中國山東高速金融集團有限公司
CHINA SHANDONG HI-SPEED FINANCIAL GROUP LIMITED

(Formerly known as China Innovative Finance Group Limited)
(Incorporated in Bermuda with limited liability)

Stock Code: 00412

ANNUAL REPORT 2018

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Director and Chairman
Mr. Li Hang

Non-executive Director and Vice Chairman
Dr. Lam Lee G.

Executive Directors
Mr. Ji Kecheng *(Chief Executive Officer)*
Mr. Wang Zhenjiang *(Vice President)*
Mr. Yau Wai Lung
Mr. Li Zhen Yu

Non-executive Directors
Mr. Qiu Jianyang
Mr. Lo Man Tuen

Independent Non-executive Directors
Mr. To Shing Chuen
Mr. Cheung Wing Ping
Mr. Wang Huixuan
Mr. Guan Huanfei

AUDIT COMMITTEE

Mr. Cheung Wing Ping *(chairman)*
Mr. To Shing Chuen
Mr. Wang Huixuan
Mr. Guan Huanfei

REMUNERATION COMMITTEE

Mr. Cheung Wing Ping *(chairman)*
Mr. Wang Zhenjiang
Mr. Yau Wai Lung
Mr. To Shing Chuen
Mr. Wang Huixuan

NOMINATION COMMITTEE	Mr. Li Hang *(chairman)* Mr. Yau Wai Lung Mr. To Shing Chuen Mr. Cheung Wing Ping Mr. Wang Huixuan
EXECUTIVE COMMITTEE	Mr. Ji Kecheng *(chairman)* Mr. Yau Wai Lung Mr. Wang Zhenjiang Mr. Li Zhen Yu
COMPANY SECRETARY	Ms. Chan Lai Ping
AUTHORISED REPRESENTATIVES	Mr. Yau Wai Lung Ms. Chan Lai Ping
REGISTERED OFFICE	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG	Rooms 1405–1410, 14/F. China Resources Building 26 Harbour Road Wanchai Hong Kong
STOCK CODE	412
AUDITOR	HLB Hodgson Impey Cheng Limited 31/F, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong

CORPORATE INFORMATION

LEGAL ADVISERS	*Hong Kong law:* Li & Partners 22/F, World-Wide House Central Hong Kong Reed Smith Richards Butler 20/F., Alexandra House 18 Chater Road Central Hong Kong *Bermuda law:* Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central Hong Kong
PRINCIPAL BANKERS	Bank of China (Hong Kong) Limited Bank of China Tower No. 1 Garden Road Central Hong Kong Industrial and Commercial Bank of China (Macau) Limited 18/F, ICBC Tower, Macau Landmark, 555 Avenida da Amizade, Macau
PRINCIPAL REGISTRAR IN BERMUDA	MUFG Fund Services (Bermuda) Limited The Belvedere Building 69 Pitts Bay Road Pembroke HM08 Bermuda
BRANCH REGISTRAR IN HONG KONG	Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre 183 Queen’s Road East Wanchai Hong Kong
WEBSITE	www.csfg.com.hk

On behalf of the board of Directors (the "Board" or the "Directors") of China Shandong Hi-Speed Financial Group Limited (the "Company" and, together with its subsidiaries, the "Group"; stock code: 0412.HK), I am pleased to present to Shareholders the annual results of the Group for the year ended 31 March 2018.

During the year, the profits of the Group are mainly came from four major segments, namely, financial leasing, investment in securities, money lending business and financial technology. Our current principal businesses include financial investment, asset management, financial leasing, securities trading, asset trading platform, business factoring, provision of finance, financial technology and related financial services. The Group achieved brilliant performance during the year, recording a net profit of approximately HK$671 million, while the turnover having grown by 137% year-on-year to approximately HK$458 million. The profit during the year was mainly attributable to net fair value gain amounting to approximately HK$562 million (2017: gain of approximately HK$409 million). Profit attributable to owners of the Company amounted to approximately HK$671 million (2017: approximately HK$159 million).

In addition, the Group also made significant strategic moves during the year. Its name was changed to "China Shandong Hi-Speed Financial Group Limited" on 14 September 2017 to set a clearer corporate image which would be beneficial to the future business development of the Company. The Group completed the acquisition of the 40% indirect equity interest in Shandong Hi-Speed Global Finance and Leasing Company Limited*（山東高速環球融資租賃有限公司）("Global Finance"), a financial leasing services company, by issuance of new shares by the Company in October 2017. Immediately after this transaction, the total equity interest in the Company held by Shandong Hi-Speed Group Co., Ltd*（山東高速集團有限公司）("Shandong Hi-Speed Group") was increased to 43.2%. Shandong Hi-Speed Group is a large state-owned comprehensive enterprise group mainly engaged in investment, construction, operation and management of expressways, bridges, railways, ports and shipping, airports and logistics.

Capitalising on the industrial resources and business advantages of Shandong Hi-Speed Group, the Group is committed to develop itself into a first class investment and financing and financial holding platform in the Hong Kong financial market that is "based in Hong Kong and facing the world（立足香港、面向國際）" and "connected to domestic and overseas markets to achieve effective integration of resources（連接境內境外、實現資源有效整合）" and to grow our financial business based on a steady development strategy.

During the year, the Group had completed several acquisitions, debt financing and other corporate actions to expand business. The proceeds of the guaranteed notes with a total principal amount of US$600 million issued in March 2018 by the Group provided funds for the development of offshore projects, refinancing as well as general corporate purposes. In addition to acquisition of equity interest in Global Finance, the Group also completed the acquisition of 60% shares of Kun Peng International Limited in March 2018, which will help the Group to consolidate its foundation in the development of the financial technology field and enable it to possess a complete supply chain for financial services, in order to allow the provision of more comprehensive financial services.

During the year, the Group also actively responded to the national "One Belt, One Road" initiative, by setting up Belt and Road Fund (HK) Management Company Limited. While increasing its business presence in China, it also actively responded to the Guangdong– Hong Kong– Macao Greater Bay Area policy and focused on the construction of the "One Belt, One Road" so as to expand the business to the 21st Century Maritime Silk Road.

FUTURE PROSPECTS

In 2018, relying on the strong background of Shandong Hi-Speed Group, the Group will make the most of being a listed platform and licensed institution and focus on the markets in the Greater China and "One Belt, One Road" regions. It will establish a first class investment and financing and financial holding platform with diversified business structure, distinctive business features, delivering higher profitability and excellent asset quality through an organic and inorganic development approaches.

I would like to take this opportunity to express my heart-felt appreciation to the Directors, the management, and all employees. I must also thank the Shareholders and customers of the Company for their unfailing trust and support. We will all work together and give full play to the Group's advantages and experience to scale new heights in the Group's performance.

Li Hang
Chairman and Non-Executive Director

21 June 2018

FINANCIAL RESULTS AND BUSINESS REVIEW

The Board is pleased to announce that the Group, for the year ended 31 March 2018, has recorded a net profit of approximately HK$670,725,000 (2017: HK$159,356,000). The net profit is mainly attributable to the net fair value gain of approximately HK$561,576,000 (2017: HK$409,448,000) arising from investments at fair value through profit or loss.

During the year under review, the name of the Company was changed to "China Shandong Hi-Speed Financial Group Limited" and "中國山東高速金融集團有限公司" was adopted as its secondary name with effect from 14 September 2017. This has set a clearer corporate image and identity for the Company and would be beneficial to its business development to become a leading financial group with diversified financial services, generating values for its Shareholders.

On 13 October 2017, the Group completed the acquisition of 40% indirect equity interest in Shandong Hi-Speed Global Finance and Leasing Company Limited*（山東高速環球融資租賃有限公司）("Global Finance"), while Shandong Hi-Speed Group Co., Ltd.*（山東高速集團有限公司）(together with its subsidiaries, "Shandong Hi-Speed Group") remained as the only controller of Global Finance after the acquisition. Global Finance is engaged in various leasing businesses and it has been relying on Shandong Hi-Speed Group's strengths in brand promotion, distribution channel and capital resources for exploration of new markets. In addition, Global Finance has maintained in-depth cooperation with Shandong Hi-Speed Group on basic transportation facilities and other companies on oil equipment and agricultural chemistry businesses for launching the financial leasing business. We believe that this acquisition will allow the Group to obtain exposure in the "One Belt, One Road" initiative under the national strategy, which will seek the potential investment opportunities in more than 60 countries along the "One Belt, One Road".

On 26 March 2018, the Group has completed the acquisition of 60% shares in Kun Peng International Limited ("Kun Peng"), by way of cash and issuance of a total of 363,065,565 consideration shares by the Company. Kun Peng controls the operation of Shenzhen Honesta New Finance Holding Company Ltd*（深圳厚生新金融控股有限公司）("Honesta New Finance"). With acquisition of this diversified financial services platform, the Group has laid down the foundation for further development in the financial technology industry, has acquired a complete supply chain of financial service that can provide all-round financial services, and has gained access to 'big data' information of a large number of customers in PRC. The numerous operating subsidiaries and associates of Honesta New Finance and the Company can together generate synergies.

During the year, the Group recorded total assets of approximately HK$14,414,673,000 (2017: HK$4,735,830,000), total liabilities of approximately HK$8,569,849,000 (2017: HK$1,549,161,000), and therefore net assets of approximately HK$5,844,824,000 (2017: HK$3,186,669,000).

MANAGEMENT DISCUSSION AND ANALYSIS

The Company is an investment holding company with its subsidiaries engaging in the following major business during the year:

a) Financial leasing

The financial leasing business recorded a profit of approximately HK$257,334,000 for the year (2017: HK$208,378,000). Moreover, the Company completed the acquisition of 40% indirect equity interest in Global Finance at a consideration of HK$1.50 billion in October 2017. The management believes that this acquisition will help the Group seizes potential investment opportunities in more than 60 countries along the "One Belt, One Road".

b) Investment in securities

The Group's securities portfolio had an unrealised fair value gain on investments at fair value through profit or loss of approximately HK$459,713,000 for the year (2017: HK$867,184,000) and a realised gain of approximately HK$101,863,000 (2017: realised loss HK$457,736,000).

c) Money lending business

The money lending business recorded a turnover of approximately HK$68,633,000 for the year (2017: HK$20,763,000). The increase in turnover was mainly due to expansion of the business. The accumulated lending principal amounted to approximately HK$1,358,805,000 as at 31 March 2018 (2017: HK$56,503,000). The Group will continue to adopt a cautious approach for risk management so as to maintain the profitability of the business.

C.I.F. Financial Limited, a wholly-owned subsidiary of the Company, holds a money lenders license.

d) Financial technology

The Group completed the acquisition of 60% shares of Kun Peng in March 2018. Kun Peng controls the operation of Honesta New Finance and its subsidiaries. It is expected that Honesta New Finance would contribute operational income to the Group in the coming year and create synergy with the business of the Group, in particular, the development of financial technology business.

e) Asset trading platform

The Group is engaged in the trading business of financial leasing, leasing assets as well as other leasing properties, and provision of spot trading platform and marketing and consulting services related to the above businesses.

Shenzhen Asia-Pacific Leasing Assets Exchange Center Co., Ltd.*（深圳亞太租賃資產交易中心有限公司）, the Company's wholly-owned subsidiary based in Qianhai of Shenzhen, would continue to benefit from the policy advantages of the Guangdong Free Trade Area and Qianhai-Shenzhen-Hong Kong Modern Service Industry Cooperation Zone. The Company intends to develop it into a leading domestic and international asset trading platform and integrated services provider.

The Group also carried on the business in securities brokerage and commercial factoring during the year.

PROSPECT

The Company will continue to implement its strategy to develop itself into a leading financial group with full licenses and to further diversify its business, with an aim to enhance profitability of the Company and increase value for its Shareholders.

With support from its Shareholder, Shandong Hi-Speed Group, the Group will explore and seize investment opportunities in the markets along the "One Belt, One Road" regions and in the Greater China. The "One Belt, One Road" initiative inspires new ideas and solutions to implement strategy including policy co-ordination, facilities connectivity, unimpeded trade, financial integration and people-to-people bonds. Financial integration lends important support to "One Belt, One Road" constructions, which is vital to the success of the policy. With increasing investment by Chinese companies in the countries along the route of the "One Belt, One Road", it is expected that such constructions will continue to drive the economic development and create vast job opportunities in various countries. The Group will respond to the "One Belt, One Road" policy, and actively seek for opportunities for large-scale financing projects. The Group will also seek to play a more active role in the construction of the Guandong – Hong Kong – Macao Greater Bay Area, in particular, by provision of financial support for major project constructions.

The Company would like to develop financial investment as one of its principal business activities of the Group. Recently, the Group has made certain investments in financial instruments in line with its strategy and the Directors expect that such financial investment would better utilise its existing internal financial resources, diversify the investment portfolio of the Group and thereby broadening its source of revenue and enhancing Shareholders' value. The Group would continue to seek opportunities to expand its financial investment segment, which is expected to account for approximately more than 50% of the total assets of the Group in the coming years. In the coming year, the Company intends to expand the scale of its asset management business and will pay close attention to investment opportunities in the Belt and Road projects as well as education, transportation, urban development and healthcare projects.

The Group will also look for potential acquisition targets that will provide synergy with the Group and enhance profitability. As at the date of this report, the Group does not have any specific acquisition targets.

EVENTS AFTER THE END OF THE REPORTING PERIOD

On 7 May 2018, Shangao International Finance Leasing (Shenzhen) Co., Ltd.*（山高國際融資租賃（深圳）有限公司）, formerly known as Xianglong Finance Leasing (Shenzhen) Company Limited ("Xianglong FL") entered into a supplemental agreement with its customer in relation to a finance lease arrangement whereby Xianglong FL agreed to purchase certain machinery and equipment from the customer at an aggregate consideration of RMB600,000,000, which have been leased back to the customer for a term of three years at a total lease payment of approximately RMB650,850,000. Pursuant to the supplemental agreement, the total lease payments payable under the finance lease arrangement was reduced to approximately RMB623,035,000 and the remaining lease payments were adjusted accordingly. This finance lease arrangement formed part of a major transaction that is subject to Shareholders' approval.

Details of the said transactions were set out in the announcements of the Company dated 16 May, 1 June and 7 June 2018.

FUND RAISING ACTIVITIES

The Group issued a total of US$600 million 3.9% guaranteed notes due in 2019 through a wholly-owned subsidiary during the year ended 31 March 2018. This debt financing marked an important step for the Group to gain recognition in the international finance market, and would provide the Company with additional sources of funds for its business development.

The Company issued convertible bonds in an aggregate principal amount of US$40,000,000 in February 2018, the proceeds of which were utilised to redeem a previous convertible bonds in full in the principal amount of US$40,000,000 before their maturity at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest up to the date of redemption. Details of the issuance of the convertible bonds were set out in the announcements of the Company dated 23 January 2018 and 6 February 2018.

The Group did not conduct any equity financing activity during the year under review.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2018, the Group's total assets and borrowings were approximately HK$14,414,673,000 and HK$8,028,855,000 respectively. The borrowings of the Group represented bank borrowings, bonds and other borrowings which were approximately HK$811,280,000, HK$4,662,357,000 and HK$1,799,853,000 respectively. As at 31 March 2018, the Group had three outstanding convertible bonds in the aggregate amount of HK$755,365,000 with a fixed interest rate of 6-8% per annum, a public bond of approximately HK$4,642,130,000 with a fixed interest rate of 3.9% per annum and two unsecured bonds for a term of seven years of approximately HK$20,227,000 with a fixed rate of interest of 5% per annum. Although the convertible bonds, the public bond and other borrowings were denominated in US dollars, the exchange rate was relatively stable and the unsecured bonds were denominated in Hong Kong dollars, thus the Company was not subject to the risks in relation to exchange rate fluctuations. The gearing ratio (total borrowings divided by total assets) as at 31 March 2018 was approximately 55.70% (2017: 26.92%).

On 13 October 2017, the major and connected transaction in relation to the acquisition of 40% indirect equity interest in Global Finance was completed and 5,000,000,000 consideration shares of the Company were alloted and issued.

On 26 March 2018, the transaction in relation to the acquisition and subscription of an aggregate of 60% equity interest in Kun Peng was completed and 363,065,565 consideration shares were allotted and issued.

CURRENCY RISK MANAGEMENT

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi, Hong Kong dollars and US dollars. The Group is mainly exposed to foreign exchange risk with respect to Renminbi which may affect the Group's performance. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of Renminbi and will closely monitor its impact on the performance of the Group and considers adopting appropriate hedging measures in the future when necessary. In addition, the Group also pays close attention to the impact of the U.S. interest rate increase cycle on the U.S. dollar-denominated assets, and adopts appropriate response measures.

PLEDGE OF ASSETS

As at 31 March 2018, certain borrowings of the Group were secured by shares of a subsidiary of the Company. Details are set out in note 32 to the consolidated financial statements.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

Save as disclosed in notes 33 and 40 to the consolidated financial statements, the Group had no other significant contingent liabilities and capital commitment as at 31 March 2018.

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

No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries during the year.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

(a) On 31 March 2017, the Group entered into a sale and purchase agreement with Leading Fortune International Group Limited, a wholly-owned company of an executive Director of the Company, pursuant to which the Group agreed to sell the entire issued share capital of Park Rise Investments Limited, an indirect wholly-owned subsidiary of the Company. All conditions precedent in the agreement have been fulfilled and the disposal was completed on 11 August 2017.

    Further details of the disposal were set out in the Company's announcements dated 31 March 2017 and 11 August 2017.

(b) On 29 December 2017, Coastal Silk Limited, an indirect wholly-owned subsidiary of the Company, as purchaser, entered into a share purchase agreement with Honesta Investment Limited, as vendor, Kun Peng and a shareholder of Honesta Investment Limited in respect of (i) issue and allotment of 12,500 new shares in Kun Peng, representing 25% of the then share capital of Kun Peng and 20% of the share capital as enlarged by the new shares to be allotted and issued by Kun Peng, at a cash consideration of RMB50,000,000 (equivalent to approximately HK$62,463,000); and (ii) sale and purchase of 25,000 shares in Kun Peng, representing 50% of the then share capital of Kun Peng and 40% of the share capital as enlarged by the new shares in Kun Peng, at a consideration of RMB100,000,000, which was satisfied by way of allotment and issue of 363,065,565 shares of the Company. Upon completion of the acquisition of Kun Peng on 26 March 2018, Kun Peng was held by the Group as 60% owned subsidiary.

    Further details of the said transaction were set out in the Company's announcements dated 29 December 2017 and 26 March 2018.

Save for the aforesaid, the Group had no other material acquisition and disposal of subsidiaries for the year ended 31 March 2018.

EMPLOYEES, REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME

As at 31 March 2018, the Group had a workforce, including Directors of the Group, of 529, of which 485 were based in the PRC. Staff costs incurred and charged to profit or loss for the period, including Directors' remuneration were approximately HK$60,646,000 (2017: approximately HK$52,357,000).

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

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

The Group deploys training program and offers development opportunities for employees. In September 2017, we hired a training institution to provide professional courses to employees so as to enhance their professional capabilities. We build for each employee an individual learning and development profile so as to improve professional service standard and enable our employees to keep up with the times and to equip with sufficient professional capabilities for providing better services to investors and stakeholders. The Group also provides other welfare to staff in line with prevailing market practices.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to supporting environmental sustainability. The Group implements policies and measures in our daily business operations to reduce the Group's impact on the environment.

The Group places high attention to indicators of energy usage and emission. Although the Group is not involved in any manufacturing activities, it persists in low-carbon travel without hindering the efficient operation of the Group. Employees shall strictly comply with the specifications of travel allowance claim under the daily expense standards. They are required to choose their transportation based on efficiency and conservation. Low-carbon and efficient transportation, such as MTR and other public transport, is encouraged. We also encourage employees travelling together to pick the same flight to allow pick-up in one go and conserving energy.

The Group adheres to the policies of efficient use of energy, water and other resources as we endorse conservation of energy and resources in daily operations. We post notes at lighting switches and other visible areas as one of the measures for energy conservation. We advocate the Energy Saving Charter on Indoor Temperature and maintain an average indoor temperature between 24 – 26°C during summer time to save energy; use LED lights included in the voluntary energy efficiency labelling scheme of the Electrical and Mechanical Services Department; select energy efficient appliances (e.g. refrigerators, air-conditioners); request employees to switch off the lights before leaving offices; encourage reuse of stationery, such as old envelopes and folders; promote double-sided printing and reuse of paper for facsimile.

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code for the purposes of, among others, reviewing and providing supervision over the Group's financial reporting processes and internal controls. The audit committee comprises four Independent Non-executive Directors. The Company's annual results for the year ended 31 March 2018 have been reviewed by the audit committee of the Company.

RELATIONSHIPS WITH STAKEHOLDERS

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

Taking into account the improved performance of the Group, a proposal will be put forward to the Shareholders for approval in order to update the relevant provision in the Company's Bye-laws so that the Company will be in a position to declare dividends to the Shareholders.

On 21 June 2018, the Board proposes to amend the Bye-laws in order to update the existing one so as to, among other things, reflect the current requirements of the Listing Rules and the relevant Bermuda law and to make other house-keeping improvements to the existing Bye-laws.

The proposed amendments to the Bye-laws and the adoption of the amended and restated Bye-laws by the Company are subject to the approval of the Shareholders by way of special resolution at the forthcoming annual general meeting of the Company.

Further details of the proposed amendments are set out in the Company's announcement dated 21 June 2018.

BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Li Hang, aged 48, was appointed as a non-executive Director and the chairman of the board of Directors of the Company on 18 October 2016 and chairman of the nomination committee of the Company on 19 October 2016. He is the executive director of Shandong Hi-Speed Group Co., Ltd., chairman of Shandong Hi-Speed Everbright Industrial Investment Fund Management Co., Ltd. and director of Shandong Hi-Speed Company Limited, Weihai City Commercial Bank Co., Ltd. and Shandong Railway Construction Investment Company Limited. From 1994 to 2005, Mr. Li served a number of key positions in local and overseas offices of China Qingqi Group, and subsequently joined Shandong Hi-Speed Group Co., Ltd. in 2005. Mr. Li has over 20 years of working experience in corporate management and finance sectors. Mr. Li holds a doctorate degree in management from Tongji University. He is a certified public accountant and senior accountant in China, a member of American Institute of Certified Public Accountants (AICPA), a member of Chartered Institute of Management Accountants (CIMA), a certified assets manager in China and a certified risks manager in China.

Dr. Lam Lee G., aged 58, was appointed as a non-executive Director and the vice chairman of the Company on 10 November 2017. Dr. Lam holds Bachelor Degree in Sciences and Mathematics, Master Degrees in Systems Science and Business Administration from the University of Ottawa in Canada, Post-graduate Diploma in Public Administration from Carleton University in Canada, Post-graduate Diploma in English and Hong Kong Law and Honour Degree in Law from Manchester Metropolitan University in the United Kingdom, Master Degree in Law from the University of Wolverhampton in the United Kingdom, Post-graduate Certificate in Law from The City University of Hong Kong, Certificate in Professional Accountancy from the School of Continuing and Professional Studies of The Chinese University of Hong Kong, Master Degree in Public Administration and Doctoral Degree in Philosophy from The University of Hong Kong. As a former member of the Hong Kong Bar Association, Dr. Lam is a Solicitor of the High Court of Hong Kong, an Honorary Fellow of CPA Australia, a Fellow of CMA Australia, a Fellow of the Hong Kong Institute of Arbitrators, an Accredited Mediator of the Centre for Effective Dispute Resolution (CEDR), a Fellow of the Hong Kong Institute of Directors, and an Honorary Fellow of the University of Hong Kong School of Professional and Continuing Education (HKU SPACE).

Dr. Lam is Chairman of Hong Kong Cyberport Management Company Limited, Non-Executive Chairman – Hong Kong and ASEAN Region and Chief Adviser to Macquarie Infrastructure and Real Assets Asia, a member of the Hong Kong Special Administrative Region Government's Committee on Innovation, Technology and Re-Industrialization, the Hong Kong Council on Smoking and Health, the Council on Professional Conduct in Education (CPC), and the Court of the City University of Hong Kong, Convenor of the Panel of Advisors on Building Management Disputes of the Hong Kong Special Administrative Region Government Home Affairs Department, President of the United Nations Economic and Social Commission for Asia and the Pacific (UN ESCAP) Sustainable Business Network (ESBN) Executive Council and Chairman of its Task Force on Banking and Finance, Chairman of the Permanent Commission on Economic and Financial Issues of World Union of Small and Medium Enterprises (WUSME), a Board member of Pacific Basin Economic Council (PBEC), a member of the Hong Kong Trade Development Council Belt and Road Committee and the Sir Murray MacLehose Trust Fund Investment Advisory Committee, Honorary Advisor to the Hong Kong Business Angel Network (HKBAN), Honorary Chairman – Asia Pacific of CMA Australia, Chairman of Monte Jade Science and Technology Association of Hong Kong, President of Hong Kong-ASEAN Economic Cooperation Foundation, a Vice President of the Hong Kong Real Property Federation, Special Adviser to the Asia Pacific Real Estates Association, a Board member of the Chinese General Chamber of Commerce of Hong Kong and the Australian Chamber of Commerce in Hong Kong and Macau, a founding Board member and the Honourary Treasurer of the Hong Kong Vietnam Chamber of Commerce, Vice Chairman of the Hong Kong Myanmar Chamber of Commerce, a founding member of the Hong Kong-Korea Business Council, and a member of the Hong Kong-Thailand Business Council.

Dr. Lam has over 30 years of international experience in general management, strategy consulting, corporate governance, direct investment, investment banking and fund management across the telecommunications/media/technology, consumer/healthcare, infrastructure/real estates, energy/resources and financial services sectors. Dr. Lam previously held a number of posts including General Manager of Hong Kong Telecom, a member of the Senior Management of CP Group in Thailand and Chairman/Director/Chief Executive Officer of several companies affiliated to the group, Managing Director of BOC International and Vice Chairman and COO of Investment Banking Division of BOC International, Executive Director of Singapore Technologies Telemedia (a member of Temasek Holdings, a sovereign fund of Singapore), and Chairman – Hong Kong/Vietnam/Cambodia/Laos/Myanmar/Thailand and Senior Adviser – Asia of Macquarie Capital.

Dr. Lam is an independent non-executive director of each of CSI Properties Limited (Stock Code: 497), Glorious Sun Enterprises Limited (Stock Code: 393), Vongroup Limited (Stock Code: 318), Mei Ah Entertainment Group Limited (Stock Code: 391), Elife Holdings Limited (Stock Code: 223), Haitong Securities Company Limited (Stock Code: 6837 and it is also listed on the Shanghai Stock Exchange with Stock Code: 600837), Huarong Investment Stock Corporation Limited (Stock Code: 2277), Xi'an Haitiantian Holdings Company Limited (Stock Code: 8227), Hua Long Jin Kong Company Limited (Stock Code: 1682) and Kidsland International Holdings Limited (Stock Code: 2122) and a non-executive Director of each of Sunwah Kingsway Capital Holdings Limited (Stock Code: 188), China LNG Group Limited (Stock Code: 931), National Arts Entertainment and Culture Group Limited (Stock Code: 8228) and Tianda Pharmaceuticals Limited (Stock Code: 455), the shares of all of which are listed on The Stock Exchange of Hong Kong Limited. He is an independent non-executive director of each of Asia-Pacific Strategic Investments Limited (Stock Code: 5RA) and Top Global Limited (Stock Code: BHO), and non-executive director of Singapore eDevelopment Limited (Stock Code: 40V), the shares of all of which are listed on the Singapore Exchange. Dr. Lam is also an independent non-executive director of Sunwah International Limited (Stock Code: SWH) whose shares are listed on the Toronto Stock Exchange, an independent non-executive director of AustChina Holdings Limited (Stock Code: AUH) whose shares are listed on the Australian Securities Exchange, and non-executive director of Adamas Finance Asia Limited (Stock Code: ADAM) whose shares are listed on the London Securities Exchange.

Dr. Lam was a non-executive director of ZH International Holdings Limited (Stock Code: 185), DTXS Silk Road Investment Holdings Company Limited (Stock Code: 620) and Roma Group Limited (Stock Code: 8072), and he was also an independent non-executive director of Imagi International Holdings Limited (Stock Code: 585) and Mingyuan Medicare Development Company Limited (Stock Code: 233), the shares of all of which are listed on the Hong Kong Stock Exchange, and an independent non-executive director of Vietnam Equity Holding (Stock Code: 3MS) whose shares are listed on the Stuttgart Stock Exchange, and an independent non-executive director of Rowsley Limited (Stock Code: A50) whose shares are listed on the Singapore Stock Exchange.

BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Ji Kecheng, aged 46, was appointed as an executive Director and chief executive officer of the Company and the chairman of the executive committee on 10 November 2017. He is currently the chief accountant of Shandong Hi-Speed Group Co., Ltd. and serves as a director of Taishan Property & Casualty Insurance Co., Ltd. and a supervisor of Bohai Ferry Group Co., Ltd. Mr. Ji has accumulated extensive experience in corporate financial management and capital operation from his long-term work in financial management. Previously, Mr. Ji held a position with the Department of Communications of the Shandong Provincial Government. In 2001, he joined Shandong Hi-Speed Group Co., Ltd. and held a number of important management posts including deputy director of accounting division of Shandong Hi-Speed Group Co., Ltd., chief accountant of Shandong Hi-Speed Rail Transit Group Co., Ltd. (山東高速軌道交通集團有限公司), director of financial planning division and chief accountant of Shandong Hi-Speed Group Co., Ltd.. Mr. Ji holds an MBA from Shandong University and is a certified public accountant of China, senior accountant, management accounting advisory counsellor of the Shandong Provincial Government and asset valuation specialist for the enterprises administered by the Shandong Provincial Government.

Mr. Wang Zhenjiang, aged 41, was appointed as an executive Director and the vice president of the Company on 18 October 2016 and a member of each of the remuneration committee of the Company and the executive committee on 19 October 2016. He is the vice head of the Investment Development Division of Shandong Hi-Speed Group Co., Ltd. Mr. Wang has extensive experience in accounting, banking and investment and served in a number of management positions in Weihai City Commercial Bank Co., Ltd. Mr. Wang holds a master degree in business administration from Shandong University of Finance and is a certified public accountant in China.

Mr. Yau Wai Lung, aged 46, has been an executive Director of the Company since 2014. Mr. Yau was appointed as a member of the Remuneration Committee on 19 October 2016. He stepped down as the chairman of the Nomination Committee and Executive Committee of the Company on 19 October 2016 and 10 November 2017 respectively and remains as the committee member of the two committees. He is also a director of certain subsidiaries of the Group. He has rich experience in project investment and management in Hong Kong and China. Mr. Yau held a number of senior business development roles in major corporations and, during his tenure with these corporations, Mr. Yau was involved in a number of cross-border business projects and was responsible for the investment and management of these projects.

Mr. Li Zhen Yu, aged 46, was appointed as an executive Director and a member of the executive committee of the Company on 25 October 2017. He is also a director of certain subsidiaries of the Group. He has been general manager of Beijing Jingyu Investment Company Limited*（北京京宇投資有限公司）since March 2015. From April 2011 to February 2015, he served as executive director, chief executive officer and chief operating officer of Gemini Investments (Holdings) Limited, a listed company on the Hong Kong Stock Exchange (stock code: 174), as well as general manager of Sino Prosperity Real Estate Fund, a fund jointly established by Gemini Investments and KKR. Since May 2007, he has been joint secretary of the board, general manager of the secretary administration department, general manager of the investment department, general manager of the corporate finance division and deputy general manager of the real estate financial affairs division of Sino-Ocean Group Holding Limited, a listed company on the Hong Kong Stock Exchange (stock code: 3377), responsible for board affairs, property investment, finance as well as real estate financial affairs. From 1994 to 2007, he served as division chief or department head of the finance department, the president office, the planning department and the strategic development division of China Ocean Shipping (Group) Company*（中國遠洋運輸（集團）總公司）, engaged in the financial affairs, secretary administration, strategic planning, structural reform, capital operation and other business. Mr. Li obtained a Bachelor's Degree in Accounting from the Central University of Finance and Economics in June 1994. He obtained Finance EMBA from the PBC School of Finance at Tsinghua University in 2015.

Mr. Qiu Jianyang, aged 55, has been a non-executive Director of the Company since 2015. He graduated from Hunan University (Hunan College of Finance and Economics) in 1985 with a major in Financial Accounting. Mr. Qiu has extensive experience in finance and investment. Mr. Qiu is currently the president of the Investment Department of 世紀金源投資集團有限公司 (Century Golden Resources Group*), responsible for investment feasibility analysis and review on business plans and strategic investments. Mr. Qiu was also a director of 中信建投證券股份有限責任公司 (China Securities Co., Ltd.*). Prior to these, Mr. Qiu served as vice president of 中信資訊科技投資有限公司 (CITIC Information Technology Investment Co., Ltd*) and financial manager of 中國聯通第一分公司 (the First Branch of China Unicom*).Mr. Qiu is a certified public accountant in the PRC, having held various positions such as a financial manager with rich investment experience in the global financial markets. Mr. Qiu has a wealth of theoretical knowledge, and has co-published a treatise entitled "Corporate Financial Accounting Practice"《公司財務會計實務》.

BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Lo Man Tuen, *G.B.S., JP*, aged 69, was appointed as a non-executive Director of the Company on 10 November 2017. Mr. Lo is currently the chairman of Wing Li Group (International) Ltd.. Mr. Lo also hosts a number of posts such as the chairman of Wing Li Packaging Limited, the chairman of Glory Sign International Limited and the independent non-executive director of Hanergy Thin Film Power Group Limited (0566.HK), a company listed on the Main Board of the Stock Exchange. In respect of public offices, Mr. Lo is a member of the 9th to 12th National Committee of the Chinese People's Political Consultative Conference. In addition, Mr. Lo is the vice chairman of Sub-committee of 12th Foreign Affairs of CPPCC National Committee and the vice-chairman of 12th All-China Federation of Industry and Commerce. In 2013, Mr. Lo was also appointed as the executive director of Hong Kong Association for the Promotion of Peaceful Reunification of China. In 2015, Mr. Lo was appointed as the president of China Peaceful Development General Summit of Hong Kong Macao Taiwan Diaspora. Mr. Lo was also nominated as the honorary life chairman of Chinese General Chamber of Commerce of Hong Kong in 2016. In recognition of his years-long contribution to the society, Mr. Lo was awarded the Gold Bauhinia Star, Silver Bauhinia Star, Bronze Bauhinia Star, Medal of Honour and Justice of the Peace.

Mr. Cheung Wing Ping, aged 51, has been an independent non-executive Director of the Company since 2015, the chairman of each of the Audit Committee (since 10 November 2017) and the Remuneration Committee and a member of the Nomination Committee. He has over 20 years of experience in auditing and accounting fields. He holds a Bachelor's degree in Accountancy with honours from City University of Hong Kong and is a fellow of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung is currently an independent non-executive director of Freeman FinTech Corporation Limited (Stock Code: 279), Enerchina Holdings Limited (Stock Code: 622) and China Touyun Tech Group Limited (Stock Code: 1332), all of which are publicly listed companies in Hong Kong. Mr. Cheung was formerly an executive director of Eagle Ride Investment Holdings Limited (Stock Code: 901) from June 2011 to November 2013; and an executive director and an independent non-executive director of Mason Group Holdings Limited (Stock Code: 273) from July 2013 to September 2016 and October 2009 to June 2013, respectively, all of which are publicly listed companies in Hong Kong.

Mr. To Shing Chuen, aged 67, has been an independent non-executive Director since 2002 and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. He has a Bachelor's of Arts degree and has over 20 years' experiences in trading, garment and leather industries. Mr. To is currently an independent non-executive director of China Touyun Tech Group Limited (formerly known as "China Opto Holdings Limited") (Stock Code: 1332), which is a publicly listed company in Hong Kong.

Mr. Wang Huixuan, aged 52, was appointed as an independent non-executive Director of the Company and a member of each of the Audit Committee, Remuneration Committee and Nomination Committee on 10 November 2017. He holds a doctorate degree in business administration and holds the title of senior economist. He is currently the executive director and co-president of Tsinghua Unigroup. Mr. Wang earlier served as the chairman of the board of directors of Unisplendour Technology (Holdings) Limited (0365.HK), and the director of Unigroup Guoxin Co., Ltd. Mr. Wang has extensive experience in management, finance and investment from his long-term work in the macro-economic management and finance field. He has published two books on economics and a number of articles in core journals, and has won provincial level and ministry level awards for technological advancement. From 1987 to 2006, Mr. Wang was engaged in macro-economic and social management in local governments, holding a number of posts including secretary to the Communist Party committee of Urumqi, head of the technology division, secretary of the municipal Party committee of Urumqi, secretary of the Communist Party committee of Dongshan District of Urumqi and head of the Administration Committee of Midong New District of Urumqi. From 2006 to 2009, Mr. Wang was the head official of China Life Insurance's Xinjiang Branch, PICC Life Insurance's Guangdong Branch and Shandong Branch. From 2009 to 2015, Mr. Wang served as the executive director, vice president and a member of the investment committee of PICC Life Insurance. From 2015 to 2016, Mr. Wang served as the chairman, CEO and the chairman of the investment committee of PICC Capital.

Mr. Guan Huanfei, aged 61, was appointed as an independent non-executive Director of the Company and a member of the Audit Committee on 10 November 2017. He obtained a doctor's degree in Economics in 2000 from Wuhan University and was a post-doctoral researcher in Theoretical Economics with Fudan University from 2000 to 2002. Mr. Guan has been a part-time researcher of the Insurance Research Centre of Fudan University since 2004. He has been appointed as a part-time lecturer of professional degree of Fudan University since 2013. Mr. Guan is an economic and technical consultant of Jilin Provincial Government（吉林省人民政府經濟技術顧問）. Mr. Guan is also currently an independent non-executive director of each China Nonferrous Mining Corporation Limited (1258.HK), Huarong International Financial Holdings Limited (0993.HK) and Sunwah Kingsway Capital Holdings Limited (0188.HK) (both companies are listed on the Main Board of the Stock Exchange). Mr. Guan was appointed as a non-executive director of Ping An Securities Group (Holdings) Limited (0231.HK) in December 2017. Mr. Guan had been the chairman emeritus of Culturecom Holdings Limited (0343.HK) (a company listed on the Main Board of the Stock Exchange) and the chairman of the board of directors of UCAN.COM Group Limited, a subsidiary of Culturecom Holdings Limited from July 2013 to March 2016. Mr. Guan has been an executive director of CCT Land Holdings Limited (0261.HK) since May 2015 and had resigned in September 2017. Mr. Guan was an independent non-executive director of Silver Base Group Holdings Limited (0886.HK) (a company listed on the Main Board of the Stock Exchange) for the period from March 2008 to January 2011. He was an executive director and president of the said company from January 2011 to December 2012. Mr. Guan has extensive experience in the finance and insurance industry in Hong Kong and the People's Republic of China. He held various senior managerial positions in the People's Insurance Company of China (Jilin Branch), the business department of Hong Kong and Macao Regional Office of China Insurance Group, Ming An Insurance Company (Hong Kong) Limited and China Pacific Insurance Co., (HK) Ltd. He also held offices at the Bank of Communications, including the deputy chairman of the risk asset management committee（風險資產管理委員會副主任委員）, deputy chairman of credit asset management committee（信貸資產管理委員會副主任委員）, chairman of loan verification committee（貸款審查委員會主任委員）, deputy general manager of the Bank of Communications Hong Kong Branch, the director of Bank of Communications Trustee Limited, the chairman and chief executive of China BOCOM Insurance Co., Ltd. and an executive director and general manager of BoCommLife Insurance Company Limited.

SENIOR MANAGEMENT

Mr. Liu Yujie

Executive President

Mr. Liu was appointed as the Executive President of the Company with effect from May 2018. Mr. Liu has extensive working experience in investments, merger and acquisition as well as management of financial institutions. Prior to joining the Company, Mr. Liu served as the general manager of a well-known joint investment platform and has tens of billions in assets under management and before that, Mr. Liu also served various leading and business management positions in central stated-owned enterprises, investment banks and investment institutions. He holds a master degree of Computer Science from Peking University.

Mr. Liu Zhijie

Chief Financial Officer

Mr. Liu was appointed as the chief financial officer of the Company since October 2016. Mr. Liu previously served as the General Manager of Planning and Financial Management Department of China Shandong International Economic and Technical Cooperation Group Limited and a director of Shandong International Economics (HK) Limited. Mr. Liu successively held audit, tax and financial management positions in accounting firms and large-scale state-owned enterprises. He also oversaw various overseas companies and has extensive experience in financial management, investment and financing, as well as overseas business exposure. Mr. Liu holds a bachelor's degree from Shandong University of Finance and Economics. He is a senior accountant and selected as high-grade accountant personnel.

Mr. Jiang Yu Guo

Vice President

Mr. Jiang joined the Company in December 2017 as the Vice President. Prior to joining the Company, he worked in China Construction Bank Corporation ("CCBC") and Ping An Bank Co., Ltd. ("Ping An Bank"). During 1993 to 2013, he worked in CCBC and successively served as the senior chief of the capital planning department of the Zaozhuang Branch, the assistant to president of the Central District Sub-branch, the deputy general manager of the credit management department of the branch, the head of the business unit of the branch, the general manager of corporate business development department of the branch, the assistant to president of the Zaozhuang Branch, a senior credit approver (deputy general manager grade) of the credit approval department of the Shandong Branch of CCBC and the vice president of Zaozhuang Branch. During 2013 to 2017, he worked in Ping An Bank and successively served as the president of the Minghu Sub-branch under Jinan Branch as well as the chief risk officer of the transportation finance department of Ping An Bank Head Office. Through the past 25 years' work in various positions at different levels, Mr. Jiang has accumulated experience in state-owned bank and national joint-stock bank and possesses extensive experience in business operation and risk management of financial enterprises, particularly on corporate investment and finance and supply chain finance business. Mr. Jiang holds a Master degree in Financial Engineering from the Shandong University and is an economist.

Mr. Liu Yao

Vice Executive President

Mr. Liu was appointed as a vice executive president of the Company since December 2017. Mr. Liu has worked for a number of arms and divisions of Shandong Hi-Speed Group Co., Ltd. ("Shandong Hi-Speed Group"), namely the real estate arm, the division of investment development in listed companies and the investment development division (property title management) under the headquarters of Shandong Hi-Speed Group. Mr. Liu had participated in professional trainee exchange programmes held by the investment banking division of Everbright Securities Company Limited and the fund management company of Everbright Capital Investment Limited, respectively. Mr. Liu has a number of practicing qualifications in accounting, securities and funds respectively, with extensive working experience in real estate, investment and securities. He holds a Master's degree in Finance from Shandong University of Finance and Economics, and is an economist and registered real estate appraiser in China.

