,500	36,500
Issued and fully paid:		
1,980,000,000 (2016: 1,980,000,000) ordinary shares of HK$0.01 each	**19,800**	19,800

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 April 2015	1,650,000,000	16,500	164,612	181,112
Issue of shares *(note (a))*	330,000,000	3,300	321,750	325,050
Less: Shares issue expenses	–	–	(683)	(683)
At 1 March 2016 and at 31 March 2017	1,980,000,000	19,800	485,679	505,479

Note:

(a) On 10 August 2015, the Company entered into placing agreement with a placing agent pursuant to which, the Company issued and allotted (the "**Placing**") 330,000,000 new ordinary shares of the Company (the "**Placing Shares**") to various placees at a placing price of HK$0.985 per Placing Share. The net proceeds from the Placing after deducting directly attributable costs of HK$683,000 amounted to approximately HK$324,367,000 and was (i) for funding of potential acquisition(s) by the Group in the future, and (ii) for developing money lending business of the Group. The Placing was completed on 24 August 2015.

25. SHARE OPTION SCHEME

The Company's share option scheme (the "**Share Option Scheme**") was newly approved and adopted by the shareholders on 31 August 2015. The Share Option Scheme is valid and effective for a period of 10 years after the date of adoption. The purpose of the Share Option Scheme is to provide incentives to the employee or consultant of the Group including any executive director of any nationality of the Company and any subsidiary (the "**Participants**") to enable the Group to recruit and/or retain high-calibre individuals and attract human resources that are valuable to the Group. Under the Share Option Scheme, the Board may grant options to the Participants to subscribe for shares of the Company. On 2 March 2016, the Group granted 131,299,998 share options (the "**Share Options**") to their directors and employees for a term of 5 years.

25. SHARE OPTION SCHEME (continued)

The consideration of HK$1 is payable on the grant date of the Share Options. Share Options may be exercised by the grantees at any time before its expiry. The exercise price is determined by the directors of the Company (the "**Directors**"), and will not be less than the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Details of specific categories and the outstanding Share Options during the year ended 31 March 2017 are as follows:

	Date of grant	Exercise period	Outstanding as at 1 April 2016	Granted during the year	Lapsed during the year	Outstanding as at 31 March 2017	Exercise price HK$
Directors							
Tung Yee Shing	2 March 2016	2 March 2016 to 1 March 2021	19,800,000	–	–	**19,800,000**	1.2
Cheung Oi Chun *(Note a)*	2 March 2016	2 March 2016 to 1 March 2021	19,800,000	–	(19,800,000)	**–**	1.2
Chan Yin Tsung	2 March 2016	2 March 2016 to 1 March 2021	4,166,666	–	–	**4,166,666**	1.2
Li Kam Chung	2 March 2016	2 March 2016 to 1 March 2021	4,166,666	–	–	**4,166,666**	1.2
Kwok Lap Fung Beeson	2 March 2016	2 March 2016 to 1 March 2021	4,166,666	–	–	**4,166,666**	1.2
Employees	2 March 2016	2 March 2016 to 1 March 2021	79,200,000	–	–	**79,200,000**	1.2
			131,299,998	–	(19,800,000)	**111,499,998**	

Notes:

(a) Ms. Cheung Oi Chun resigned as executive director of the Company on 3 January 2017. The Share Options granted to her were lapsed as a result of her resignation.

(b) Except for above, no Share Options were granted, exercised, lapsed or cancelled during the years ended 31 March 2017 and 2016.

25. SHARE OPTION SCHEME (continued)

Fair value of Share Options

The fair value of the Share Options were calculated by using a binomial option pricing model ("**Binomial model**"). Where relevant, the expected life used in the model has been adjusted based on management's best estimates for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations. Expected volatility is based on the historical share price volatility over past years. To allow for the effects of early exercise, it was assumed that executives and senior employees would exercise the options after the vesting date when the share price was one and a half or two and a half times the respective exercise price.

Inputs in the model:

Date of grant	2 March 2016
Grant date share price	HK$1.20
Exercise price	HK$1.20
Expected volatility	100%
Option life	5 years
Risk-free interest rate	1.08%
Fair value per Share Option	HK$0.536

The Binomial model has been used to estimate the fair value of the Share Options. The variables and assumptions used in computing the fair value of the Share Options are based on director best estimates. The value of the Share Option varies with different variables in certain subjective assumptions.