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

CHANGE OF COMPANY NAME

A special resolution in relation to the change of name of the company was passed by the Shareholders at the special general meeting of the Company held on 18 August 2017. A Certificate of Incorporation on Change of Name and Certificate of Secondary Name have been issued by the Registrar of Companies in Bermuda on 14 September 2017 certifying the change of the English name of the Company from "China Innovative Finance Group Limited" to "China Shandong Hi-Speed Financial Group Limited" and the adoption of the Chinese name of "中國山東高速金融集團有限公司" as the Company's secondary name in Chinese in replacement of the original secondary name in Chinese "中國新金融集團有限公司". A Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 4 October 2017 confirming the Company has altered its name and is now registered under the name of "China Shandong Hi-Speed Financial Group Limited 中國山東高速金融集團有限公司" in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of financial services, including financial leasing, provision of finance, asset management, operation of an asset trading platform, financial investments, financial technology and related financial services. Details of the particulars of principal subsidiaries are set out in note 41 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the year and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on pages 67 to 74.

The Directors do not recommend the payment of any dividend in respect of the year (2017: Nil).

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out on page 200. This summary does not form part of the audited financial statements.

BUSINESS REVIEW

Disclosures as required by Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "Hong Kong Companies Ordinance") regarding the business review can be found in the "Management Discussion and Analysis" section set out on pages 7 to 15 of this annual report. This discussion forms part of this report of the Directors.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

On 13 October 2017, 5,000,000,000 shares of the Company (the "Shares"), totalling HK$1.5 billion, were allotted and issued as consideration shares to Shandong International (Hong Kong) Limited (the "Seller") pursuant to the sale and purchase agreement dated 25 April 2017 entered into between Viewlock Limited (the "Purchaser") (as the purchaser), the Seller (as the seller) and Shandong Province Rural Economic Development Investment Company（山東省農村經濟開發投資公司）in respect of the acquisition of 40% equity interest in Shandong Hi-Speed (BVI) International Holding Company Limited by the Purchaser from the Seller pursuant to the terms and conditions of the aforesaid sale and purchase agreement.

On 26 March 2018, 363,065,565 Shares, equivalent to RMB100 million, were allotted and issued as consideration shares to Honesta Investment Limited ("Honesta Investment") pursuant to the share transfer and subscription agreement dated 29 December 2017 entered into by Coastal Silk Limited, Honesta Investment, Kun Peng International Limited ("Kun Peng") and Mr. Hua Meng in respect of the sale and purchase and subscription of an aggregate of 60% shares in Kun Peng.

Further details of movements in the share capital of the Company during the year are set out in note 29 to the consolidated financial statements.

PROFIT GUARANTEE

Pursuant to the sale and purchase agreement dated 8 April 2015 (as supplemented on 29 July 2015) (the "S&P Agreement"), the Company completed the acquisition of China Shandong Hi-Speed Hong Kong Leasing Limited (formerly known as Hong Kong Leasing Limited) ("Hong Kong Leasing") from China Hover Dragon Group Limited and Mr. Gao Chuanyi (collectively the "Vendors") on 1 September 2015 at the base consideration of HK$1,558,334,000, which was settled by the allotment and issuance of 2,361,112,121 Shares. There was an arrangement of profits guarantee from the Vendors that if the audited net profits after tax of the relevant year of Hong Kong Leasing is less than the guaranteed amounts (as disclosed below), the base consideration for the acquisition shall be reduced by way of repurchase by the Company of part of the consideration shares.

Relevant year	Guaranteed Amount
1 September 2015 to 30 August 2016 ("1st Year")	HK$100,000,000
1 September 2016 to 30 August 2017 ("2nd Year")	HK$200,000,000

Further details are set out in the Company's announcements dated 10 April and 2 September 2015 and the circular dated 30 July 2015.

The profit guarantee was met and there was no adjustment for the 1st Year. For the 2nd Year, the audited net profits after tax as shown in audited consolidated accounts for the period from 1 September 2016 to 30 August 2017 of the Hong Kong Leasing was less than HK$200,000,000, the Vendors were obligated to sell 1,213,939,394 consideration shares, as calculated using the formula as stipulated in the S&P Agreement, to the Company at nil consideration.

In light of the above, the Company had issued letters to the Vendors and their guarantors to demand, among others, for execution of the procedure for repurchase of the subject shares. The Company had issued a stop notice pursuant to the Rules of High Court to stop the transfer of the subject shares and payment of dividend. Nevertheless, as at the date of this report, neither the Vendors nor the guarantors have fulfilled their obligations under the S&P Agreement. The Company has taken legal advice for further actions that may be appropriate.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the group as at 31 March 2018 are set out in notes 26 to 27 to the consolidated financial statements.

ISSUE OF DEBENTURES

During the year, the following notes were issued by the Group to raise funds for offshore project development, refinancing and general corporate purposes.

On 5 March 2018, Coastal Emerald Limited, an indirect wholly-owned subsidiary of the Company, issued US$400,000,000 3.9% guaranteed notes due 2019 to professional investors.

On 12 March 2018, Coastal Emerald Limited further issued a 3.9% guaranteed notes in the principle amount of US$200,000,000 due 2019 to professional investors which was consolidated and formed a single series with the original notes.

After deducting the issuance costs, the Group received net consideration of approximately US$399,616,000 and approximately US$199,962,000 from the issuance of the notes.

EQUITY-LINKED AGREEMENTS

Details of the equity-linked agreements entered into during the year or subsisting at the end of the year are set out below:

(a) Convertible Bonds

On 23 January 2018, the Company entered into the subscription agreement with Haitong Global Investment SPC III in relation to the subscription of the convertible bonds in an aggregate principal amount of US$40,000,000 (the "CB 5") under the general mandate of the Company at a conversion price of HK$0.35 per conversion share for US$20,000,000 of the principal amount of the said bonds (the "Tranche A Bonds"), and HK$0.42 per conversion share for US$20,000,000 of the principal amount of the said bonds (the "Tranche B Bonds"). The CB 5 bears interest at 6% per annum and shall mature at the expiry of eighteen months from the date of issue. Based on the initial conversion price, the maximum number of Shares to be issued upon conversion is 817,142,856 and none of them was issued as of 31 March 2018.

The net proceeds received from the issue of the CB 5 was approximately US$40,000,000 and was utilised for the redemption of the convertible bonds in the aggregate principal amount of US$40,000,000 (the "CB 2"). Upon issue of the CB 5, the CB 2 was redeemed in full. Any shortfall between the CB 5 and the redemption price of the CB 2 (equivalent to an aggregate of US$40,000,000 together with all outstanding and unpaid interest accrued thereon) was settled by the internal resources of the Group.

The reason for the early redemption of the CB 2 was to enable the Company to issue the CB 5 on more favourable terms to the Group as compared with the CB 2 in term of, inter alia, maturity period and the effective interest rate. The CB 2 required the Company to pay interest of 8% per annum payable in arrears every six months whilst only interest of 6% per annum is required to be paid by the Company for the CB 5.

Further details of convertible bonds issued by the Company during the year or subsisting at the end of the year are set out in note 27 to the consolidated financial statements.

(b) Share Options

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

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

		Number of share options								
Category/ Name of participants	Date of grant	Outstanding as at 01.04.2017	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Outstanding as at 31.03.2018	Vesting period	Validity period of share options	Exercise price of share option (HK$) per share
Directors										
Mr. Yau Wai Lung	05.12.2014	169,400,000	–	–	–	–	169,400,000	–	05.12.2014 to 04.12.2024	0.42
Total		169,400,000	–	–	–	–	169,400,000			

A summary of the Share Option Scheme is set out in note 30 to the consolidated financial statements.

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

PRE-EMPTIVE RIGHTS

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

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

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

DISTRIBUTABLE RESERVES

Under the Bermuda Companies Act 1981, the Company's contributed surplus of approximately HK$1,524,577,000 may be distributed under certain circumstances. Other than the contributed surplus, the Company does not have any reserves available for distribution in accordance with the Bermuda Companies Act 1981 as at 31 March 2018. In addition, the Company's share premium account of approximately HK$4,801,197,000 as at 31 March 2018 may be distributed in the form of fully paid bonus Shares. Details of the share premium account and reserves are set out in note 42 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's largest customer and five largest customers accounted for 26.93% and 64.72% of the Group's revenue, respectively. The Group had insignificant amount of purchases. In the opinion of the Board, it is therefore of no value to disclose details of the Group's suppliers. At no time during the year had the Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the number of issued Shares) had any interest in these major customers and suppliers.

REPORT OF THE DIRECTORS

DIRECTORS

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

Non-executive Director and Chairman

Mr. Li Hang

Non-executive Director and Vice Chairman

Dr. Lam Lee G. *(appointed on 10 November 2017)*

Executive Directors

Mr. Ji Kecheng *(Chief Executive Officer) (appointed on 10 November 2017)*
Mr. Wang Zhenjiang *(Vice President)*
Mr. Yau Wai Lung
Mr. Li Zhen Yu *(appointed on 25 October 2017)*
Ms. Cheng Yan *(Chief Executive Officer) (resigned on 13 September 2017)*
Mr. Ma Chao *(resigned on 10 November 2017)*

Non-executive Director

Mr. Qiu Jianyang
Mr. Lo Man Tuen *(appointed on 10 November 2017)*

Independent Non-executive Directors

Mr. To Shing Chuen
Mr. Cheung Wing Ping
Mr. Wang Huixuan *(appointed on 10 November 2017)*
Mr. Guan Huanfei *(appointed on 10 November 2017)*
Mr. Chung Yuk Lun *(resigned on 10 November 2017)*

During the year, Ms. Cheng Yan, Mr. Ma Chao and Mr. Chung Yuk Lun have resigned from the Board. Mr. Chung Yuk Lun was meanwhile appointed as a corporate consultant by the Board. Pursuant to Code Provision A.4.2 of Appendix 14 of the Listing Rules, Mr. Li Zhen Yu, being a Director appointed by the Board on 25 October 2017 and each of Mr. Ji Kecheng, Dr. Lam Lee G., Mr. Lo Man Tuen, Mr. Wang Huixuan and Mr. Guan Huanfei, being a Director appointed by the Board on 10 November 2017, will be subject to re-election as Directors at the forthcoming general meeting.

In accordance with Bye-law 99(B) of the Bye-laws of the Company, two Directors namely Mr. Qiu Jianyang and Mr. To Shing Chuen shall retire from office by rotation at the forthcoming annual general meeting. Mr. Qiu Jianyang and Mr. To Shing Chuen, being eligible, will offer themselves for re-election as Directors of the Company at the forthcoming annual general meeting. The full biographical details including the changes in information of Directors pursuant to Rule 13.51B(1) of the Listing Rules and senior management have been set out on pages 16 to 23 of this annual report subsequent to specific enquiry by the Company and following confirmation from the Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION

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

DIRECTORS' SERVICE CONTRACTS

As at 31 March 2018, none of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the section headed "Related Parties Transactions" in note 34 to the consolidated financial statements of this annual report, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, any of its holding companies, fellow subsidiaries or subsidiaries was a party, and in which a Director or his/her associate has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

COMPETING INTERESTS

As at 31 March 2018, in so far as the Directors were aware, none of the Directors or their respective associates had any interest in a business that competed or was likely to compete with the business of the Group.

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS

Details of the connected transactions are set out in note 34 to the consolidated financial statements.

CONTRACTUAL ARRANGEMENTS

On 26 March 2018, the acquisition and subscription of 60% issued shares of Kun Peng has been completed. Kun Peng, through Honesta Consultancy Management (Shenzhen) Company Limited*（厚生諮詢管理（深圳）有限公司）("Honesta Consultancy Management") (its indirect wholly-owned subsidiary), control the operation of Honesta New Finance, a company incorporated in the PRC, its subsidiaries and invested entities by way of entering into a number of contracts i.e., the Exclusive Business Cooperation Agreement, the Exclusive Option Agreements, the Equity Pledge Agreements, the Director's Power of Attorney, the Shareholder's Power of Attorney, the Spouse Consent Letter and other ancillary documents relating to the contractual arrangements thereunder (collectively the "Structured Contracts") and the registered shareholders (as disclosed below). (the "VIE structure")

Major terms of the Structured Contracts are set out in note 4 to the consolidated financial statements.

(i) VIE Structure

Honesta New Finance, its subsidiaries and invested entities (collectively the "Structured Entities") are principally engaged in, inter alia, securities investment management, conducting electronic commerce, provision of financial intermediary service through the internet, market research, internet culture operation, all of which are subject to foreign ownership restrictions under the laws of the PRC (the "Restricted Businesses"). According to the PRC legal advisors, (i) the businesses of securities investment management shall be controlled by PRC persons, (ii) the businesses of electronic commerce, provision of financial intermediary service through the internet and market research are subject to foreign investment restrictions and (iii) the business of internet culture operation is subject to foreign investment prohibition.

Honesta New Finance is owned by Mr. Hua Meng（華猛）, Mr. Guo Yong（郭勇）, Mr. Cheng Xiaoxin（程小新）and Shenzhen Honesta Letou Number 8 Investment Management Limited Partnership*（深圳厚生樂投八號投資管理企業（有限合夥））as to 30%, 30%, 19% and 21% respectively. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the existing registered shareholders of Honesta New Finance and the ultimate beneficial owners of Honesta Letou are independent of and not connected with the Company or any connected persons of the Company.

The Company considers that numerous subsidiaries and associates of Honesta New Finance and the Company can together generate synergies, which will create favourable conditions for the Company's development. Alpha Media (Shenzhen) Company Ltd*（阿爾法傳媒（深圳）有限公司）("Alpha Media"), one of the associates of Honesta New Finance, can connect the Company with online media, which can assist the Company in exploring business opportunities pertaining retail clients inside and outside PRC.

The Directors are of the view that the Structured Contracts are narrowly tailored as they are used to enable the Group to invest in businesses that operate in industries that are subject to foreign investment restrictions in the PRC. The Company would unwind the Structured Contracts as soon as the relevant laws and regulations allow the Restricted Businesses to be conducted in the PRC to be operated by foreign investors without adopting the contractual arrangement structure.

(ii) Significance and financial contribution of the Structured Entities to the Group

During the year ended 31 March 2018, the Structured Entities is significant to the Group as they held relevant licenses to conduct the Restricted Business.

Details of the financial contribution of the Structured Entities to the Group are set out in note 4 to the consolidated financial statements.

(iii) Risks and mitigation relating to the VIE Structure

In connection with the VIE Structure, the Group is subject to certain risks and limitations, which are summarized below:

Limitations in exercising the option to acquire ownership in Honesta New Finance

The exercise of the option under the Exclusive Option Agreements to acquire the ownership of Honesta New Finance may be subject to substantial costs, including but not limited to enterprise income tax imposed by the relevant PRC governmental authorities, stamp duties and professional fee.

The PRC government may determine that Structured Contracts are not in compliance with any existing or future applicable PRC laws or regulations

Although the PRC legal advisers of the Company are of the view that the Structured Contracts are not in violation of the relevant PRC laws and regulations, uncertainties still exist regarding the interpretation and application of the PRC laws and regulations.

Up to the date of this report, the Group has not encountered any interference or encumbrance from any governing bodies in operating the business of Honesta New Finance through the Structured Contracts.

Certain provision in the Structured Contracts which may not be enforceable

According to the PRC legal advisors, the provisions regarding the dispute resolution provisions of the Structured Contracts which set forth that the arbitration body may issue injunctions or winding-up orders may be invalid and unenforceable under the PRC laws.

Honesta Consultancy Management relies on the Structured Contracts to control and obtain the economic benefits from Honesta New Finance, which may not be as effective in providing operational control as direct ownership

The Company will have to rely on the rights of Honesta Consultancy Management under the Structured Contracts to effect changes in the management of Honesta New Finance and make an impact on its business decision making, as opposed to exercising its rights directly as a Shareholder. If Honesta New Finance or its registered shareholders refuse to cooperate, the Company will face difficulties in effecting control over the operation of business of Honesta New Finance through the Structured Contracts, which may adversely affect the Company's business efficiency.

The registered shareholders of Honesta New Finance may potentially have a conflict of interests with the Group

Conflicts of interest may arise when the interest of the registered shareholders of Honesta New Finance does not align with that of the Company, and the registered shareholders of Honesta New Finance may breach or cause Honesta New Finance to breach the Structured Contracts. If the Company fails to resolve this internally, it may have to resort to dispute resolution. If ultimately the shareholder(s) has/have to be removed, it will be difficult for the Company to maintain investors' confidence in the Structured Contracts.

The contractual arrangements may be subject to scrutiny of the PRC tax authorities

Under the Structured Contracts, Honesta New Finance is required to pay Honesta Consultancy Management a service fee for the services rendered by Honesta Consultancy Management. Such service fee payments between related parties may be subject to scrutiny or challenge by the PRC tax authorities.

The Company does not have any insurance which covers the risks relating to the Structured Contracts and the transactions contemplated thereunder

Any risk arises from the Structured Contracts in the future, such as those affecting the enforceability of the Structured Contracts and the relevant agreements for the transactions contemplated thereunder and the operation of Honesta New Finance, the results of the Group may be adversely affected.

The Group continuously monitors the relevant legal and operational environment from time to time to comply with the applicable laws and regulations. In addition, the Group has implemented relevant internal control measures to reduce the operational risk.

(iv) Material changes

During the year ended 31 March 2018, there was no material change in the Structured Contracts and/or the circumstances under which they were adopted.

(v) Unwinding of the Structured Contracts

Up to 31 March 2018, none of the Structured Contracts has been unwound.

PERMITTED INDEMNITY PROVISIONS

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

The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group. A permitted indemnity provision (as defined in section 469 of the Hong Kong Companies Ordinance) for the benefit of the Directors is currently in force and was in force throughout this year.

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

As at 31 March 2018, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and the chief executive of the Company were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of Part XV of the SFO; or (iii) 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") contained in the Listing Rules were as follows:

Long positions in Shares and underlying Shares

	Shares						
Name of Directors	Personal interests	Family interests	Corporate interests	Other interests	Interests in underlying Shares/ equity derivatives	Total number of Shares interested	% of total issued Shares *(note 2)*
Yau Wai Lung	–	–	–	–	169,400,000 *(Note 1)*	169,400,000	0.69%
Lo Man Tuen	30,000,000	–	–	–	–	30,000,000	0.12%

Notes:

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

2. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 24,551,714,002 Shares as at 31 March 2018.

Save as disclosed above, as at 31 March 2018, none of the Directors and chief executive of the Company was interested in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or the chief executive of the Company were taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register maintained by the Company under section 352 of Part XV of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the share options granted to Mr. Yau Wai Lung under the Share Option Scheme as disclosed above and in note 30 to the consolidated financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any other Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

As at 31 March 2018, according to the register of interests required to be kept by the Company under Section 336 of the SFO, the following persons, other than the Directors and chief executive of the Company, had interests or short positions in the Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Interests or short positions in Shares

Substantial Shareholders	Capacity	Interests in underlying Shares/ equity derivatives	Total number of Shares interested	% of total issued Shares *(Note 5)*
Shandong Hi-Speed Group Co., Ltd. 山東高速集團有限公司 *(note 1)*	Corporate interest	–	10,459,648,350	42.60%
Li Shao Yu *(note 2)*	Corporate interest	–	3,547,689,650 80,729,170(S)	14.45%
Haitong Securities Co., Ltd. *(note 3)*	Corporate interest	–	3,033,239,372 408,000(S)	12.35%
Huang Shiying *(note 4)*	Corporate interest Beneficial interest	– –	1,320,000,000 500,000,000	7.41%
Huang Tao *(note 4)*	Corporate interest Beneficial interest	– –	1,320,000,000 401,810,000	7.01%

Notes:

1. Shandong Hi-Speed Group Co., Ltd. is deemed to be interested in the 5,459,648,350 Shares held by Shandong Hi-Speed (Hong Kong) International Capital Limited pursuant to the SFO by virtue of Shandong Hi-Speed (Hong Kong) International Capital Limited, a company incorporated in Hong Kong with limited liability, being a subsidiary of Shandong Hi-Speed (BVI) Capital Management Limited, a company incorporated in the British Virgin Islands with limited liability, which in turn is a subsidiary of Shandong Hi-Speed Group Co., Ltd., a company incorporated in the PRC with limited liability. In addition, Shandong Hi-Speed Group Co., Ltd. is also deemed to be interested in the 5,000,000,000 Shares held by Shandong International (Hong Kong) Limited pursuant to the SFO by virtue of Shandong International (Hong Kong) Limited being a subsidiary of Shandong Province Rural Economic Development Investment Company*（山東省農村經濟開發投資公司）, which in turn is a subsidiary of Shandong Hi-Speed Group Co., Ltd.

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

3. Haitong Securities Co., Ltd. is deemed to be interested in the 3,032,831,372 Shares, among which, 817,142,856 underlying shares are issuable under certain convertible bonds, held by Haitong International Asset Management (HK) Limited, a company incorporated in Hong Kong with limited liability, which is a subsidiary of Haitong International (BVI) Limited, a company incorporated in the British Virgin Islands, which in turn is a subsidiary of Haitong International Securities Group Limited, a company incorporated in Bermuda with limited liability, which in turn is a subsidiary of Haitong Securities Co., Ltd.. Haitong Securities Co., Ltd. is deemed to be interested in the 408,000 Shares held by Haitong International Financial Solutions Limited, a company incorporated in Hong Kong with limited liability, which is a subsidiary of Haitong International (BVI) Limited, a company incorporated in the British Virgin Islands, which in turn is a subsidiary of Haitong International Securities Group Limited, a company incorporated in Bermuda with limited liability, which in turn is a subsidiary of Haitong Securities Co., Ltd..

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

5. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 24,551,714,002 Shares as at 31 March 2018.

6. (S) – Short position.

Save as disclosed above, the Company had not been notified of any other corporation or individual (other than a Director or the chief executive of the Company) which/who had 5% or more interests (whether directly or indirectly) or short positions in the Shares or underlying Shares as recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 31 March 2018.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

HLB Hodgson Impey Cheng Limited was appointed as auditor of the Company on 24 March 2016 following the resignation of BDO Limited, which was appointed on 18 September 2015 and resigned on 24 March 2016. Prior to this, Graham H.Y. Chan & Co. acted as auditor of the Company for the period from 11 November 2013 to 18 September 2015. Save as disclosed above, there were no other changes in auditors of the Company in any of the preceding three years. HLB Hodgson Impey Cheng Limited will retire and a resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Ji Kecheng
Executive Director and Chief Executive Officer

Hong Kong
21 June 2018

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of transparency and accountability, and believes that Shareholders can benefit from good corporate governance. The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code contained in Appendix 14 (the "Code") to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own corporate governance code. The Company aims to achieve good standard of corporate governance. During the year ended 31 March 2018, the Company has complied with the code provisions (the "Code Provision(s)") except for the deviations disclosed and explained in this report. The Company aims to comply with all the Code Provisions and will review and update the current practices of the corporate governance regularly in order to achieve the aims.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

The overall management of the business of the Company is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All Directors should make decisions objectively in the interests of the Company and the Shareholders as a whole. The functions of the Board are carried out either directly or through the Board committees. The Board has delegated the power to oversee the daily operational matters of the Group to the management of the Company under the supervision of the Board and/or the Executive Committee.

Board Composition

The Board comprised twelve Directors as at 31 March 2018 and up to the date of this report:

Non-executive Director and Chairman

Mr. Li Hang

Non-executive Director and Vice Chairman

Dr. Lam Lee G. *(appointed on 10 November 2017)*

Executive Directors

Mr. Ji Kecheng *(Chief Executive Officer) (appointed on 10 November 2017)*
Mr. Wang Zhenjiang *(Vice President)*
Mr. Yau Wai Lung
Mr. Li Zhen Yu *(appointed on 25 October 2017)*

Non-executive Directors

Mr. Qiu Jianyang
Mr. Lo Man Tuen *(appointed on 10 November 2017)*

Independent Non-executive Directors

Mr. To Shing Chuen
Mr. Cheung Wing Ping
Mr. Wang Huixuan *(appointed on 10 November 2017)*
Mr. Guan Huanfei *(appointed on 10 November 2017)*

Pursuant to Code Provision A.4.2, Mr. Li Zhen Yu, being a Director appointed by the Board on 25 October 2017 and each of Mr. Ji Kecheng, and Dr. Lam Lee G., Mr. Lo Man Tuen, Mr. Wang Huixuan and Mr. Guan Huanfei, being a Director appointed by the Board on 10 November 2017, will be subject to re-election as Directors at the forthcoming general meeting.

Biographical details of all Directors are set out on pages 16 to 21 of this report. Their roles and functions are published on the websites of the Stock Exchange and the Company. The members of the Board are experienced individuals having a mix of core competencies in areas of accounting and finance, business management, law, industry knowledge and marketing strategies. The mix of professional skills and experience of the Independent Non-executive Directors (the "INED") is an important element in the proper functioning of the Board. Their participation in Board and committee meetings brings independent judgment and helps to ensure that adequate checks and balances are provided and that the interests of all Shareholders are taken into account. To ensure the Board is in a position to exercise its power in an informed manner, all members of the Board have full and timely access to all relevant information and may take independent professional advice at the Company's expense if necessary.

Board Diversity Policy

The Board has adopted a board diversity policy on 1 September 2013 with an aim to set out the approach to achieve diversity on the Board. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

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

To the best knowledge of the Board, as at 31 March 2018, none of the Directors had any financial, business, family or other material/relevant relationships with each other.

Board Practice

During the year, there were a total of 12 Board meetings and 2 general meetings held. The attendance of each of the Directors during their respective period of office is as follows:

	Attendance *(Note)*	
Name of Directors	**Board meetings**	**General meetings**
Executive Directors		
Mr. Ji Kecheng *(appointed on 10 November 2017)*	2/4	0/0
Mr. Wang Zhenjiang	12/12	2/2
Mr. Yau Wai Lung	10/12	2/2
Mr. Li Zhen Yu *(appointed on 25 October 2017)*	4/5	0/0
Ms. Cheng Yan *(resigned on 13 September 2017)*	4/4	1/2
Mr. Ma Chao *(resigned on 10 November 2017)*	2/8	0/2
Non-executive Directors		
Mr. Li Hang	5/12	0/2
Dr. Lam Lee G. *(appointed on 10 November 2017)*	1/4	0/0
Mr. Qiu Jianyang	5/12	0/2
Mr. Lo Man Tuen *(appointed on 10 November 2017)*	0/4	0/0
Independent Non-executive Directors		
Mr. To Shing Chuen	8/12	0/2
Mr. Cheung Wing Ping	8/12	1/2
Mr. Wang Huixuan *(appointed on 10 November 2017)*	1/4	0/0
Mr. Guan Huanfei *(appointed on 10 November 2017)*	1/4	0/0
Mr. Chung Yuk Lun *(resigned on 10 November 2017)*	3/8	2/2

Note:

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

The Board meets either in person or through other electronic means of communication to monitor the execution of plans, review the Group's business performance and review financial reporting as well as all other material matters. According to the code provision A.6.7, all NEDs and INEDs should attend the general meetings of the Company, and According to the code provision E.1.2, the Chairman of the Board should attend the annual general meeting of the Company. The Chairman of the Board and certain NED and INED were unable to attend the annual general meeting of the Company held on 29 September 2017 and/or the other general meeting. They will endeavor to attend all future general meetings of the Company.

Under Code Provision A.1.3, notice of at least 14 days should be given of a regular board meeting to all Directors to give all Directors an opportunity to attend. During the year ended 31 March 2018, certain regular Board meetings were convened with less than 14 days' notice to facilitate the Directors' timely reaction and expeditious decision making process in respect of internal affairs of the Group. All Board meetings, nevertheless, were duly convened and held in the way prescribed by the Bye-laws of the Company. The Board will use reasonable endeavour to meet the requirement of Code Provision A.1.3 in future.

All Directors have access to board paper and related materials, and are provided with adequate information which enables the Board to make an informed decision on the matters to be discussed and considered at the Board meetings. Minutes of Board meetings are kept by the Company Secretary and are open for inspection at any reasonable time on reasonable notice by any Director. Any conflict of interest will be declared before a meeting, and in case of conflict of interest which the Board has determined as material, the matter would be dealt with by a physical meeting.

Appropriate insurance is in place cover for the Directors' liabilities in respect of legal actions against the Directors and senior management of the Group arising out of corporate activities of the Group.

Appointment and Re-election of Directors

During the year, certain INEDs are not appointed for a specific term and thus the Company has deviated from Code Provision A.4.1. However, as specified by the Company's Bye-laws and consistent with Code Provision A.4.2, not less than one-third of the Directors of the Company (both executive and non-executive Directors) are subject to retirement by rotation at the Company's annual general meeting. Therefore, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are similar to those provided in the Code.

Code Provision D.1.4 requires that there should have formal letters of appointment for Directors setting out the key terms and conditions of their appointment. During the year, the Company did not have formal letters of appointment for two of the Directors appointed on 31 January 2002 and 17 April 2015 respectively.

All of the Directors of the Company are, however, required to refer to the guidelines set out in "A Guide on Directors' Duties" issued by the Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" published by the Hong Kong Institute of Directors in performing their duties and responsibilities as Directors. In the opinion of the Company, this meets the objective of Code Provision D.1.4.

As at the date of this report, the Company has entered into a formal service contract setting out the key terms and conditions of their appointment for each of the Directors concerned and therefore the Company has complied with Code Provisions A.4.1. and D.1.4.

BOARD'S ACCESS TO INFORMATION

Code Provision C.1.2 which requires the management to provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties. During the year, the management provided updates to the Board. All the Executive Directors were involved in the daily operation of the Group and were fully aware of the performance, position and prospects of the Company, and the management has provided to all Directors half-yearly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail prior to the regular Board meetings. In addition, the management has provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient background or explanatory information for matters brought before the Board. Therefore, the Company considers that all members of the Board have been given a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail. The Board will use reasonable endeavour to meet the requirement of this Code Provision C.1.2 in future.

DIRECTOR'S CONTINUOUS PROFESSIONAL DEVELOPMENT

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

Name of Directors	**Types of trainings**
Executive Directors	
Mr. Ji Kecheng *(appointed on 10 November 2017)*	I, II
Mr. Wang Zhenjiang	I
Mr. Yau Wai Lung	II
Mr. Li Zhen Yu *(appointed on 25 October 2017)*	I
Ms. Cheng Yan *(resigned on 13 September 2017)*	I, II
Mr. Ma Chao *(resigned on 10 November 2017)*	II
Non-executive Directors	
Mr. Li Hang	I, II
Dr. Lam Lee G. *(appointed on 10 November 2017)*	I, II
Mr. Qiu Jianyang	II
Mr. Lo Man Tuen *(appointed on 10 November 2017)*	I, II
Independent Non-executive Directors	
Mr. To Shing Chuen	II
Mr. Cheung Wing Ping	I, II
Mr. Wang Huixuan *(appointed on 10 November 2017)*	II
Mr. Guan Huanfei *(appointed on 10 November 2017)*	I, II
Mr. Chung Yuk Lun *(resigned on 10 November 2017)*	I

I: Attending training courses and/or seminars conferences.

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Li Hang is currently the Chairman and Mr. Ji Kecheng is currently the Chief Executive Officer. In accordance with the Code Provision A.2.1, the roles of the Chairman and the Chief Executive Officer are separate and performed by different person. The Chairman is responsible for overseeing the functions of the Board and providing leadership for the Board while the Chief Executive Officer is responsible for managing the businesses of the Group.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee since 8 March 2006. The principal function of the Remuneration Committee is to make recommendations to the Board on the remuneration packages of individual Director and senior management. The terms of reference of the Remuneration Committee adopted on 8 March 2006 and last revised on 16 May 2018 are consistent with the Code Provisions set out in the Code. For the year and up to the date of this report, the Remuneration Committee comprised Directors as detailed in the below table. For the year, the committee reviewed and made recommendations to the Board on the remuneration packages of the Directors with reference to the level of responsibilities of the individual Director, the scope of operation of the Group as well as the prevailing market conditions.

For the year, individual attendance of each Remuneration Committee member was as follows:

Name of Remuneration Committee member	**Attendance** *(Note)*
Mr. Cheung Wing Ping *(INED) (chairman)*	3/3
Mr. Wang Zhenjiang *(ED)*	2/3
Mr. Yau Wai Lung *(ED)*	3/3
Mr. To Shing Chuen *(INED)*	3/3
Mr. Wang Huixuan *(INED) (appointed on 10 November 2017)*	0/1
Mr. Chung Yuk Lun *(INED) (resigned on 10 November 2017)*	1/2

Note:

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

Remuneration of Directors and Senior Management

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

	Number of Individuals
Nil–HK$1,000,000	12
HK$1,000,001–HK$1,500,000	2
HK$1,500,001–HK$5,000,000	4
HK$5,000,001–HK$10,000,000	0

Note:

Three Directors resigned and six Directors were appointed during the year.

Further particulars in relation to Directors' remuneration and the five highest paid employees as required to be disclosed pursuant to Appendix 16 to the Listing Rules are set out in notes 10 and 11, respectively, to the consolidated financial statements.

NOMINATION COMMITTEE

The Company has established the Nomination Committee since 26 March 2012. The principal function of the Nomination Committee is to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Group's corporate strategy. New Directors, being individuals who are suitably qualified and expected to make a positive contribution to the performance of the Board having regard to the individuals' skills, experience, professional knowledge and time commitments as well as the balance of skills and experience appropriate to the Company's business, are identified and submitted to the Board or Shareholders for approval either to fill vacancies on the Board or to be appointed as additional Directors. The terms of reference of the Nomination Committee adopted on 26 March 2012 and last revised on 16 May 2018 are consistent with the Code Provisions set out in the Code. During the year and up to the date of this report, the Nomination Committee comprised Directors as detailed in the below table. For the year, the Nomination Committee reviewed the composition of the Board and assessed the independence of the INEDs.

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

Name of Nomination Committee member	Attendance *(Note)*
Mr. Li Hang *(NED) (chairman)*	2/3
Mr. Yau Wai Lung *(ED)*	3/3
Mr. To Shing Chuen *(INED)*	2/3
Mr. Cheung Wing Ping *(INED)*	3/3
Mr. Wang Huixuan *(INED) (appointed on 10 November 2017)*	0/0
Mr. Chung Yuk Lun *(INED) (resigned on 10 November 2017)*	1/3

Note:

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

AUDIT COMMITTEE

The Company has established the Audit Committee since 2001.

For the year and up to the date of this report, the Audit Committee comprised the INEDs as detailed in the below table. Mr. Cheung Wing Ping possesses appropriate professional accounting qualifications. Code Provision C.3.3 requires the terms of reference of the Audit Committee should include certain minimum duties. The terms of reference of the Audit Committee were adopted on 28 April 2004 and revised on 26 March 2012, 3 February 2016 and 16 May 2018 to include all the duties set out in the Code Provision C.3.3, which among other things include reviewing financial statements of the Company. The Audit Committee is responsible for performing the corporate governance duties set out in the Code Provision D.3.1 of the Code. Any findings and recommendations of the Audit Committee have been submitted to the Board for consideration.

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

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

Name of Audit Committee member	Attendance (Note)
Mr. Cheung Wing Ping *(INED) (Chairman)* *(appointed as the chairman of Audit Committee on 10 November 2017)*	2/2
Mr. To Shing Chuen *(INED)*	2/2
Mr. Wang Huixuan *(INED) (appointed on 10 November 2017)*	1/1
Mr. Guan Huanfei *(INED) (appointed on 10 November 2017)*	1/1
Mr. Chung Yuk Lun *(INED) (resigned on 10 November 2017)*	1/1

Note:

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

During the meetings, the Audit Committee reviewed the report from the external auditor regarding their audit on annual financial statements and reviewed the interim financial information and this report on corporate governance practices of the Group.

EXECUTIVE COMMITTEE

The Company has established the Executive Committee since 11 February 2015. Pursuant to the terms of reference adopted by the Executive Committee on 11 February 2015, the Executive Committee shall have all the powers and authorities of the Board, except certain matters which require Board's approval. The principal function of the Executive Committee is to evaluate and assess the feasibility of new projects and potential transactions. For the year and up to the date of this report, the Executive Committee comprised Directors as detailed in the below table. During the year, the committee has, inter alia, discussed and evaluated the proposed acquisition and subscription of shares of Kun Peng.

For the year, individual attendance of each Executive Committee member was as follows:

Name of Executive Committee member	Attendance (Note)
Mr. Ji Kecheng *(ED) (Chairman)* *(appointed as chairman of the Executive Committee on 10 November 2017)*	14/15
Mr. Yau Wai Lung *(ED) (resigned as chairman of the Executive Committee on 10 November 2017)*	14/16
Mr. Wang Zhenjiang *(ED)*	9/16
Mr. Li Zhen Yu *(ED) (appointed on 25 October 2017)*	15/16
Mr. Ma Chao *(ED) (resigned on 10 November 2017)*	1/1

Note:

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

AUDITOR'S REMUNERATION

During the year, fees payable to the Company's external auditor for non-audit service amounted to approximately HK$1,900,000 for major transactions and issue of bonds of the Group.

The audit fee for the year was HK$2,800,000.

The statement of the auditor of the Company regarding auditor's reporting responsibilities is set out in the Independent Auditor's Report on pages 57 to 66 of this annual report.

ACCOUNTABILITY FOR THE FINANCIAL STATEMENTS

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

RISK MANAGEMENT AND INTERNAL CONTROLS

During the year, the Group has complied with Code Provision C.2 by establishing appropriate and effective risk management and internal control systems. The Board acknowledges its responsibility for the risk management and internal control systems (the "Systems") and reviewing their effectiveness annually. Such Systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

The Company has been developing and adopting various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, financial reporting, human resources, legal affairs management, and compliance with the Listing Rules. The main features of the current risk management control systems are as follows:

Control Structure

A. The Board

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

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

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

B. Audit Committee

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

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

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

C. The Management

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

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

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

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

D. Internal Risk Management Function

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

Control Approach

The risk management process includes risk identification, risk evaluation and risk management measures and review on effectiveness:

Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

Evaluation: Analyze the likelihood and impact of risks and evaluate the risk portfolio accordingly.

Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Review: Review the effectiveness of the Systems and resolving material internal control defects.

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

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

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

The Board, supported by the Audit Committee as well as the management report and the internal audit findings prepared by RMD, reviewed the Systems pursuant to Code Provision C.2.3, including, but not limited to, the financial, operational and compliance controls for the year, and considered that such Systems are effective and adequate for the current financial year. The Company believes that the resources, staff qualifications and experience, training programme and budget of the Company's accounting, internal audit and financial reporting functions are adequate during the annual review.

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

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

The Company is committed to continuously strengthen the established Systems and procedures and to cultivate the risk management culture within the Group and raise awareness of risk management of all staff of the Group.

CORPORATE GOVERNANCE FUNCTIONS

The Board, with support from the Audit Committee, are responsible for performing the corporate governance duties as set out below:

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

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

COMPANY SECRETARY

Ms. Chan Lai Ping was appointed as the Company Secretary on 21 March 2018. Ms. Chan joined the Company as its general counsel in February 2018. Ms. Chan graduated from The University of Hong Kong with a bachelor of laws degree in 2001 and the postgraduate certificate in laws in 2002 and obtained a master of corporate finance degree from The Hong Kong Polytechnic University in 2007. Ms. Chan was admitted as a solicitor to the High Court of the Hong Kong Special Administrative Region in 2004 and she had practised laws with various local and international law firms in Hong Kong, advising on corporate finance transactions, mergers and acquisitions, corporate governance, regulatory and compliance matters. Prior to joining the Company, she was the chief legal officer of Panda Green Energy Group Limited (stock code: 686), responsible for legal, compliance and company secretarial matters. Ms. Chan holds a solicitor's practising certificate with the Law Society of Hong Kong and is a consultant of Keith Lam, Lau & Chan, Solicitors, Hong Kong.

In accordance with Rule 3.29 of the Listing Rule, Ms. Chan confirmed that she has taken no less than 15 hours of the relevant professional training during the year.

SHAREHOLDERS' RIGHTS

Shareholders' Enquiries

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

Shareholder's Meetings

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

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

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

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

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

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

INVESTOR RELATIONS

Constitutional Documents

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CHINA SHANDONG HI-SPEED FINANCIAL GROUP LIMITED (FORMERLY KNOWN AS CHINA INNOVATIVE FINANCE GROUP LIMITED)

(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of China Shandong Hi-Speed Financial Group Limited (formerly known as China Innovative Finance Group Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 67 to 199, which comprise the consolidated statement of financial position as at 31 March 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

Key audit matter

Impairment assessment of finance lease receivables and loans receivables

Refer to notes 19 and 21 to the consolidated financial statements.

As at 31 March 2018, the carrying amounts of finance lease receivables and loans receivables were approximately HK$2,967,439,000 and HK$1,358,805,000 respectively.

For the purpose of determining the allowance for finance lease receivables and loans receivables, the management considers the creditworthiness, credit history including default or delay in payments, settlement records, subsequent settlements, aging analysis, and also relevant deposits received, pledge of assets and guarantees. During the year ended 31 March 2018, no impairment was recognised to profit or loss.

How our audit addressed the key audit matter

Our procedures in relation to management's impairment assessment of finance lease receivables and loans receivables included, but were not limited to:

- Understanding and assessing the design, implementation and operating effectiveness of the key internal management controls over deal acceptance, invoicing, credit management and impairment assessment procedures;
- Obtaining an understanding of management's impairment assessment in respect of all finance lease receivables and loans receivables by discussing with management their processes and policies and procedures for identifying receivable balances for which impairment may be required;
- Comparing the total balances of finance lease receivables and loans receivables aging report, which contains information of long overdue balances used by management to assess the allowances for impairment, with the general ledger and comparing individual items in the aging report, on a sample basis, with the underlying invoices and related documentation to assess the presentation of the information in the aging report;

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of finance lease receivables and loans receivables (continued)	
We identified assessing impairment of finance lease receivables and loans receivables as a key audit matter because the evaluation of recoverability and assessment of the appropriate level of impairment require the application of management judgment.	• Assessing credit worthiness of the debtors by the past payment history and settlement after the end of the reporting period; • Challenging management's judgment in determining the recoverable amount of individual receivable balances. This included obtaining direct external confirmations from the lessees and debtors, comparing the receipt of the settlement of the balance after the reporting date with bank statements and other relevant underlying documentation, assessing the financial condition of the counterparties by reviewing the latest available information and performing news searches and reviewing correspondence files to identify any disputes with the clients; and • Checking, on a sample basis, the reasonableness and relevance of information included in the impairment assessment of finance lease receivables and loans receivables. We considered management's conclusion to be consistent with the available information.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of the carrying amount of goodwill and intangible assets	
Refer to note 16 to the consolidated financial statements. The Group has intangible assets including license, computer software and goodwill with carrying amounts of approximately HK$459,757,000, HK$34,007,000 and HK$969,951,000 as at 31 March 2018 respectively, which are allocated to the cash-generating unit ("CGU") represented by financial leasing segment and financial technology segment. In determining the recoverable amounts of goodwill and intangible assets, the Group engaged an independent professional valuer to perform such valuation. The valuation is determined based on the cash flow projection/value-in-use model for the CGU discounted to their present values and it requires the use of key assumptions, including the discount rate, terminal growth rate, budgeted revenue and gross margin, taking into account the financial budgets approved by the directors of the Company based on the management's experience from the financial leasing segment and financial technology segment, and also management's expectations for the market development. During the year ended 31 March 2018, no impairment on goodwill and intangible assets was recognised to profit or loss.	Our procedures in relation to the management's impairment assessment of the carrying amount of goodwill and intangible assets included, but were not limited to: • Understanding the Group's impairment assessment process, including the impairment model, basis of allocation of goodwill and intangible assets to CGUs, the preparation of the cash flow projections ("Cashflow Forecasts") and key assumptions adopted in these Cashflow Forecasts through enquiries with the independent valuer and management's review process of the work of the independent valuer with respect to the valuation of goodwill and intangible assets; • Evaluating the independent valuer's competence, capabilities and their experiences in conducting valuation of similar goodwill and intangible assets;

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter

Impairment assessment of the carrying amount of goodwill and intangible assets (continued)

We identified the impairment assessment of goodwill and intangible assets as a key audit matter due to its complexity and the inherent subjectivity arising from the significant management judgment.