26. RESERVES

The amounts of the Group's reserves and the movements therein for the current year are presented in the consolidated statement of changes in equity on page 41 of the consolidated financial statements.

(i) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value. The application of the share premium account is governed by Bye-Law 140(A) of the Company's Bye-Laws and the Companies Act 1981 of Bermuda (the "**Companies Act**").

(ii) Capital reserve

The capital reserve represented the contribution from equity shareholders for purchase of shares from subsidiaries.

26. RESERVES (continued)

(iii) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2.4 to the consolidated financial statements.

(iv) Share options reserve

Share options reserve comprises the portion of grant date fair value of unexercised share options granted to employees of the Company recognised in accordance with the accounting policy adopted for share-based payments.

(v) Regulatory reserve

According to the Interim Measures for the Administration of Financial Guarantee Companies ("**Interim Measures**") issued at 8 March 2010 by the relevant government authorities in the PRC, financial guarantee companies shall establish unearned premium reserve equal to 50% of guarantee premium recognised during the year, and indemnification reserve of no less than 1% of the outstanding guarantee balances undertaken by the entities established in the PRC. The Group started to accrue the required amounts set by relevant government authorities as regulatory reserve from the date of acquisition of the subsidiary. According to the details implementation guidance No. (2010)96 issued by the People's Government of Guizhou Province on the Interim Measures, the use of the aforementioned regulatory reserve is subject to further guidance from the Financial Work Office of People's Government of Guizhou Province.

27. BUSINESS COMBINATION

31 March 2017

(a) Acquisition of Fu Ya Investments Limited

On 13 September 2016, the Group entered into a sale and purchase agreement (the "**Fu Ya S&P Agreement**") with Mr. Li Hua Liang ("**Mr. Li**"), an independent third party, pursuant to which, the Group acquired (the "**Acquisition**") (i) 100% equity interest in Fu Ya Investments Limited ("**Fu Ya**") and its subsidiaries (collectively the "**Fu Ya Group**"); and (ii) the amount due to Mr. Li by the Fu Ya Group (the "**Sales Loan**") at a cash consideration of HK$70,000,000. The Acquisition has been completed on 12 December 2016 (the "**Acquisition Date**").

27. BUSINESS COMBINATION (continued)

31 March 2017 (continued)

(a) Acquisition of Fu Ya Investments Limited (continued)

The fair value of the identifiable assets and liabilities of the Fu Ya Group as at the Acquisition Date was as follows:

	Fair value recognised on the Acquisition Date HK$'000
Property, plant and equipment *(note 12)*	4,191
Investment property *(note 13)*	3,277
Prepayments, deposits and other receivables	17,421
Receivables from guarantee customers	6,998
Pledged bank deposits	37,595
Cash and bank balances	3,878
Liabilities from guarantee	(1,170)
Other payables and accruals	(65)
Due to Mr. Li	(76,126)
Net liabilities of the Fu Ya Group	(4,001)
Less: The Sales Loan	76,126
Net assets acquired	72,125
Gain on bargain purchase *(note 5)*	(2,125)
Cash consideration	70,000

An analysis of the net outflow of cash and cash equivalents in respect of the Acquisition is as follows:

	HK$'000
Cash consideration	(70,000)
Cash and bank balances acquired	3,878
Net outflow of cash and cash equivalents included in cash flows from investing activities	(66,122)

Since the Acquisition, the Fu Ya Group contributed of approximately HK$850,000 to the Group's revenue and a loss of approximately HK$11,847,000 to the consolidated loss for the year ended 31 March 2017.

Had the combination taken place at the beginning of the year, the revenue of the Group and the loss of the Group for the year would have been HK$25,442,000 and HK$11,758,000, respectively.

27. BUSINESS COMBINATION (continued)

31 March 2016

(b) Acquisition of Fast Excel Gold Mountain Zhongshan Aluminium Products (Hong Kong) Limited

In prior year, the Company disposed of 40% equity interests of its subsidiary, Fast Excel Gold Mountain Zhongshan Aluminium Products (Hong Kong) Limited ("**FEGM**"), to an independent third party (the "**Buyer**") at a cash consideration of HK$2. Upon completion of the disposal, the equity interests in FEGM held by the Group decreased from 100% to 60%, and a gain on partial disposal (the "**Gain on Disposal**") of FEGM of approximately HK$30,000 was recognised in capital reserve. During the year ended 31 March 2016, the Company acquired back such 40% equity interests of FEGM from the Buyer at a cash consideration of HK$2. Upon completion of the acquisition, the equity interests in FEGM held by the Group increased from 60% to 100%, and therefore, the Gain on Disposal of approximately HK$30,000 was reversed from the capital reserve.