- Checking the respective independent valuation reports and discussing the valuation of the carrying amount of goodwill and intangible assets with the management, and together with our own external valuation specialists, where necessary:

  - evaluating the appropriateness of the valuation models, the preparation of the Cashflow Forecasts and assumptions based on the industry knowledge;

  - evaluating the appropriateness of the key inputs in the Cashflow Forecasts by independently checking to the relevant external market data and/or relevant historical financial information including budgeted revenue and gross margin, and terminal growth rate by considering the approved financial budgets and the available industry and market data;

  - comparing the historical cash flows forecast against the performance of CGUs to test the reasonableness of projections; and

  - checking the mathematical accuracy of valuation calculations.

We found the key assumptions were supported by the available information.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of Level 3 financial instruments	

Refer to note 36 to the consolidated financial statements.
 	
The available-for-sale investments and investments at fair value through profit or loss classified as level 3 under the fair value hierarchy ("Level 3 Financial Instruments"), amounted to approximately HK$1,590,000,000 and HK$234,862,000 as at 31 March 2018.
 	
For the year ended 31 March 2018, the fair value gains on available-for-sale investments is approximately HK$54,424,000 and fair value losses on investments at fair value through profit or loss is approximately HK$43,981,000.
 	
In determining the fair values of Level 3 Financial Instruments, the Group engages independent professional valuers to perform valuation of the aforesaid Level 3 Financial Instruments.
	Our procedures in relation to valuation of Level 3 Financial Instruments included, but were not limited to:
	
	• Obtaining understanding of the valuation models and the processes through enquiries with the independent valuers and management's review process of the work of the independent valuers with respect to the valuation of Level 3 Financial Instruments;
	
	• Evaluating the independent valuers' competence, capabilities and their experiences in conducting valuation of similar financial instruments;
	
	• Checking the respective independent valuation reports and discussing the valuation of the Level 3 Financial Instruments with the management, and together with our own external valuation specialists, where necessary:
	
	  • evaluating the appropriateness of the valuation models and assumptions based on the industry knowledge;
	
	  • evaluating the appropriateness of the key inputs by independently checking to the relevant external market data and/or relevant historical financial information;
	
	  • checking the mathematical accuracy of valuation calculations;

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of Level 3 financial instruments (continued)	
We identified the valuation of the aforesaid Level 3 Financial Instruments as a key audit matter due to the degree of complexity involved in valuing the financial assets, the significance of the judgment and estimates made by the management in determining the inputs used in the valuation models and the subjectivity in determination of Level 3 fair value given the lack of availability of market-based data.	• Inspecting sale and purchase agreements for the investments to identify key terms of accounting significance and assessing the accounting treatment therefor; and • Making inquiry for the background of the contracted parties and obtaining direct external confirmations from the contracted parties to understand the relevant investments and identifying any conditions that were relevant to the valuation of Level 3 Financial Instruments. We found the fair values to be consistent with the key assumptions and available information.

OTHER INFORMATION

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

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

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

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

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

The engagement director on the audit resulting in this independent auditors' report is Yu Chi Fat.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Yu Chi Fat
Practicing Certificate Number: P05467

Hong Kong, 21 June 2018

CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
REVENUE	6	**458,440**	193,511
COST OF SERVICES		**(63,738)**	(115,202)
Other income	7	**35,912**	3,347
Other gains and losses, net	7	**(1,467)**	(21,937)
Fair value gains on investments at fair value through profit or loss, net	9	**561,576**	409,448
Employee benefit expenses	9	**(60,646)**	(52,357)
Depreciation	15	**(10,238)**	(15,257)
Minimum lease payments under operating leases		**(17,108)**	(9,959)
Administrative expenses		**(54,717)**	(87,313)
Finance costs	8	**(121,012)**	(113,483)
Share of results of associates	17	**(750)**	–
PROFIT BEFORE TAX	9	**726,252**	190,798
Income tax expense	12	**(55,527)**	(31,442)
PROFIT FOR THE YEAR		**670,725**	159,356
Profit/(loss) for the year attributable to:			
Owners of the Company		**671,330**	159,356
Non-controlling interests		**(605)**	–
		670,725	159,356
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic	14	**HK3.12 cents**	HK0.83 cents
Diluted	14	**HK3.12 cents**	HK0.83 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

	2018 HK$'000	2017 HK$'000
PROFIT FOR THE YEAR	**670,725**	159,356
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that may be reclassified subsequently to consolidated income statement:		
Fair value changes on available-for-sale investments	**55,024**	–
Exchange difference arising on translation of foreign operations	**191,659**	(60,077)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**246,683**	(60,077)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**917,408**	99,279
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	**918,013**	99,279
Non-controlling interests	**(605)**	–
	917,408	99,279

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

As at 31 March 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**12,322**	153,569
Intangible assets	16	**1,463,715**	1,248,269
Interests in associates	17	**47,894**	–
Available-for-sale investments	18	**1,936,000**	345,400
Finance lease receivables	19	**1,950,858**	411,133
Investments at fair value through profit or loss	20	**1,340,761**	253,795
Loans receivables	21	**629,883**	–
Restricted cash	23	**–**	30,126
Total non-current assets		**7,381,433**	2,442,292
CURRENT ASSETS			
Finance lease receivables	19	**1,016,581**	215,995
Investments at fair value through profit or loss	20	**2,526,583**	1,578,957
Loans receivables	21	**728,922**	56,503
Trade and other receivables	22	**1,193,226**	196,487
Restricted cash	23	**12,795**	25,052
Cash and cash equivalents	24	**1,555,133**	220,544
Total current assets		**7,033,240**	2,293,538
CURRENT LIABILITIES			
Other payables and accruals	25	**252,269**	80,442
Borrowings	26	**5,267,746**	218,314
Convertible bonds	27	**463,480**	–
Tax payables		**69,798**	2,035
Total current liabilities		**6,053,293**	300,791

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
NET CURRENT ASSETS		**979,947**	1,992,747
TOTAL ASSETS LESS CURRENT LIABILITIES		**8,361,380**	4,435,039
NON-CURRENT LIABILITIES			
Borrowings	26	**2,005,744**	313,105
Convertible bonds	27	**291,885**	743,522
Other payables	25	**32,408**	–
Deferred tax liabilities	28	**186,519**	191,743
Total non-current liabilities		**2,516,556**	1,248,370
Net assets		**5,844,824**	3,186,669
CAPITAL AND RESERVES			
Issued capital	29	**6,138**	4,797
Reserves		**5,769,570**	3,181,872
Equity attributable to owners of the Company		**5,775,708**	3,186,669
Non-controlling interests		**69,116**	–
Total equity		**5,844,824**	3,186,669

The consolidated financial statements were approved and authorised for issued by the board of directors on 21 June 2018 and are signed on its behalf by:

Yau Wai Lung
Director

Ji Kecheng
Director

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

	Attributable to owners of the Company												
	Issued capital HK$'000	Share premium account HK$'000 (note i)	Share options reserve HK$'000 (note ii)	Capital redemption reserve HK$'000 (note iii)	Contributed surplus HK$'000 (note iv)	Available-for-sale investments revaluation reserve HK$'000 (note v)	Convertible bonds reserve HK$'000 (note vi)	Statutory reserve HK$'000 (note vii)	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2016	4,828	3,236,117	40,150	1,177	1,524,577	120	81,615	–	(4,672)	(1,724,557)	3,159,355	–	3,159,355
Profit for the year	–	–	–	–	–	–	–	–	–	159,356	159,356	–	159,356
Other comprehensive loss for the year:													
Exchange difference arising on translation of foreign operations	–	–	–	–	–	–	–	–	(60,077)	–	(60,077)	–	(60,077)
Other comprehensive loss for the year	–	–	–	–	–	–	–	–	(60,077)	–	(60,077)	–	(60,077)
Total comprehensive (loss)/income for the year	–	–	–	–	–	–	–	–	(60,077)	159,356	99,279	–	99,279
Repurchase of ordinary shares (note 29(i))	(31)	(81,575)	–	–	–	–	–	–	–	–	(81,606)	–	(81,606)
Redemption of convertible bonds	–	–	–	–	–	–	(45,517)	–	–	31,872	(13,645)	–	(13,645)
Equity component on issue of convertible bonds (note 27)	–	–	–	–	–	–	27,887	–	–	–	27,887	–	27,887
Deferred tax arising on issue of convertible bonds (note 28)	–	–	–	–	–	–	(4,601)	–	–	–	(4,601)	–	(4,601)
Appropriation of reserve	–	–	–	–	–	–	–	20,899	–	(20,899)	–	–	–
At 31 March 2017	4,797	3,154,542	40,150	1,177	1,524,577	120	59,384	20,899	(64,749)	(1,554,228)	3,186,669	–	3,186,669

	Attributable to owners of the Company												
	Issued capital HK$'000	**Share premium account HK$'000 (note i)**	**Share options reserve HK$'000 (note ii)**	**Capital redemption reserve HK$'000 (note iii)**	**Contributed surplus HK$'000 (note iv)**	**Available-for-sale investments revaluation reserve HK$'000 (note v)**	**Convertible bonds reserve HK$'000 (note vi)**	**Statutory reserve HK$'000 (note vii)**	**Translation reserve HK$'000**	**Accumulated losses HK$'000**	**Total HK$'000**	**Non-controlling interests HK$'000**	**Total equity HK$'000**
At 1 April 2017	**4,797**	**3,154,542**	**40,150**	**1,177**	**1,524,577**	**120**	**59,384**	**20,899**	**(64,749)**	**(1,554,228)**	**3,186,669**	**–**	**3,186,669**
Profit/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**671,330**	**671,330**	**(605)**	**670,725**
Other comprehensive income/(loss) for the year:													
Fair value changes on available-for-sale investments	**–**	**–**	**–**	**–**	**–**	**55,024**	**–**	**–**	**–**	**–**	**55,024**	**–**	**55,024**
Exchange difference arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**191,659**	**–**	**191,659**	**–**	**191,659**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**55,024**	**–**	**–**	**191,659**	**–**	**246,683**	**–**	**246,683**
Total comprehensive income/(loss) for the year	**–**	**–**	**–**	**–**	**–**	**55,024**	**–**	**–**	**191,659**	**671,330**	**918,013**	**(605)**	**917,408**
Acquisition of an available-for-sale investment measured at fair value (note 29(ii)(a))	**1,250**	**1,528,750**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,530,000**	**–**	**1,530,000**
Acquisition of subsidiaries (note 29(ii)(b))	**91**	**117,905**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**117,996**	**69,721**	**187,717**
Extinguishment of convertible bonds	**–**	**–**	**–**	**–**	**–**	**–**	**4,121**	**–**	**–**	**22,680**	**26,801**	**–**	**26,801**
Deferred tax arising on issue of convertible bonds (note 28)	**–**	**–**	**–**	**–**	**–**	**–**	**(3,771)**	**–**	**–**	**–**	**(3,771)**	**–**	**(3,771)**
Appropriation of reserve	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**17,096**	**–**	**(17,096)**	**–**	**–**	**–**
At 31 March 2018	**6,138**	**4,801,197**	**40,150**	**1,177**	**1,524,577**	**55,144**	**59,734**	**37,995**	**126,910**	**(877,314)**	**5,775,708**	**69,116**	**5,844,824**

Notes:

(i) Share premium account

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

(ii) Share options reserve

Share options reserve relates to share options granted to employees under new share option scheme. Further information about share-based payments to employees is set out in note 30 below.

(iii) Capital redemption reserve

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

(iv) Contributed surplus

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

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

(v) Available-for-sale investments revaluation reserve

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

(vi) Convertible bonds reserve

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

(vii) Statutory reserve

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**726,252**	190,798
Adjustments for:			
Realised gains on investments at fair value through profit or loss, net		**(116,700)**	–
Unrealised gains on investments at fair value through profit or loss, net	9	**(459,713)**	(867,184)
Amortisation	16	**66**	–
Depreciation	15	**10,238**	15,257
Loss on redemption of convertible bonds	7	**16,254**	21,934
Interest expenses	9	**160,816**	157,367
Loss on disposal of property, plant and equipment	7	**272**	3
Gain on disposal of a subsidiary	7	**(14,713)**	–
Gains on disposal of interest in subsidiaries resulting in loss of control	7	**(346)**	–
Impairment loss on available-for-sale investments	9	**–**	771
Interest income from convertible bonds	6	**(2,811)**	(190)
Bank interest income	7	**(4,992)**	(2,422)
Share of results of associates	17	**750**	–
Operating cash flows before movements in working capital		**315,373**	(483,666)
(Increase)/decrease in loans receivables		**(1,290,990)**	117,931
(Increase)/decrease in investments at fair value through profit or loss held for trading, net		**(951,162)**	1,305,459
(Increase)/decrease in finance lease receivables		**(2,263,076)**	247,031
(Increase)/decrease in trade and other receivables		**(672,831)**	108,454
Increase/(decrease) in other payables and accruals		**36,340**	(118,648)
Cash (used in)/generated from operations		**(4,826,346)**	1,176,561
Tax paid		**(1,029)**	(5,211)
Net cash (used in)/generated from operating activities		**(4,827,375)**	1,171,350

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	15	**(7,420)**	(688)
Proceeds from disposal of property, plant and equipment		**–**	107
Purchases of investments at fair value through profit or loss		**(779,159)**	–
Proceeds from disposal of investments at fair value through profit or loss		**70,000**	–
Net cash outflow resulting from purchase of an available-for-sale investment		**(5,576)**	–
Net cash inflow resulting from disposal of a subsidiary	31(a)	**100,361**	–
Net cash inflow resulting from disposal of interest in subsidiaries resulting in loss of control	31(b)	**19,925**	–
Net cash inflow/(outflow) resulting from acquisitions of subsidiaries	31(c)	**41,027**	(49,917)
Advances to associates		**(32,002)**	–
Release of restricted cash		**45,628**	–
Bank interest income received		**4,366**	5,917
Net cash used in investing activities		**(542,850)**	(44,581)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of bonds		**4,628,808**	–
Interest paid		**(104,154)**	(136,871)
Early redemption of convertible bonds		**–**	(232,500)
New borrowings raised		**4,661,133**	287,763
Repayment of borrowings		**(2,551,907)**	(1,148,611)
Net cash generated from/(used in) financing activities		**6,633,880**	(1,230,219)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,263,655**	(103,450)
Cash and cash equivalents at the beginning of the year		**220,544**	327,621
Effect of foreign exchange rate changes		**70,934**	(3,627)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	24	**1,555,133**	220,544

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

1. CORPORATE INFORMATION

China Shandong Hi-Speed Financial Group Limited (formerly known as China Innovative Finance Group Limited) (the "Company") is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and the principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Rooms 1405–1410, 14th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, respectively.

Details of substantial shareholders of the Company are disclosed in the paragraph headed "Substantial shareholders' Interests or Short Positions in Shares of the Company" in the section headed "Report of the directors" of this annual report.

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

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

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

In the current year, the Group has applied, for the first time, a number of amendments to Hong Kong Financial Reporting Standards ("amendments to HKFRSs") (which included all HKFRSs, Hong Kong Accounting Standards ("HKAS") and interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for annual periods beginning on or after 1 April 2017. A summary of the amendments to HKFRSs are set out as below:

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRS 12 (Amendments)	As Part of the Annual Improvements to HKFRSs 2014-2016 Cycle

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

HKAS 7 (Amendments) Disclosure Initiative

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of the consolidated financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items for the current year is provided in note 39 to the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 39 to the consolidated financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

Except as described above, the application of these amendments had no material effect on how the results and financial position for the current and prior accounting periods are prepared and presented. Accordingly, no prior period adjustment has been required.

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

The Group has not early applied the following new interpretations and amendments to existing HKFRSs ("new and amended HKFRSs") that have been issued but are not yet effective:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle except HKFRS 12 (Amendments)[5]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[2]
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement[2]
HKAS 28 (Amendments)	Investments in Associates and Joint Ventures[2]
HKAS 40 (Amendments)	Transfers of Investment Property[1]
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[1]
HKFRS 4 (Amendments)	Apply HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
HKFRS 9	Financial Instruments[1]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[1]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers[1]
HKFRS 16	Leases[3]
HKFRS 17	Insurance Contracts[6]
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[2]

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

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

3 Effective for annual periods beginning on or after 1 January 2019, provided HKFRS 15 Revenue from Contracts with Customers is also applied.

4 Effective for annual periods beginning on or after a date to be determined.

5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

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

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

HKFRS 9 Financial Instruments

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

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

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

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

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

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

HKFRS 9 Financial Instruments (continued)

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on the Group's financial instruments and risk management policies as at 31 March 2018, the application of HKFRS 9 in the future may have a material impact on the classification and measurement of the Group's financial assets. The Group's available-for-sale investments, including those currently stated at cost less impairment, will either be measured as fair value through profit or loss or be designated as fair value through other comprehensive income (to the extent that they are not held for trading or contingent consideration within the scope of HKFRS 3 *Business Combination*). In addition, the expected credit loss model may result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised cost.

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

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

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures. However, they do not anticipate that the application of HKFRS 15 will have a material financial impacts on the timing and amounts of revenue recognised in the respect reporting periods.

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

HKFRS 16 Leases

HKFRS 16 was issued in May 2016 and is effective for annual periods beginning on or after 1 January 2019. HKFRS 16 replaces all existing lease accounting requirements and represents a significant change in the accounting and reporting of leases, with more assets and liabilities to be reported on the consolidated statement of financial position and a different recognition of lease costs.

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

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these consolidated financial statements. As disclosed in note 33 of this annual report, the Group's future minimum lease payments under non-cancellable operating leases of HK$16,148,000 as at 31 March 2018. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's result, but it is expected that certain portion of the lease commitments will be regarded to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

HK(IFRIC)-Int 22 Foreign Currency Transactions and Advance Consideration

HK(IFRIC)-Int 22 addresses how to determine the "date of transaction" for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability (for example a non-refundable deposit or deferred revenue).

The interpretation specifies that the date of transaction is the date on which the entity initially recognises the non-monetary assets or non-monetary liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the Interpretation requires an entity to determine the date of transaction for each payment or receipt of advance consideration.

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

Amendments to HKFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify classification and measurement of cash-settled share-based payment under certain specific circumstances and share-based payments in which the Group is required by local tax law or regulation to withhold certain number of equity instruments for settlement of the employee's tax obligation. The directors of the Company do not anticipate that the application of Amendments to HKFRS 2 will have a material impact on the classification and measurement of the Group's share-based payment transactions.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

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

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (continued)

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

The Group is in the process of assessing the potential impact of the other new and revised HKFRSs upon initial application but is not yet in a position to state whether the above new and revised HKFRSs, will have a significant impact on the Group's results of operations and financial position.

3. SIGNIFICANT ACCOUNTING POLICES

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included with Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Basis of consolidation

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Basis of consolidation (continued)

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated income statement from the date the Group gains control until the date when the Group ceases to control the subsidiary. Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Changes in the Group's ownership interests in existing subsidiaries (continued)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Investments in subsidiaries

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

Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations. Under the equity method, investments in associates are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Interests in associates (continued)

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

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

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Business combinations

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

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

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

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

- assets or liabilities related to an operating lease in which the acquiree is the lease shall not be recognised, unless the terms of an operating lease are favorable or unfavorable relative to market terms. In that case, an intangible asset or a liability, as appropriate, is recognised; and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transactionby– transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another standard.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Goodwill

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

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

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

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

Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets other than goodwill to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Government grants

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

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

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

Contingent liabilities

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

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

Segment Reporting

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Related parties

(a) A person, or a closed member of that person's family, is related to the Group if that person:

(i) has control or joint control of the Group;

(ii) has significant influence over the Group; or

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

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

(i) the entity and Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Related parties (continued)

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

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

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

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

Property, plant and equipment and depreciation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Property, plant and equipment and depreciation (continued)

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

Intangible assets (other than goodwill)

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

The intangible asset has finite useful life and is amortised on a straight-line basis over the following period:

Computer software	5 years

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Leases

(a) Where the Group is the lessor

Finance lease

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

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

Operating lease

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Leases (continued)

(b) Where the Group is the lessee

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

Convertible bonds

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

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

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

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition, it is part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as hedging instrument.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial assets (continued)

Subsequent measurement (continued)

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

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

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

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

(ii) Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial assets (continued)

Subsequent measurement (continued)

(iii) Available-for-sale financial investments

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

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

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

Derivative financial instruments

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

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

Embedded derivatives

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Derecognition of financial assets

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

- the contractual rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of financial assets

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Impairment of financial assets (continued)

Financial assets carried at cost

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

Financial assets carried at amortised cost

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICES (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 that is measured at fair value at subsequent reporting dates is impaired, the cumulative loss that had been recognised in other comprehensive income should be reclassified from equity to profit or loss.