28. DISPOSAL OF A SUBSIDIARY

On 17 February 2017, the Group entered into a sale and purchase agreement (the "**Tak Lee S&P Agreement**") with Mr. Li Fo An, an independent third party, pursuant to which, the Group disposed (the "**Disposal**") of 100% equity interest in its subsidiary, Tak Lee Metal Manufactory (Hong Kong) Company Limited ("**Tak Lee**") at a cash consideration of HK$1. The Disposal has been completed on 21 February 2017 (the "**Disposal Date**").

The assets and liabilities of Tak Lee as at the Disposal Date was as follows:

	HK$'000
Net liabilities disposed of:	
Cash and bank balances	2,477
Other payables and accruals	(124)
Tax payable	(6,344)
	(3,991)
Translation reserve	583
Net liabilities of Tak Lee	(3,408)
Less: Consideration*	–
Gain on disposal of a subsidiary *(note 5)*	(3,408)

An analysis of the net outflow of cash and cash equivalents in respect of the Disposal is as follows:

	HK$'000
Cash consideration	–
Cash and bank balances disposed of	(2,477)
Net outflow of cash and cash equivalent included in cash flows from investing activities	(2,477)

* The consideration has been presented as "nil" as a result of rounding.

29. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group lease its investment property to independent third party under operating leases arrangement with leases negotiated for terms of 5 years.

At 31 March 2017, the Group had total future minimum lease receivable under non-cancellable operating leases with its tenant falling due as follows:

	2017 HK$'000	2016 HK$'000
Within one year	**103**	–
2–5 years, inclusive	**352**	–
	455	–

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 3 years.

At 31 March 2017, 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	**1,443**	1,655
2–5 years, inclusive	**–**	1,380
	1,443	3,035

30. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 29 above, the Group had the following capital commitments at the end of the reporting period:

	2017 HK$'000	2016 HK$'000
Contracted, but not provided for:		
Shareholder's loan provide to associates *(note 14)*	**181**	–

31. RELATED PARTIES TRANSACTIONS

Compensation of key management personnel of the Group:

	2017 HK$'000	2016 HK$'000
Short term employee benefits	**4,534**	3,820
Post-employment benefits	**–**	–
Equity-settled share option expenses	**–**	38,538
	4,534	42,358

Further details of directors' and the chief executive's emoluments are included in notes 7 and 8 to the consolidated financial statements.

The number of directors, chief executive and key management personnel of the Group, whose remuneration/compensation fell within the following bands is as follows:

	Number of directors, chief executive and key management personnel	
	2017	2016
HK$ Nil to HK$1,000,000	**8**	2
HK$1,000,001 to HK$2,000,000	**–**	–
HK$2,000,001 to HK$5,000,000	**–**	3
HK$5,000,001 to HK$10,000,000	**–**	–
Over HK$10,000,000	**–**	3
	8	8

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Loans and receivables	
	2017	2016
	HK$'000	HK$'000
Trade receivables	**10,164**	95,409
Loans and interest receivables	**69,454**	103,224
Receivables for default guarantee payments and receivables from guarantee customers	**26,297**	–
Financial assets included in prepayments, deposits and other receivables	**27,132**	3,928
Pledged bank deposits	**37,306**	–
Cash and cash equivalents	**290,287**	259,378
	460,640	461,939

Financial liabilities

	Financial liabilities at amortised cost	
	2017	2016
	HK$'000	HK$'000
Trade payables	**1,716**	75
Financial liabilities included in other payables and accruals	**2,364**	3,296
Liabilities from guarantees	**38,189**	–
	42,269	3,371

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents and pledged bank deposits, financial assets included in prepayments, deposits and other receivables, trade receivables, loan and interest receivables, receivables for default guarantee payments and receivables from guarantee customers, financial liabilities included other payables and accruals, trade payables and liabilities from guarantees approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair value hierarchy

As at 31 March 2016 and 2017, the Group did not have any financial instruments which were measured at fair value.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise trade payables, other payables and accruals, and liabilities from guarantees. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets such as trade receivables, loan and interest receivables, financial assets included in prepayments, deposits and other receivables, receivables for default guarantee payments and receivables from guarantee customers, and cash and cash equivalents and pledged bank deposits which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Directors reviews and agrees policies for managing each of these risks and they are summarised below. The Group's accounting policies in relation to derivatives are set out in note 2.4 to the consolidated financial statements.