Financial liabilities and equity

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

Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

(i) Loans and borrowings

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial liabilities and equity (continued)

Subsequent measurement (continued)

(ii) Financial guarantee contracts

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

(iii) Convertible bonds

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

Equity instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks, demand deposits with banks, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired which are not restricted as to use, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Provisions

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Income tax

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

The tax currently payable is based on taxable profits for the year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income and expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if temporary difference arises from goodwill or from the initial recognition (other than a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Revenue recognition

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

(i) Financial leasing income

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

(ii) Consultancy services and handling fee income

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

(iii) Dividend and distribution income

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

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

(iv) Interest income

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

(v) Online investment and technology-enabled lending services income and online new media services income

Online investment and technology-enabled lending services income and online new media services income is recognised when the related services are provided.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Share-based payments

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Retirement benefit scheme

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

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

Interest-bearing borrowings

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

Borrowing costs

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Foreign currencies

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

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Foreign currencies (continued)

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

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

Judgments

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Judgments (continued)

Classification of financial assets

The Group needs to make judgments on the classification of financial assets as different classification will affect the accounting treatment for the financial assets, financial position and operating results of the Group. The judgments on these classifications depend on the nature, the terms of the financial instruments, and purposes of acquiring those financial assets at their initial recognitions.

Classification of leases

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

Investment in Shandong Hi-Speed (BVI) International Holdings Limited ("Shandong (BVI)")

Shandong (BVI) is classified as an available-for-sale investment as disclosed in note 18 to the consolidated financial statements although the Group has 40% ownership interest and voting power in Shandong (BVI). Unlike the Group's direct ownership in and operation of other financial leasing business, the directors of the Company intended to leverage on the advantage of ownership and continued management of Shandong (BVI) by Shandong Hi-Speed Group Co., Ltd. ("Shandong Hi-Speed"), a shareholder of the Company which held 42.60% equity interests of the Company as at the date of this report. The Group invested in Shandong (BVI) as a passive investor, and as such instead of acquiring the entire or a controlling interest, the Group only acquired 40% of the issued share capital of Shandong (BVI). The Group does not and is committed that it will not appoint any representative in the board of directors of Shandong (BVI) or any of its subsidiaries. The Group's participation in policy-making processes of Shandong (BVI) is very limited as the relevant activities of Shandong (BVI) is determined by the holder of the 60% issued shares and voting power of Shandong (BVI), being Shandong Hi-Speed. With these facts and circumstances, the directors of the Company concluded that despite the Group owns 40% of the issued share capital and voting power of Shandong (BVI), the Group does not have significant influence over Shandong (BVI). The minority interests in Shandong (BVI) acquired by the Group are just part of its capital investment alongside with its investments in other listed or unlisted securities portfolio.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Judgments (continued)

Consolidation of structured entities

深圳厚生新金融控股有限公司 ("Honesta Holding"), its subsidiaries and invested entities (collectively the "Structured Entities") are companies established in the PRC and are principally engaged in the business of, inter alia, the restricted businesses, collectively, securities investment management, conducting electronic commerce, provision of financial intermediary service through the internet, market research, internet culture operation, all of which are subject to foreign ownership restrictions under the laws of the PRC (the "Restricted Businesses"). According to the PRC legal advisors of the Company, (i) the businesses of securities investment management shall be legally owned by PRC persons, (ii) the businesses of electronic commerce, provision of financial intermediary service through the internet and market research are subject to foreign investment restrictions and (iii) the business of internet culture operation is subject to foreign investment prohibition.

The directors of the Company concluded that, since the acquisition of the 60% equity interests in Kun Peng International Limited ("Kun Peng") and its subsidiaries (collectively referred to as "Kun Peng Group") (see note 31(c)(i)), the Group controls the Structured Entities through 厚生諮詢管理(深圳)有限公司 (Honesta Consultancy Management (Shenzhen) Company Limited) ("Honesta Consultancy Management"), an indirect wholly-owned subsidiary of Kun Peng, and the arrangements under a series of agreements, collectively the exclusive business cooperation agreement, the exclusive option agreements, the equity pledge agreements, the director's power of attorney, the shareholder's power of attorney, the spouse consent letter and other ancillary documents relating to the contractual arrangements thereunder (the "Structured Contracts"). Key provisions of the Structured Contracts are as follows:

Exclusive Business Cooperation Agreement

Honesta Consultancy Management, Honesta Holding and the registered shareholders of Honesta Holding, namely Mr. Hua Meng ("Mr. Hua"), Mr. Guo Yong, Mr. Cheng Xiaoxin and 深圳厚生樂投八號投資管理企業(有限合夥)(Shenzhen Honesta Letou Number 8 Investment Management Limited Partnership) ("Honesta-Letou") entered into an exclusive business cooperation agreement (the "Exclusive Business Cooperation Agreement"). Pursuant to the Exclusive Business Cooperation Agreement, Honesta Consultancy Management shall provide exclusive technical services and business advisory services, including, among others, computer software technology development, website development and maintenance, information technology system development and maintenance, to Honesta Holding.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Judgments (continued)

Consolidation of structured entities (continued)

Exclusive Business Cooperation Agreement (continued)

Further, Honesta Holding agrees to: (a) conduct business according to advice and opinion of Honesta Consultancy Management; (b) appoint such persons recommended by Honesta Consultancy Management to be chairman of the board, directors, chief manager, chief financial officer and other executive officers of Honesta Holding, who are charged with the duty to supervise the operation of Honesta Holding, and they may not be removed by Honesta Holding without the written consent of Honesta Consultancy Management; (c) provide books and accounts, information about its business, client, employees for inspection upon the request of Honesta Consultancy Management; (d) place all seals and operation licences with Honesta Consultancy Management; and (e) deal with the assets of Honesta Holding in accordance with the instructions of the party designated by Honesta Consultancy Management if Honesta Consultancy Management wind up.

Honesta Consultancy Management shall be entitled to carry out relevant business in the name of Honesta Holding, and Honesta Holding shall provide all supports to facilitate the same.

Honesta Consultancy Management shall calculate the services fee each year, which shall be equivalent to the profits of Honesta Holding during the relevant year after deducting all necessary costs, expenses and taxes, losses in the previous financial years (if applicable). Honesta Holding shall pay the services fee to Honesta Consultancy Management accordingly.

Exclusive Option Agreements

Honesta Consultancy Management, Honesta Holding and each of the registered shareholders of Honesta Holding entered into exclusive option agreements (collectively the "Exclusive Option Agreements"). Pursuant to the Exclusive Option Agreements, each of the registered shareholders of Honesta Holding irrevocably grant an exclusive option to Honesta Consultancy Management that entitles Honesta Consultancy Management to require the registered shareholders of Honesta Holding to transfer, to the extent permitted by the PRC laws, all or part of the equity interest in Honesta Holding held by registered shareholders to Honesta Consultancy Management or any person(s) designated by it at the minimum consideration permitted by the PRC laws, provided that the registered shareholders of Honesta Holding shall repay the consideration paid by Honesta Consultancy Management to it. The registered shareholders of Honesta Holding shall not, among other things, (i) transfer any of their equity interests in Honesta Holding nor create any pledge or any other security on the same or (ii) request for distribution of dividend.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Judgments (continued)

Consolidation of structured entities (continued)

Equity Pledge Agreements

Honesta Consultancy Management, Honesta Holding and each of the registered shareholders of Honesta Holding entered into equity pledge agreements (collectively the "Equity Pledge Agreements"). Pursuant to the Equity Pledge Agreements, the registered shareholders of Honesta Holding agree to pledge all of their equity interests in Honesta Holding to Honesta Consultancy Management to secure the payment obligations of all service fees payable by Honesta Holding to Honesta Consultancy Management. Without the prior written consent of Honesta Consultancy Management, the registered shareholders of Honesta Holding shall not, among other things, (i) transfer any of their equity interests in Honesta Holding nor create any new pledge or any other security thereon or (ii) reduce the registered capital of Honesta Holding.

Director's Power of Attorney

Each of the directors of Honesta Holding authorizes Honesta Consultancy Management to exercise on his behalf all of his rights and powers as director of Honesta Holding, including, among other things (i) acting as the agent of the director to attend the board meetings of Honesta Holding and/or (ii) representing the director and exercising the voting rights on matters requiring discussion and approval at board meetings of Honesta Holding.

Shareholder's Power of Attorney

Each of the registered shareholders of Honesta Holding authorizes Honesta Consultancy Management to exercise on its/his behalf all of its/his rights and powers as shareholder of Honesta Holding, including, among other things (i) exercising all rights which may be exercised by a shareholder of a company under the PRC laws and regulations or the constitution of Honesta Holding, (ii) elect directors and supervisors of Honesta Holding, and/or (iii) inspect the books and records of Honesta Holding.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Judgments (continued)

Consolidation of structured entities (continued)

Spouse Consent Letter

The spouse of each of the individual registered shareholders of Honesta Holding unconditionally and irrevocably, among other things, (i) acknowledges that all the equity interests in Honesta Holding registered under the name of the registered shareholder of Honesta Holding do not form part of their matrimonial property, (ii) undertakes that she will not make any claim which is contrary to the intention of the Structured Contracts, and (iii) undertakes that she will not participate in the operation and management of Honesta Holding.

The directors of the Company assessed whether or not the Group has control over the Structured Entities based on whether or not the Group has power to direct the relevant activities of Structured Entities unilaterally, rights to variable returns from its involvement, and has the ability to use its power to affect its returns. In making their judgment, the directors of the Company considered the terms of the Structured Contracts as detailed above.

The directors of the Company, after consulting legal opinion, are of the view that the terms of the Structured Contracts have in substance enabled the Group to exercise control over and enjoy the economic benefits of the Structured Entities, despite the absence of formal legal equity interest held by the Group therein. Accordingly, Structured Entities are accounted for as consolidated structured entities of the Group.

In the opinion of the directors of the Company, with reference to opinion of legal counsel, the Structured Contracts are in compliance with existing PRC laws and regulations, valid, binding and enforceable, and do not result in any violation of PRC laws or regulations currently in effect in all material respects. However, uncertainties in the PRC legal system could cause the Group's current contractual arrangement structure to be found in violation of any existing and/or future PRC laws or regulations and could limit the Company's ability to enforce its rights under the Structured Contracts.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Judgments (continued)

Consolidation of structured entities (continued)

Control over Shenzhen Cashlai Financial Information Services Co. Ltd. and its subsidiaries

As disclosed in note 41 to the consolidated financial statements, Shenzhen Cashlai Financial Information Services Co. Ltd. ("Cashlai") and its subsidiaries (collectively the "Cashlai Group") are subsidiaries of the Group although the Group has only 36% effective interest and voting rights in Cashlai. Cashlai is a 46% directly-owned subsidiary of Honesta Holding. The remaining 54% shareholding of Cashlai are owned by six limited liabilities partnerships registered in the PRC and an individual. Three of those limited liabilities partnerships entered into an agreement with Honesta Holding to act in concert with Honesta Holding, resulting in Honesta Holding has control over 77% interest in Cashlai.

The directors of the Company assessed whether or not the Group has control over the Cashlai Group based on whether the Group has the practical ability to direct the relevant activities of the Cashlai Group unilaterally. In making the judgment, the directors of the Company considered the Group's absolute size of holding in Cashlai and the relative size of and dispersion of the shareholdings owned by the other shareholders. After assessment, the directors of the Company concluded that the Group has sufficiently dominant voting interest to direct the relevant activities of the Cashlai Group and therefore the Group has control over the Cashlai Group.

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.

Impairment of property, plant and equipment

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Income taxes

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

Estimated useful lives of property, plant and equipment

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

Impairment loss of intangible assets (including goodwill)

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

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

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment loss on loans receivables

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

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

Impairment loss on finance lease receivables

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

Impairment loss on trade and other receivables

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

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Measurement of fair values of financial assets

The Group has significant amounts of financial assets measured at fair values that are classified as Level 2 and Level 3 fair value measurement under HKFRS 13 Fair Value Measurement. The Group engaged independent valuers to perform the valuation of those financial instruments. As at 31 March 2018, the financial assets that are classified as Level 2 and Level 3 fair value measurement under HKFRS 13 amounted to approximately HK$1,809,914,000 (2017: HK$166,451,000) and HK$1,824,862,000 (2017: HK$913,822,000) respectively. Details of the fair value measurement are set out in note 36 to the consolidated financial statements.

5. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the reports that are used to make strategic decisions reviewed by the Group's CODM. For the year ended 31 March 2018, the Group had four reportable operating segments. Details are as follows:

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

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

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

(iv) the financial technology segment engages primarily in online investment and technology-enabled lending services and online new media services.

During the year ended 31 March 2018, the CODM has identified the financial technology segment as a new operating segment upon acquisition of Kun Peng (note 31 (c)(i)).

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

5. OPERATING SEGMENT INFORMATION (continued)

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

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

	Investments in securities		Money lending		Financial leasing		Financial technology		Unallocated		Consolidated	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:												
Revenue from external customers	66,266	7,919	68,633	20,763	321,272	164,543	1,260	–	1,009	286	458,440	193,511
Segment results	583,867	234,932	64,906	20,660	257,334	208,378	(1,646)	–	–	–	904,461	463,970
Reconciliations:												
Unallocated income											29,725	3,611
Unallocated finance costs											(102,452)	(112,002)
Unallocated expenses*											(104,732)	(164,781)
Share of results of associates											(750)	–
Profit before tax											726,252	190,798
Other segment information:												
Finance costs	(18,560)	(645)	–	–	–	(836)	–	–	(102,452)	(112,002)	(121,012)	(113,483)
Amortisation	–	–	–	–	–	–	(66)	–	–	–	(66)	–
Depreciation	–	–	–	–	(4,125)	(4,625)	–	–	(6,113)	(10,632)	(10,238)	(15,257)
Fair value gains on investments at fair value through profit or loss, net	561,576	409,448	–	–	–	–	–	–	–	–	561,576	409,448
Impairment loss on available-for-sale investment	–	(771)	–	–	–	–	–	–	–	–	–	(771)
Loss on disposal of property, plant and equipment	–	–	–	–	(47)	–	–	–	(225)	(3)	(272)	(3)
Loss on redemption of convertible bonds	–	–	–	–	–	–	–	–	(16,254)	(21,934)	(16,254)	(21,934)
Gain on disposal of a subsidiary	–	–	–	–	–	–	–	–	14,713	–	14,713	–
Gain on disposal of interest in subsidiaries resulting in loss of control	–	–	–	–	–	–	–	–	346	–	346	–
Capital expenditure**	–	–	465	–	9	–	37,211	–	6,946	1,282	44,631	1,282

* Unallocated expenses mainly included employee benefit expenses of approximately HK$57,646,000 (2017: HK$48,938,000), loss on redemption of convertible bonds of approximately HK$16,254,000 (2017: HK$21,934,000), exchange gain of approximately HK$23,241,000 (2017: loss of approximately HK$14,054,000), legal and professional fee of approximately HK$12,093,000 (2017: HK$10,757,000) and depreciation of approximately HK$6,113,000 (2017: HK$10,632,000).

** Capital expenditure consists of additions to property, plant and equipment and intangible assets and those assets acquired from acquisition of subsidiaries.

5. OPERATING SEGMENT INFORMATION (continued)

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

	2018 HK$'000	2017 HK$'000
Segment assets:		
Investment in securities	**7,214,929**	1,610,243
Money lending	**1,371,728**	118,434
Financing leasing	**5,402,303**	2,295,786
Financial technology	**365,661**	–
	14,354,621	4,024,463
Unallocated assets	**60,052**	711,367
Total assets	**14,414,673**	4,735,830
Segment liabilities:		
Investment in securities	**3,756,007**	5,665
Money lending	**527,457**	–
Financial leasing	**3,086,090**	496,627
Financial technology	**123,668**	–
	7,493,222	502,292
Unallocated liabilities	**1,076,627**	1,046,869
Total liabilities	**8,569,849**	1,549,161

Revenue from external customers

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

Information about major customers

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

	2018 HK$'000	2017 HK$'000
Customer A[1]	**N/A**	40,907
Customer B	**129,531**	–
Customer C	**78,661**	–

1 Customer A's revenue did not contribute over 10% of the total revenue during the year ended 31 March 2018.

5. OPERATING SEGMENT INFORMATION (continued)

Geographical information

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

	Revenue from external customers		Non-current assets *(note)*	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**135,908**	28,968	**7,388**	159,960
Other parts of the PRC	**322,532**	164,543	**1,468,649**	1,272,004
	458,440	193,511	**1,476,037**	1,431,964

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

6. REVENUE

Revenue, which is also the Group's turnover, represents consultancy services income; financial leasing income; interest income from money lending operations; handling fee income; distribution and dividend from investments at fair value through profit or loss; interest income from convertible bonds; and online investment and technology-enabled lending services and online new media services income during the year.

	2018	2017
	HK$'000	HK$'000
An analysis of revenue is as follows:		
Consultancy services income (Note i)	**318,702**	54,098
Financial leasing income	**55,986**	105,484
Interest income from money lending operations	**55,476**	19,121
Handling fee income (Note ii)	**2,450**	6,889
Distribution from investments at fair value through profit or loss	**14,075**	–
Dividend income from investments at fair value through profit or loss	**7,680**	7,729
Interest income from convertible bonds	**2,811**	190
Online investment and technology-enabled lending services and online new media services income	**1,260**	–
	458,440	193,511

6. REVENUE (continued)

Notes:

(i) Consultancy services income represents income derived from advisory and consultancy services provided for customers, including but not limited to:

(a) provision of advisory services on financial leasing and trading platform structure;

(b) provision of regulatory analysis;

(c) provision of advisory services on transaction arrangement; and

(d) financial and taxation analysis.

(ii) Included in handling fee income was an amount of approximately HK$1,441,000 (2017: HK$4,961,000) from asset trading platform in financial leasing segment, and approximately HK$1,009,000 (2017: HK$286,000) from securities brokerage business which is included in the unallocated segment. The amount for the year ended 31 March 2017 also included HK$1,642,000 from money lending segment.

7. OTHER INCOME AND OTHER GAINS AND LOSSES, NET

	2018 **HK$'000**	2017 HK$'000
Other income:		
An analysis of other income is as follows:		
Bank interest income	**4,992**	2,422
Government subsidy (Note)	**415**	681
Compensation income	**6,141**	–
Foreign exchange gain, net	**23,241**	–
Sundry income	**1,123**	244
	35,912	3,347

7. OTHER INCOME AND OTHER GAINS AND LOSSES, NET (continued)

	2018 HK$'000	2017 HK$'000
Other gains and losses, net:		
An analysis of other gains and losses, net is as follows:		
Loss on disposal of property, plant and equipment	**(272)**	(3)
Loss on redemption of convertible bonds	**(16,254)**	(21,934)
Gain on disposal of a subsidiary (note 31(a))	**14,713**	–
Gains on disposal of interest in subsidiaries resulting in loss of control (note 31(b))	**346**	–
	(1,467)	(21,937)

Note: This is the one-off subsidy received from the PRC government.

8. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
An analysis of finance costs is as follows:		
Interest on bank borrowings wholly repayable within five years	**7,469**	7,688
Interest on margin and other loans	**17,899**	645
Amortised interest on bonds (note 26(ii))	**7,593**	1,142
Amortised interest on convertible bonds (note 27)	**88,051**	104,008
	121,012	113,483

9. PROFIT BEFORE TAX

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

	2018 **HK$'000**	2017 HK$'000
Auditors' remuneration:		
– Audit services	**2,800**	2,400
– Non-audit services	**1,900**	619
	4,700	3,019
Employee benefit expenses:		
Directors' remuneration:		
– Fees	**2,473**	1,092
– Salaries and allowances	**8,964**	10,085
– Retirement benefit scheme contributions (defined contribution scheme)*	**59**	53
– Emolument shares	**–**	2,726
Sub-total	**11,496**	13,956
Other staff's costs:		
– Salaries and allowances	**47,006**	36,207
– Retirement benefit scheme contributions (defined contribution scheme)*	**2,144**	2,194
Sub-total	**49,150**	38,401
Total employee benefit expenses	**60,646**	52,357

9. PROFIT BEFORE TAX (continued)

	2018 HK$'000	2017 HK$'000
Sales proceeds from disposal of securities and bonds	**(1,024,000)**	(769,716)
Carrying amount of securities and bonds	**922,137**	724,108
Realised gains from investments at fair value through profit or loss – securities and bonds (note 20(iii)(b))	**(101,863)**	(45,608)
Unrealised gains from investments at fair value through profit or loss – securities and funds (note 20(iii)(a))	**(459,713)**	(867,184)
Fair value gains on investments at fair value through profit or loss – securities, bonds and funds, net	**(561,576)**	(912,792)
Realised losses from investments at fair value through profit or loss – derivative financial instruments (Note i)	**–**	503,344
Fair value losses on investments at fair value through profit or loss – derivative financial instruments	**–**	503,344
Fair value gains on investments at fair value through profit or loss, net	**(561,576)**	(409,448)
Foreign exchange (gain)/loss, net	**(23,241)**	14,054
Amortisation	**66**	–
Interest expenses (Note ii)	**160,816**	157,367
Impairment loss on available-for-sale investments (note 18(iii))	**–**	771

Notes:

(i) For the year ended 31 March 2017, the amount mainly included realised losses on call option of shares of China New City Commercial Development Ltd. of HK$495,400,000.

(ii) The interest expenses were included in cost of services of approximately HK$39,804,000 (2017: HK$43,884,000) for the purposes of financing money lending and financial leasing operations and finance costs of approximately HK$121,012,000 (2017: HK$113,483,000).

* As at 31 March 2018, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (2017: nil).

10. DIRECTORS' REMUNERATION

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

	2018	2017
	HK$'000	HK$'000
Fees	**2,473**	1,092
Other emoluments:		
Salaries, allowances and benefits in kind	**8,964**	10,085
Retirement benefit scheme contributions (defined contribution scheme)	**59**	53
Emolument shares*	**–**	2,726
	9,023	12,864
Directors' remuneration included in employee benefit expenses (note 9)	**11,496**	13,956

* The issuance of emolument shares for the year ended 31 March 2017 to a director was pursuant to the service contract.

(a) Independent non-executive directors

The fees paid/payable for independent non-executive directors ("INEDs") for the year were as follows:

	2018	2017
	HK$'000	HK$'000
Mr. To Shing Chuen	**140**	120
Mr. Cheung Wing Ping	**140**	120
Mr. Wang Huixuan (Note i)	**70**	–
Mr. Guan Huanfei (Note i)	**70**	–
Mr. Chung Yuk Lun (Note ii)	**74**	120
	494	360

Notes:

(i) Mr. Wang Huixuan and Mr. Guan Huanfei were appointed as INEDs of the Company with effect from 10 November 2017.

(ii) Mr. Chung Yuk Lun resigned as an INED of the Company with effect from 10 November 2017.

10. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors (continued)

There were no other emoluments payable to INEDs during the year ended 31 March 2018 (2017: nil).

There was no arrangement under which INEDs waived or agreed to waive any remuneration during the year (2017: nil).

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

(b) Non-executive directors

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

	2018 **HK$'000**	2017 HK$'000
Mr. Li Hang (Note i)	**500**	232
Dr. Lam Lee G. (Note ii)	**587**	–
Mr. Qiu Jianyang	**500**	500
Mr. Lo Man Tuen (Note iii)	**392**	–
	1,979	732

Notes:

(i) The total fee payable for both the year ended 31 March 2018 and 2017 have been accrued and have not been paid during year ended 31 March 2018.

(ii) Dr. Lam Lee G. was appointed as a NED and the vice chairman of the Company with effect from 10 November 2017.

(iii) Mr. Lo Man Tuen was appointed as a NED of the Company with effect from 10 November 2017.

There were no other emoluments payable to NEDs during the year ended 31 March 2018 (2017: nil).

There was no arrangement under which NEDs waived or agreed to waive any remuneration during the year (2017: nil).

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

10. DIRECTORS' REMUNERATION (continued)

(c) Executive directors

The remuneration paid/payable for executive directors ("EDs") for the year were as follows:

	Fees	Salaries, allowances and benefit in kind	Retirement benefit scheme contributions	Equity-settled share-based payment expenses	Emolument shares	Total remunerations
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2018						
Mr. Ji Kecheng (Note i)	–	**1,410**	–	–	–	**1,410**
Mr. Wang Zhenjiang	–	**1,690**	**14**	–	–	**1,704**
Mr. Yau Wai Lung	–	**2,589**	**18**	–	–	**2,607**
Mr. Li Zhen Yu (Note ii)	–	**766**	**6**	–	–	**772**
Ms. Cheng Yan (Note iii)	–	**1,791**	**9**	–	–	**1,800**
Mr. Ma Chao (Note iv)	–	**718**	**12**	–	–	**730**
	–	**8,964**	**59**	–	–	**9,023**
2017						
Mr. Wang Zhenjiang (Note v)	–	817	–	–	–	817
Mr. Yau Wai Lung	–	2,282	18	–	–	2,300
Ms. Cheng Yan (Note iii)	–	1,202	6	–	–	1,208
Mr. Ma Chao	–	1,200	18	–	–	1,218
Mr. Ji Kewei (Note vi)	–	4,584	11	–	2,726	7,321
	–	10,085	53	–	2,726	12,864

Notes:

(i) Mr. Ji Kecheng was appointed as an ED and the chief executive of the Company with effect from 10 November 2017.

(ii) Mr. Li Zhen Yu was appointed as an ED of the Company with effect from 25 October 2017.

(iii) Ms. Cheng Yan was appointed as an ED and the chief executive of the Company with effect from 9 December 2016 and resigned from an ED and the chief executive of the Company with effect from 13 September 2017.

(iv) Mr. Ma Chao resigned as an ED of the Company with effect from 10 November 2017.

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

(vi) Mr. Ji Kewei resigned as an ED and the chief executive of the Company with effect from 18 October 2016.

10. DIRECTORS' REMUNERATION (continued)

(c) Executive directors (continued)

There was no arrangement under which EDs waived or agreed to waive any remuneration during the year (2017: nil).

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

11. FIVE HIGHEST PAID EMPLOYEES

For the years ended 31 March 2018 and 2017, the five highest paid employees included four (2017: three) current directors of the Company, details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining one (2017: two) non-director, highest paid employees of the Group are as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries and allowances	**1,866**	5,120
Retirement benefit scheme contributions (defined contribution scheme)	**3**	27
	1,869	5,147

The emoluments of the remaining one individual (2017: two individuals including the salaries paid to one former director after his resignation) fell within the following bands:

	2018 **Number of** **individual**	2017 Number of individual
HK$1,000,001 – HK$2,000,000	**1**	–
HK$2,000,001 – HK$3,000,000	**–**	2
	1	2

12. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) on the estimated assessable profits for the year.

The PRC Enterprise Income Tax for the PRC subsidiaries are calculated at the PRC Enterprise Income Tax rate of 25% (2017: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	2018	2017
	HK$'000	HK$'000
Current tax		
– Hong Kong Profits Tax	**2,299**	–
– PRC Enterprise Income Tax	**67,391**	5,630
Under-provision for PRC Enterprise Income Tax in prior years	**–**	337
	69,690	5,967
Deferred tax (credit)/expense (note 28)	**(14,163)**	25,475
Total income tax expense recognised in consolidated income statement	**55,527**	31,442

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

	2018	2017
	HK$'000	HK$'000
Profit before tax	**726,252**	190,798
Tax at the statutory tax rates of different jurisdictions	**137,258**	45,746
Tax effect of share of results of associates	**124**	–
Tax effect of income not taxable for tax purposes	**(107,786)**	(63,515)
Tax effect of expenses not deductible for tax purposes	**27,225**	33,044
Utilisation of tax losses previously not recognised	**(6,997)**	–
Tax effect of tax losses not recognised	**5,703**	15,830
Under provision in prior years	**–**	337
Total income tax expense recognised in consolidated income statement	**55,527**	31,442

13. DIVIDEND

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

14. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2018 **HK$'000**	2017 HK$'000
Earnings for the year attributable to owners of the Company for the purpose of basic and diluted earnings per share	**671,330**	159,356
Number of shares ('000)		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**21,522,389**	19,236,701
Effect of dilutive potential ordinary shares – Share options	**–**	63,958
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**21,522,389**	19,300,659
Basic earnings per share in (in HK cents)	**3.12**	0.83
Diluted earnings per share (in HK cents)	**3.12**	0.83

Diluted earnings per share did not assume the conversion of convertible bonds since their assumed conversion had an anti-dilutive effect on earnings per share for the years ended 31 March 2018 and 2017.

Diluted earnings per share did not assume the exercise of share options since the average share price of the Company is lower than the exercise price for the year ended 31 March 2018. Diluted earnings per share assumed the exercise of the share options since the average share price of the Company is higher than the exercise price for the year ended 31 March 2017.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Aircraft HK$'000	Total HK$'000
31 March 2018					
At 1 April 2017:					
Cost	9,952	11,296	4,480	156,574	182,302
Accumulated depreciation	(7,681)	(7,459)	(1,745)	(11,848)	(28,733)
Net carrying amount	2,271	3,837	2,735	144,726	153,569
At 1 April 2017, net of accumulated depreciation and impairment	2,271	3,837	2,735	144,726	153,569
Acquisition of subsidiaries (note 31(c))	–	2,310	828	–	3,138
Additions	5,396	2,024	–	–	7,420
Depreciation provided during the year	(2,654)	(2,773)	(1,260)	(3,551)	(10,238)
Disposals	(207)	(65)	–	–	(272)
Disposal of a subsidiary (note 31(a))	–	–	–	(141,175)	(141,175)
Disposal of partial interest in subsidiaries resulting in loss of control (note 31(b))	–	(470)	–	–	(470)
Exchange realignment	119	188	43	–	350
At 31 March 2018, net of accumulated depreciation and impairment	4,925	5,051	2,346	–	12,322
At 31 March 2018:					
Cost	10,553	12,614	5,404	–	28,571
Accumulated depreciation	(5,628)	(7,563)	(3,058)	–	(16,249)
Net carrying amount	4,925	5,051	2,346	–	12,322

15. PROPERTY, PLANT AND EQUIPMENT (continued)

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

As at 31 March 2018, no items of property, plant and equipment (2017: net carrying amount of approximately HK$144,726,000) was pledged to secure a bank borrowing obtained by the Group (note 32).

16. INTANGIBLE ASSETS

	Trading right HK$'000	License HK$'000	Computer software HK$'000	Goodwill HK$'000	Total HK$'000
At 1 April 2016	–	447,000	–	796,156	1,243,156
Acquisition of subsidiaries (note 31(c))	500	–	–	37,873	38,373
Exchange alignment	–	(32,463)	–	(797)	(33,260)
At 31 March 2017 and 1 April 2017	500	414,537	–	833,232	1,248,269
Acquisition of subsidiaries (note 31(c))	–	–	34,073	145,429	179,502
Disposal of interest in subsidiaries resulting in loss of control (note 31(b))	(500)	–	–	(11,501)	(12,001)
Amortisation provided during the year	–	–	(66)	–	(66)
Exchange realignment	–	45,220	–	2,791	48,011
At 31 March 2018	**–**	**459,757**	**34,007**	**969,951**	**1,463,715**

Notes:

Impairment testing on goodwill and intangible assets

For the purposes of impairment testing, goodwill and intangible assets have been allocated to the following four individual CGUs under three segments. The details of the amount allocated are as follows:

	Goodwill		Intangible assets		Total	
	2018 HK$'000	2017 HK$'000	**2018 HK$'000**	2017 HK$'000	**2018 HK$'000**	2017 HK$'000
Financial technology segment						
– Kun Peng Group CGU	**145,429**	–	**34,007**	–	**179,436**	–
Financial leasing segment						
– Hong Kong Leasing Group CGU	**796,156**	796,156	**459,757**	414,537	**1,255,913**	1,210,693
– China Innovative Finance Zhonghong CGU	**28,366**	25,575	**–**	–	**28,366**	25,575
Unallocated segment						
– Securities brokerage business CGU	**–**	11,501	**–**	500	**–**	12,001
	969,951	833,232	**493,764**	415,037	**1,463,715**	1,248,269

During the year ended 31 March 2018 and 2017, management of the Group determines that there are no provision for impairment of any of its CGUs containing goodwill and/or intangible assets.

Details of the above CGUs and the determination of their recoverable amounts and their major underlying assumptions are summarised below:

16. INTANGIBLE ASSETS (continued)

Notes: (continued)

Kun Peng Group CGU

The recoverable amount of Kun Peng Group CGU under the financial technology segment, arising from the acquisition of the 60% equity interests in Kun Peng as disclosed in note 31(c)(i) to the consolidated financial statements, was determined based on a value-in-use calculation and used cash flow projections based on financial budgets approved by the directors of the Company with reliance on the valuation performed by an independent valuer covering a five-year period and a pre-tax discount rate of 20.15% per annum. Cash flows beyond that five-year period have been extrapolated using a steady growth rate of the relevant industry. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Key assumptions used in the preparation of the financial budgets included revenue and gross margin which were determined by the directors of the Company based on past performance and its expectation for market development. The values assigned to key assumptions were based on historical experience, current market condition and approved forecasts and consistent with external information sources. The directors of the Company believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

For the purpose of impairment testing, the carrying amounts of goodwill and intangible assets after impairment loss allocated to the Kun Peng Group CGU are as follows:

	2018	2017
	HK$'000	HK$'000
Goodwill	**145,429**	–
Intangible assets		
– Computer software	**34,007**	–
	179,436	–

16. INTANGIBLE ASSETS (continued)

Notes: (continued)

Hong Kong Leasing Group CGU

License arose from the acquisition of Hong Kong Leasing Limited ("Hong Kong Leasing") and its subsidiaries (collectively referred to as the "Hong Kong Leasing Group") represented the license to operate an asset trading platform in Shenzhen granted by the Development of the Shenzhen Municipal Government Financial Services Office. The license does not have an expiry date and hence is considered to have an indefinite useful life. The platform can be used for trading business relating to leasing facilities, leasing assets and other related leasing properties, provision of spot trading platform and market services and consultancy services. As at 31 March 2018 and 2017, there was no foreseeable limit to the product life cycles of such leasing facilities, leasing assets and other related leasing properties, provision of spot trading platform and market services and consultancy services and hence no foreseeable limit to the period over which the license for operating financial transactions platform could be used by the Group. In the opinion of the directors of the Company, the license is expected to generate positive cash flows indefinitely. Accordingly, the license will not be amortised until its useful life is determined to be finite upon reassessment of its useful life annually by the management. Instead, it will be tested for impairment and whenever there is an indication that it may be impaired.

The recoverable amount of the Hong Kong Leasing Group CGU under the financial leasing segment was determined based on a value-in-use calculation and used cash flow projections based on financial budgets approved by the directors of the Company with reliance on the valuation performed by an independent valuer covering a five-year period and a pre-tax discount rate of 21.75% (2017: 22.23%) per annum. Cash flows beyond that five-year period have been extrapolated using a steady growth rate of the relevant industry. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Key assumptions used in the preparation of the financial budgets included revenue and gross margin which were determined by the directors of the Company based on past performance and its expectation for market development. The values assigned to key assumptions were based on historical experience, current market condition and approved forecasts and consistent with external information sources. The directors of the Company believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

For the purpose of impairment testing, the carrying amounts of goodwill and intangible assets after impairment loss allocated to the Hong Kong Leasing Group CGU are as follows:

	2018 **HK$'000**	2017 HK$'000
Goodwill	**796,156**	796,156
Intangible assets		
– Licenses	**459,757**	414,537
	1,255,913	1,210,693

16. INTANGIBLE ASSETS (continued)

Notes: (continued)

China Innovative Finance Zhonghong CGU

The recoverable amount of China Innovative Finance Zhonghong (Shenzhen) Business Factoring Company Limited ("China Innovative Finance Zhonghong") CGU under the financial leasing segment was determined based on a value-in-use calculation and used cash flow projections based on financial budgets approved by the directors of the Company with reliance on the valuation performed by an independent valuer covering a five-year period and a pre-tax discount rate of 20.76% (2017: 21.68%) per annum. Cash flows beyond that five-year period have been extrapolated using a steady growth rate of the relevant industry. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Key assumptions used in the preparation of the financial budgets included revenue and gross margin which were determined by the directors of the Company based on past performance and its expectation for market development. The values assigned to key assumptions were based on historical experience, current market condition and approved forecasts and consistent with external information sources. The directors of the Company believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

For the purpose of impairment testing, the carrying amount of goodwill after impairment loss allocated to the China Innovative Finance Zhonghong CGU is as follows:

	2018 **HK$'000**	2017 HK$'000
Goodwill	**28,366**	25,575

Securities brokerage business CGU

Trading right arose from the acquisition of China Innovative Finance Securities Limited ("CIFS") (note 31(c)(iii)) which represented the eligibility right to trade on or through the Stock Exchange and has no foreseeable limit to the period over which the Group can use to generate net cash flows. The management of the Group considered that the trading right is capable of being renewed indefinitely at insignificant cost and is expected to generate net cash inflows indefinitely. Accordingly, the trading right will not be amortised until its useful life is determined to be finite upon reassessment of its useful life annually by the management of the Group. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired.

16. INTANGIBLE ASSETS (continued)

Notes: (continued)

Securities brokerage business CGU (continued)

As at 31 March 2017, the recoverable amount of the CGU under the securities brokerage business which is included in the unallocated segment was determined based on a value-in-use calculation and used cash flow projections based on financial budgets approved by the directors of the Company with reliance on the valuation performed by an independent valuer covering a three-year period and a pre-tax discount rate of 18.32% per annum. Cash flows beyond that three-year period have been extrapolated using a steady growth rate of the relevant industry. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Key assumptions used in the preparation of the financial budgets included revenue and gross margin which were determined by the directors of the Company based on past performance and its expectation for market development. The values assigned to key assumptions were based on historical experience, current market condition and approved forecasts and consistent with external information sources. The directors of the Company believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

For the purpose of impairment testing, the carrying amounts of goodwill and intangible assets after impairment loss allocated to the securities brokerage business CGU are as follows:

	2018 **HK$'000**	2017 HK$'000
Goodwill	–	11,501
Intangible assets		
– Trading right	–	500
	–	12,001

On 11 October 2017, the Group entered into sales and purchase agreement with independent third parties pursuant to which the Group agreed to sell and purchasers agreed to purchase the 75% issued share capital of Top Wish Holdings Limited ("Top Wish"), an indirect wholly-owned subsidiary of the Company, and its subsidiaries. At the time of disposal, Top Wish held 100% indirect interest in CIFS. Details of the partial disposal are set out in note 31(b)(i) to the consolidated financial statements. The corresponding goodwill and trading right in relation to the securities brokerage business CGU were derecognised in the consolidated financial statements upon the disposal of Top Wish resulting in loss of control.

17. INTERESTS IN ASSOCIATES

	2018 HK$'000	2017 HK$'000
Cost of investments, unlisted	16,642	–
Share of post-acquisition losses and other comprehensive income	(750)	–
	15,892	–
Advances to associates	32,002	–
	47,894	–
Amount due to an associate (note 25)	3,696	–

The following set out the particulars of the principal associates of the Group as at 31 March 2018 and 2017:

Name of associate	Place of incorporation/ establishment	Class of share held	Attribution equity interest held by the Group 2018	2017	Nature of business
CIFS	Hong Kong	Ordinary shares	25%	–	Securities brokerage business
China Innovative Finance Securities (Holdings) Limited	Hong Kong	Ordinary shares	25%	–	Investment holding
Eternal Billion Holding Group Limited	British Virgin Island ("BVI")	Ordinary shares	25%	–	Investment holding
Fairy Ambition Limited	Hong Kong	Ordinary shares	25%	–	Inactive
Top Wish Holdings Limited	BVI	Ordinary shares	25%	–	Investment holding
深圳利用投資管理有限公司 (Note)	PRC	Registered capital	13%	–	Investment holding
濟南高厚睿康股權投資基金管理有限公司 (Note)	PRC	Registered capital	15%	–	Investment holding

Note: The above represented effective interest indirectly held by the Group. These entities were associates of Kun Peng, a 60%-owned subsidiary of the Group and therefore the directors of the Company consider that the Company has significant influence over these entities through control of Kun Peng.

17. INTERESTS IN ASSOCIATES (continued)

The directors of the Company consider that there are no material associates and hence no summarised financial information in respect of the associates is presented.

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

The advances to associates are unsecured, interest-free and no fixed repayment terms.

The amount due to an associate is unsecured, interest-free and repayable on demand.

Aggregate financial information of associates that are not individually material:

	2018 **HK$'000**	2017 HK$'000
Group's share of results and other comprehensive income for the year	**(750)**	–
Group's share of total comprehensive loss for the year	**(750)**	–
Group's aggregate interests in these associates and the carrying amounts	**15,892**	–

18. AVAILABLE-FOR-SALE INVESTMENTS

	2018 **HK$'000**	2017 HK$'000
Club membership debenture, at fair value (Note (i))	**5,200**	4,600
Unlisted equity investment, at cost less impairment		
– In elsewhere (Note (ii))	**340,800**	340,800
– In the PRC (Note (iii))	**–**	–
Unlisted equity investment, at fair value at subsequent reporting dates		
– In elsewhere (Note (iv))	**1,590,000**	–
	1,936,000	345,400

Notes:

(i) Club membership debenture classified as available-for-sale investments at initial recognition, has no fixed maturity date or coupon rate and subsequently measured at fair value.

During the year ended 31 March 2018, fair value gain of approximately HK$600,000 (2017: nil) on club membership debenture was recognised in other comprehensive income with reference to open market price. This is classified as Level 2 fair value measurement under HKFRS 13. Details of the fair value measurement are set out in note 36 to the consolidated financial statements.

18. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes: (continued)

(ii) The balance represented an unlisted equity investment in a private entity principally engaged in integrated financial services, securities brokerage services, money lending, securities and other direct investments.

The directors of the Company considered no impairment loss recognised as the recoverable amount is greater than its carrying amount for the year ended 31 March 2018 and 2017.

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

During the year ended 31 March 2017, the Group recognised a full impairment loss on the carrying amount of RMB684,000 (equivalent to approximately HK$771,000) in profit or loss as the directors of the Company considered that as the private entity was loss-making and the recoverable amount of the unlisted equity investment was less than its carrying amount.

(iv) During the year ended 31 March 2018, the Group acquired 40% equity interest in Shandong (BVI) by way of issuance of 5,000,000,000 consideration shares of the Company (note 29(ii)(a)) with the fair value at initial recognition determined to be approximately HK$1,530,000,000 plus respective transaction cost of approximately HK$5,576,000. The directors of the Company consider that the Group has no significant influence over Shandong (BVI) and therefore such equity investment was classified as an available-for-sale investment. Details of the judgement are sets out in note 4 to the consolidated financial statements.