Interest rate risk

The Group has no significant interest-bearing financial assets and liabilities with a floating interest rate at the end of each reporting period. The Group's results and operating cash flows are substantially independent of changes in market interest rates.

Foreign currency risk

The Directors are of the opinion that almost all of the transactions of the Group and recognised financial assets and liabilities are denominated either in HK$ or RMB during the year ended 31 March 2017 (2016: No significant foreign currency risk as almost all of the transactions of the Group and recognised financial assets and liabilities are denominated in HK$). The Group currently does not have a foreign currency hedging policy. However, the management will monitor the foreign exchange exposure should the need arises.

The following table demonstrates the sensitivity as at 31 March 2017 to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's loss before tax due to changes in the fair value of monetary assets and liabilities and the Group's equity.

	Increase/ (decrease) in exchange rate %	Increase/ (decrease) in loss before tax HK$'000	Increase/ (decrease) in equity* HK$'000
31 March 2017			
If the Hong Kong weakens against RMB	(5)	2,873	–
If the Hong Kong dollar strengthens against the RMB	5	(2,873)	–

* Excluding accumulated losses

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

The Group's credit risk is primarily attributable to trade receivables, loan and interest receivables, prepayments, deposits and other receivables, receivables for default guarantee payments and receivables from guarantee customers and cash and bank balances and pledged bank deposits. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. The allowance for impairment has been made to reduce the exposure to the credit risk in relation to the receivables.

The maximum exposure to credit risk is represented by the net carrying amount of each type of financial assets as of the end of the reporting periods. In addition to guarantees issued as disclosed below, the Group has no credit risk arising from any other guarantee.

Credit risk arising from guarantees issued:

The Group has taken measures to identify credit risks arising from guarantees issued. The Group manages credit risk at every stage of the risk management system, including pre-approval, review and credit approval and post-transaction monitoring processes. The Group conducts customer acceptance and due diligence by business department and risk management department during the pre-approval process. All transactions should be subject to the review and approval of assessment committee ("擔保評審委員會").

During the post-transaction monitoring process, the Group conducts on-site inspection and ongoing post-transaction reviews focus on various aspects, including but not limited to customers' product markets, operating income, assets and liabilities, cash flows from operating activities to detect potential risks. The Group takes proactive preventive actions based on the risk analysis and design contingency plans accordingly.

When a certain number of clients undertake the same business activities, stay in the same geographical locations, or bear similar economic features for their industries, their ability to fulfil contracts will be affected by the same economic changes. Concentration of credit risk reflects the sensitivity of the Group's operating results to specific industries or geographical locations. As the Group mainly operates its financing guarantee businesses in the PRC, there exists a certain level of geographical concentration risk for its guarantee portfolios in that it might be affected by changes in the PRC economic conditions.

Guarantees issued: at the end of each reporting period, the total maximum guarantees issued arising from the outstanding guarantees contracts (including the amount of certain guarantees were defaulted as detailed in note 23 to the consolidated financial statement) are as follows:

	2017 HK$'000
Financing guarantee	**140,821**
Less: Pledged bank deposits	**(37,306)**
Total	**103,515**

The total maximum financing guarantees issued represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted.

Except for the above, there are no significant concentrations of credit risk within the Group in relation to other financial assets.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans or other interest-bearing loans.

The maturity of the financial liabilities of the Group at the end of each of the reporting period is as follows:

31 March 2017

	On demand or no fixed terms of repayment HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade payables	1,716	–	–	–	–	1,716
Other payables and accruals	2,364	–	–	–	–	2,364
Liabilities from guarantees	38,189	–	–	–	–	38,189
Tax payables	1,196	–	–	–	–	1,196
	43,465	–	–	–	–	43,465

31 March 2016

	On demand or no fixed terms of repayment HK$'000	Less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade payables	75	–	–	–	–	75
Other payables and accruals	3,296	–	–	–	–	3,296
Tax payables	52	–	–	–	–	52
	3,423	–	–	–	–	3,423

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

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

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

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net cash. Net cash includes trade and other payables and accruals, liabilities from guarantees less cash and cash equivalents and pledged bank deposits. Capital includes equity attributable to equity holders of the Company. The gearing ratios as at the end of reporting periods were as follows:

	2017 **HK$'000**	2016 HK$'000
Trade payables	**1,716**	75
Other payables and accruals	**2,364**	3,296
Liabilities from guarantees	**38,189**	–
Less: Cash and cash equivalents	**(290,287)**	(259,378)
Pledged bank deposits	**(37,306)**	–
Net cash	**(285,324)**	(256,007)
Total capital:		
Equity attributable to equity holders	**446,208**	459,515
Capital and net cash	**160,884**	203,508
Gearing ratio	**N/A**	N/A

35. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with the current year's presentation and disclosures.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS		
Investment in subsidiaries	**10,773**	19,005
Due from subsidiaries	**308,717**	454,762
Total non-current assets	**319,490**	473,767
CURRENT ASSETS		
Prepayments, deposits and other receivables	**–**	4
Cash and cash equivalents	**117,960**	21,113
Total current assets	**117,960**	21,117
CURRENT LIABILITY		
Other payables	**332**	300
Total current liability	**332**	300
NET CURRENT ASSETS	**117,628**	20,817
TOTAL ASSETS LESS CURRENT LIABILITY	**437,118**	494,584
NON-CURRENT LIABILITY		
Due to subsidiaries	**2,114**	37,542
Total non-current liability	**2,114**	37,542
Net assets	**435,004**	457,042
EQUITY		
Issued capital	**19,800**	19,800
Reserves *(Note)*	**415,204**	437,242
Total equity	**435,004**	457,042

Tung Yee Shing
Chairman

Chan Yin Tsung
Director

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium HK$'000	Share option reserve HK$'000 *(note 25)*	Accumulated losses HK$'000	Total HK$'000
At 1 April 2015	164,612	–	(83,525)	81,087
Loss for the year and total comprehensive income for the year	–	–	(35,289)	(35,289)
Issue of shares	321,750	–	–	321,750
Share issue expenses	(683)	–	–	(683)
Equity-settled shares option arrangements	–	70,377	–	70,377
At 31 March 2016 and at 1 April 2016	**485,679**	**70,377**	**(118,814)**	**437,242**
Loss for the year and total comprehensive income for the year	**–**	**–**	**(22,038)**	**(22,038)**
Transfer of share option reserve upon lapsing of share options	**–**	**(10,613)**	**10,613**	**–**
At 31 March 2017	**485,679**	**59,764**	**(130,239)**	**415,204**

37. APPROVAL OF THE 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

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements and restated/reclassified as appropriate, is set out below.

	Year ended 31 March				
	2017	2016	2015	2014	2013
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS					
REVENUE	**23,437**	64,999	96,515	139,091	202,789
Cost of sales	**(7,489)**	(57,283)	(85,833)	(128,382)	(176,929)
Gross profit	**15,948**	7,716	10,682	10,709	25,860
Other income and gains	**5,568**	307	122	86	123
Impairment of goodwill	**–**	–	(573)	(670)	–
Impairment of intangible asset	**–**	–	(252)	–	–
Impairment of trade receivables	**–**	–	–	(6,000)	–
Written off of retention receivables	**–**	–	(6,222)	–	–
Equity-settled share option expenses	**–**	(70,377)	–	–	–
General and administrative expenses	**(14,445)**	(10,772)	(9,799)	(9,873)	(11,424)
Impairment of receivables for default guarantee payments and receivables from guarantee customers	**(11,846)**	–	–	–	–
Impairment of associates	**(260)**	–	–	–	–
Finance costs	**–**	–	–	–	–
PROFIT/(LOSS) BEFORE TAX	**(5,035)**	(73,126)	(6,042)	(5,748)	14,559
Income tax expense	**(8,589)**	(547)	(723)	(756)	(854)
PROFIT/(LOSS) FOR THE YEAR	**(13,624)**	(73,673)	(6,765)	(6,504)	13,705
Attributable to:					
Owners of the Company	**(13,624)**	(73,673)	(6,765)	(6,504)	13,705
Non-controlling interests	**–**	–	–	–	–
	(13,624)	(73,673)	(6,765)	(6,504)	13,705

FIVE YEAR FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	2017 **HK$'000**	2016 HK$'000	2015 HK$'000	2014 HK$'000	2013 HK$'000
TOTAL ASSETS	**489,673**	462,938	143,656	162,976	202,204
TOTAL LIABILITIES	**(43,465)**	(3,423)	(4,998)	(15,779)	(43,934)
NON-CONTROLLING INTERESTS	**–**	–	30	30	30
	446,208	459,515	138,688	147,227	158,300