The fair value of Shandong (BVI) as at 31 March 2018 was approximately HK$1,590,000,000, which is determined with reference to the valuation report issued by a firm of independent valuers using discounted cash flow method. The fair value gain of approximately HK$54,424,000 on the investment in Shandong (BVI) was recognised in other comprehensive income for year ended 31 March 2018 (2017: nil). This is classified as Level 3 fair value measurement under HKFRS 13. Details of the fair value measurement are set out in note 36 to the consolidated financial statements.

19. FINANCE LEASE RECEIVABLES

	2018 **HK$'000**	2017 HK$'000
Present value of minimum lease payments receivables	**2,967,439**	627,128
Less: Current portion included under current assets	**(1,016,581)**	(215,995)
Amounts due after one year included under non-current assets	**1,950,858**	411,133

As at 31 March 2018, none of the finance lease receivables (2017: carrying amount of approximately HK$450,557,000) were pledged to secure the bank borrowings obtained by the Group.

The directors of the Company are of the view that the credit risk inherent among the Group's outstanding finance leases receivable balance is low. Accordingly, the directors of the Company considered that there are no indicators of impairment and hence no impairment allowance was made for the finance lease receivables as at 31 March 2018 and 2017.

19. FINANCE LEASE RECEIVABLES (continued)

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

	2018 **HK$'000**	2017 HK$'000
Minimum lease payments receivables	**3,286,573**	712,142
Less: Unearned finance income related to minimum lease payments receivables	**(319,134)**	(85,014)
Present value of minimum lease payments receivables	**2,967,439**	627,128

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

	2018 **HK$'000**	2017 HK$'000
– Within one year	**1,161,799**	268,247
– In the second year	**830,104**	333,254
– In the third to fifth years	**1,294,670**	110,641
	3,286,573	712,142

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

	2018 **HK$'000**	2017 HK$'000
– Within one year	**1,016,581**	215,995
– In the second year	**739,486**	309,758
– In the third to fifth years	**1,211,372**	101,375
	2,967,439	627,128

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

19. FINANCE LEASE RECEIVABLES (continued)

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

	2018		2017	
	HK$'000	%	HK$'000	%
Customers A[1]	749,559	25.26	–	–
Customers B[1]	624,633	21.05	–	–
Customers C	624,633	21.05	–	–
Customers D	374,780	12.63	–	–
Customers E	362,287	12.21	394,237	62.86
Customers F[2]	68,710	2.32	61,951	9.88
Customers G	62,463	2.10	56,320	8.98
Customers H[2]	56,217	1.89	50,688	8.08
Customers I[2]	40,409	1.36	56,320	8.98
Customers J	3,748	0.13	3,379	0.54
Customers K	–	–	4,233	0.68
	2,967,439	100.00	627,128	100.00

1 Customer A and B are within the same group.

2 Customer F, H and I are within the same group.

Concentration of risks of financial assets with credit exposure

During the years ended 31 March 2018 and 2017, all the lessees of the Group are located in the PRC. If any of them experiences financial difficulties, the recovery of the Group's finance lease receivables through regular lease payments might be adversely affected and the Group may have to resort to recovery through repossession of the leased assets.

For the year ended 31 March 2018, the Group's finance lease receivables were secured by collaterals, being plant and machinery, and deposits of approximately HK$52,339,000 (2017: HK$48,315,000) (note 25). When a finance lease receivable is identified as impaired, the corresponding fair value of collateral of that receivable is updated by reference to market value such as recent transaction price of the assets.

The Group is not permitted to sell, or repledge the collaterals of the finance lease receivables without consent from the lessees in the absence of default by the lessees. No assets have been repledged to secure borrowings of the Group as at 31 March 2018 (2017: nil).

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

Included in the Group's finance lease receivables are amounts of approximately HK$624,633,000 and HK$749,559,000 due from China Tieniu Group Co., Ltd. and Hangzhou ESSEN Auto Component Co., Ltd. respectively, which are controlled under the same controlling party, which approval from shareholders have not been obtained when the related finance lease arrangements were entered into. The related finance lease arrangements constituted a major transaction of the Company and are therefore subject to reporting, announcement and shareholders' approval under Chapter 14 of the Listing Rules. Up to the date of this report, no shareholders' approval has been obtained by the Company. A special general meeting will be convened to obtain such shareholders' approval. Further details of the financial lease arrangements were set out in the announcements of the Company dated 16 May 2018, 1 June 2018 and 7 June 2018 and note 38 to the consolidated financial statements.

20. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2018 **HK$'000**	2017 HK$'000
Non-current assets		
Listed equity investments, at fair value		
In the PRC (Note (i) and (iii))	**234,862**	253,795
In Hong Kong (Note (ii) and (iii))	**1,105,899**	–
Total	**1,340,761**	253,795
Current assets		
Held-for-trading listed equity investments, at fair value (Note (ii), (iii) and (iv))		
In Hong Kong	**721,869**	757,079
Held-for-trading unlisted equity investment, at fair value (Note (iii)):		
In elsewhere	**–**	265,837
Held-for-trading unlisted convertible bonds, at fair value (Note (iii)):		
In Hong Kong	**–**	394,190
Held-for-trading investment fund, at fair value (Note (iii)):		
In Hong Kong	**546,828**	–
In elsewhere	**1,257,886**	161,851
Sub-total	**1,804,714**	821,878
Total	**2,526,583**	1,578,957

Notes:

(i) As at 31 March 2018, the Group holds 29,951,000 (2017: 29,951,000) shares of China Yunnan Highway Construction Group Co., Ltd. ("Yunnan Highway"), representing 8.32% (2017: 8.32%) of its issued share capital. Shares of Yunnan Highway are listed in the National Equities Exchange and Quotations (the "NEEQ") in the PRC during the year ended 31 March 2018. As at 31 March 2018, the fair value of Yunnan Highway was approximately HK$234,862,000 (2017: HK$253,795,000) and an unrealised loss of approximately HK$43,981,000 (2017: gain of approximately HK$167,912,000) was recognised in the consolidated income statement during the year. The fair value was determined with reference to the valuation report issued by a firm of independent qualified professional valuer using the income approach. This is classified as Level 3 fair value measurement under HKFRS 13. Details of the fair value measurement are set out in note 36 to the consolidated financial statements. Subsequent to the end of the reporting period, Yunnan Highway was delisted in the NEEQ in the PRC.

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

Notes: (continued)

(ii) As at 31 March 2018 and 2017, the listed equity investments were classified as investment at fair value through profit or loss. The fair values of the listed equity investments were determined by quoted prices in active markets.

(iii) **(a)** **Unrealised gains from investments at fair value through profit or loss – securities, bonds and funds:**

Nature of investments	Number of shares/units held as at 31 March 2018	Number of shares/units held as at 31 March 2017	Percentage of shareholding as at 31 March 2018 %	Percentage of shareholding as at 31 March 2017 %	Fair value/carrying amount as at 31 March 2018 HK$'000	Fair value/carrying amount as at 31 March 2017 HK$'000	Percentage to the Group's net assets as at 31 March 2018 %	Percentage to the Group's net assets as at 31 March 2017 %
Non-current assets								
Listed equity investment in the PRC								
Yunnan Highway (stock code: 839650)	29,951,000	29,951,000	8.32	8.32	234,862	253,795	4.02	7.96
Listed equity investment in Hong Kong								
Jiayuan International Group Limited (stock code: 2768)	97,522,000	–	3.98	–	1,105,899	–	18.92	–
					1,340,761	253,795		
Current assets								
Held-for-trading listed equity investments in Hong Kong								
China Smarter Energy Group Holding Limited (stock code: 1004)	677,736,000	777,736,000	7.23	8.30	596,408	614,411	10.20	19.28
Code Agriculture (Holdings) Limited (stock code: 8153)	60,000,000	–	3.16	–	6,600	–	0.11	–
Far East Holdings International Limited (stock code: 36)	11,814,000	11,814,000	1.08	1.08	9,097	8,979	0.16	0.28
Hao Tian Development Group Limited (stock code: 474)	385,000,000	330,000,000	7.86	7.89	109,725	133,650	1.88	4.19
Huatai Securities Company Limited (stock code: 6886)	2,600	2,600	0.00	0.00	39	39	0.00	–
					721,869	757,079		
Held-for-trading unlisted equity investment in elsewhere								
Ba Shen Bai Asia Investment Limited	–	4,500	–	45.00	–	265,837	–	8.34
Held-for-trading unlisted convertible bonds in Hong Kong								
Code Agriculture (Holdings) Limited (1,000,000,000 conversion shares)	–	–	–	N/A	–	394,190	–	12.37
Held-for-trading investment fund in Hong Kong								
Sinolink Securities (HK) Co. Ltd.	N/A	–	N/A	N/A	546,828	–	9.36	–
Held-for-trading investment funds in elsewhere								
Haitong International Investment Fund	200,000	200,000	N/A	N/A	148,952	161,851	2.55	5.08
Altair Asia Investment Limited	5,292,982	–	N/A	N/A	143,434	–	2.45	–
China Times Investments Limited	1,279,214	–	N/A	N/A	965,500	–	16.52	–
					1,804,714	161,851		
					2,526,583	1,578,957		

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

Notes: (continued)

(iii) (a) Unrealised gains from investments at fair value through profit or loss – securities, bonds and funds: (continued)

	2018 HK$'000	2017 HK$'000
Unrealised gains of Hong Kong securities and bonds for the year, net	**550,829**	427,119
Unrealised (losses)/gains of outside Hong Kong (including PRC) securities for the year, net	**(43,981)**	440,065
Unrealised losses of investment funds for the year, net	**(47,135)**	–
Unrealised gains from investments at fair value through profit or loss, net (note 9)	**459,713**	867,184

(b) Realised gains from investments at fair value through profit or loss – securities and bonds:

	Disposal amount 2018 HK$'000	Carrying amount 2018 HK$'000	Realised gains for the year ended 31 March 2018 HK$'000	 2017 HK$'000
Realised gains of Hong Kong securities and bonds, net	**758,000**	**656,300**	**101,700**	45,562
Realised gains of outside Hong Kong (including PRC) equity investment	**266,000**	**265,837**	**163**	46
Realised gains from investments at fair value through profit or loss, net (note 9)	**1,024,000**	**922,137**	**101,863**	45,608

(iv) At 31 March 2018

None of the Group's investments at fair value through profit or loss were pledged.

At 31 March 2017

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

(v) During the year ended 31 March 2017, the Group disposed of the entire futures contracts. Futures contracts are financial instruments for trading of commodities with a financial institution. Futures contracts are measured at the quoted price in active markets. They were financed by the margin facilities granted by the financial institution.

21. LOANS RECEIVABLES

	2018 HK$'000	2017 HK$'000
Loans receivables	**1,403,805**	101,503
Less: allowance for impairment loss	**(45,000)**	(45,000)
	1,358,805	56,503
Less: amount classified as current assets	**(728,922)**	(56,503)
Non-current portion	**629,883**	–

Loans receivables represent receivables arising from the money lending business of the Group, and bear interest at rates ranging from 4% to 20% per annum (2017: from 7.5% to 24% per annum). The grants of these loans were approved and monitored by the Group's management.

	2018 HK$'000	2017 HK$'000
Type of borrowers that loans receivables are arising from:		
Individual customers	**245,279**	6,000
Corporate customers	**1,158,526**	95,503
	1,403,805	101,503
Less: allowance for impairment loss		
Corporate customers	**(45,000)**	(45,000)
	1,358,805	56,503

	2018 HK$'000	2017 HK$'000
Collateral pledged for the loans receivables includes:		
Share charges	**681,897**	–
Share charge and personal guarantee	**303,582**	3,000
Personal guarantee and USD Bonds	**197,034**	–
Properties	**–**	3,000
Unsecured	**176,292**	50,503
	1,358,805	56,503

During the year ended 31 March 2017, a loan receivable with a carrying amount of approximately HK$155,500,000 was settled in exchange for 200,000 units of Haitong International Investment Fund (note 20).

21. LOANS RECEIVABLES (continued)

An aging analysis of loans receivables (net of impairment), determined based on the time to maturity of the loans receivables, as at the end of the reporting period is as follows:

	2018 **HK$'000**	2017 HK$'000
Loans receivables:		
Within 90 days	**28,922**	45,424
91 days to 180 days	**500,000**	–
181 days to 1 year	**200,000**	11,079
1 year to 2 years	**434,883**	–
More than 2 years	**195,000**	–
	1,358,805	56,503

No impairment loss was recognised and no movement in the allowance for impairment loss for loans receivables during the year ended 31 March 2018 and 2017.

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

Included in the Group's loans receivables is a borrower with an amount of HK$3,000,000 (2017: nil) which was past due as at the end of the reporting period for which the Group has not provided for impairment loss.

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

	2018 **HK$'000**	2017 HK$'000
Neither past due nor impaired	**1,355,805**	56,503
Six months past due but not impaired	**3,000**	–
	1,358,805	56,503

For the past due but not impaired receivable, the Group has assessed the credit worthiness, past payment history, pledge of collateral and substantial settlement after the end of the reporting period, and considers that such amount is still recoverable and no impairment provision is required.

22. TRADE AND OTHER RECEIVABLES

	2018 HK$'000	2017 HK$'000
Trade receivables (Note (i))	**14,559**	–
Prepayments	**5,838**	7,077
Deposits (Note (ii))	**60,528**	7,423
Advance to an investee company (Note (iii))	**15,899**	13,949
Interest receivables	**26,006**	14,330
Other receivables (Note (iv))	**1,070,396**	153,708
	1,193,226	196,487

Notes:

(i) At the end of the reporting period, the aging analysis of trade receivables, based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	2018 HK$'000	2017 HK$'000
Within 90 days	**13,304**	–
91 days to 180 days	**118**	–
181 days to 1 year	**1,038**	–
Over 1 year	**99**	–
	14,559	–

The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	2018 HK$'000	2017 HK$'000
Neither past due nor impaired	**14,559**	–

22. TRADE AND OTHER RECEIVABLES (continued)

(ii) The amount mainly represents:

(a) guarantee deposits of approximately HK$33,730,000 (2017: nil) paid to various entities in accordance with the cooperation agreements entered into between Shenzhen Huixin Credit Management Co., Ltd. ("Shenzhen Huixin"), an indirect non-wholly-owned subsidiary of Kun Peng, and these entities, for the purpose of Shenzhen Huixin providing financial guarantee to borrowers that obtained financing from lenders via these entities through Shenzhen Huixin's money lending referral service business.

In the opinion of the directors of the Company, to the best knowledge, belief, information of and after making all reasonable enquiries, these entities are independent third parties of the Group. Shenzhen Huixin is exposed to the guaranteed loan principal of the borrowers and the respective interests. The Group has assessed the credit worthiness and past payment history of the borrowers, pledge of collaterals and the Group has provided sufficient guarantee deposits in accordance with the cooperation agreements. In the opinion of the directors of the Company, the deposits paid are fully recoverable and the fair value of the provision for guaranteed liabilities to the Group is insignificant as at 31 March 2018; and

(b) rental and utility deposits of approximately HK$9,158,000 (2017: HK$7,423,000).

(iii) The amount due from Yunnan Highway is unsecured, non-interest bearing and repayable on demand. In the opinion of the directors of the Company, the amount is recoverable within twelve months from the end of the reporting period and hence it is classified as current asset as at 31 March 2018.

(iv) As at 31 March 2018, other receivables mainly represent:

(a) an amount due from China Hover Dragon Group Limited ("China Hover Dragon") of approximately HK$153,811,000 (2017: HK$128,714,000) (note 34(c)) of which China Hover Dragon has committed to pay on behalf of Hainan Xinli Industry Limited of approximately HK$14,957,000 (2017: HK$13,486,000), which had been past due as of 31 March 2018. A stop notice had been served by the Company pursuant to the Rules of High Court to stop the transfer of 1,951,714,383 ordinary shares of the Company held by the shareholders of China Hover Dragon ("Subject Shares"), and payment of dividend; The Subject Shares have an aggregate fair value of approximately HK$585,514,000 as at 31 March 2018.

(b) proceed with an aggregate amount of approximately HK$590,400,000 (2017: nil) arising from the disposals of certain investments at fair value through profit or loss;

(c) proceed from redemption of an investment fund of HK$60,000,000 (2017: nil), of which HK$40,000,000 was received by the Group subsequent to the end of the reporting period; and

(d) proceed of HK$230,000,000 (2017: nil) arising from the disposal of an investment at fair value through profit or loss through CIFS, an associate of the Company as the securities broker of the transaction, which was received by the Group subsequent to the end of the reporting period.

23. RESTRICTED CASH

	2018 HK$'000	2017 HK$'000
Pledged for factoring loans (Note i)	**12,120**	41,502
Restricted bank deposits (Note ii)	**675**	13,676
	12,795	55,178
Less: amounts included under current assets	**(12,795)**	(25,052)
Non-current portion	**–**	30,126

Notes:

(i) An amount of approximately HK$12,120,000 was restricted as at 31 March 2018. However, the related banking facilities has been cancelled during the year ended 31 March 2018. The restricted bank deposit was subsequently released in April 2018.

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

The effective interest rates on restricted cash except the restricted bank deposits ranged from 2.80% to 4.75% per annum (2017: 2.80% to 4.75% per annum) without maturity date (2017: original maturity of 5 years). The restricted bank deposits bear interest at the prevailing market rates.

24. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were denominated in the following currencies:

	2018 HK$'000	2017 HK$'000
HK$	**520,401**	136,472
RMB	**1,026,032**	73,471
Singapore Dollar ("SGD")	**10**	–
United States Dollar ("US$")	**8,690**	10,601
	1,555,133	220,544

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

As at 31 March 2018, the Group maintained cash and cash equivalents amounting to approximately HK$1,026,020,000 (2017: HK$127,254,000) in the PRC, the remittance of which is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

25. OTHER PAYABLES AND ACCRUALS

	2018 HK$'000	2017 HK$'000
Accrued expenses	**14,999**	9,369
Guarantee deposits received from finance lease lessees (note 19)	**52,339**	48,315
Receipt in advance	**50,010**	–
Amount due to an associate (note 17)	**3,696**	–
Amount due to non-controlling interests	**17,177**	–
Deposits received from customers in trading platform business (Note i)	**3,966**	10,952
Other payables		
– Interest payables (Note ii)	**18,251**	767
– Others (Note iii)	**124,239**	11,039
	284,677	80,442
Less: amount classified as current liabilities	**(252,269)**	(80,442)
Amount classified as non-current liabilities	**32,408**	–

Notes:

(i) The amount represents customer deposits in relation to the transactions in asset trading platform.

(ii) The amount represents the provision of interest expenses on borrowings.

(iii) The amount mainly represents (a) balances received on behalf of customers in the online investment and technology-enabled lending platform in the PRC of approximately HK$31,800,000 (2017: nil), and (b) other tax payable and surcharge of approximately HK$15,980,000 (2017: HK$837,000).

26. BORROWINGS

	2018 HK$'000	2017 HK$'000
Interest-bearing bank borrowings (Note i):		
– portion of bank borrowings due for repayment within one year	**374,780**	217,331
– portion of bank borrowings due for repayment after one year but within two years	**–**	251,455
– portion of bank borrowings due for repayment after two years but within five years	**436,500**	42,557
Bonds due for repayment (Note ii):		
– within one year	**4,643,113**	983
– after one year	**19,244**	19,093
Other borrowings (Note iii):		
– within one year	**249,853**	–
– after one year	**1,550,000**	–
	7,273,490	531,419
Less: amount classified as current liabilities	**(5,267,746)**	(218,314)
Amount classified as non-current liabilities	**2,005,744**	313,105
Analysed as:		
Secured	**–**	511,343
Unsecured	**7,273,490**	20,076
	7,273,490	531,419

26. BORROWINGS (continued)

Notes:

(i) Interest-bearing bank borrowings

	2018		2017	
	HK$'000	**Effective interest rate**	HK$'000	Effective interest rate
Term loans				
– Variable rate	**–**	**–**	60,786	3.65%
– Variable rate (note 34(a))	**374,780**	**5.65%**	–	–
Guarantee loan				
– Variable rate (Note (a))	**436,500**	**2.45%**	–	–
Factoring loans (Note (b))				
– Variable rate	**–**	**–**	394,237	3.27%-5.25%
– Fixed rate	**–**	**–**	56,320	8.00%
	811,280		511,343	

Note:

(a) As at 31 March 2018, such term loan was guaranteed by Shandong Hi-Speed.

(b) At 31 March 2017, the factoring loans with aggregate carrying amount of approximately HK$450,557,000 were secured by finance lease receivables with aggregate carrying amount of approximately HK$450,557,000 (note 19) and bank deposits of approximately HK$41,502,000 (note 23).

(ii) Bonds

	2018	2017
	HK$'000	HK$'000
At beginning of the year	**20,076**	19,934
Gross proceeds from issue of guaranteed bonds during the year	**4,628,808**	–
Interest charged calculated at effective interest rate (Note)	**14,473**	1,142
Less: Bond interest paid during the year	**(1,000)**	(1,000)
At end of the year	**4,662,357**	20,076
Less: Amount classified under current liabilities	**(4,643,113)**	(983)
Non-current liabilities	**19,244**	19,093

Note:

The interests charged are calculated at effective interest rate and have been included in cost of services of approximately HK$6,880,000 (2017: nil) in related to financing for the money lending and financial leasing business and finance costs of approximately HK$7,593,000 (2017: HK$1,142,000) (note 8).

26. BORROWINGS (continued)

Notes:

(ii) Bonds (continued)

On 6 March 2018, Coastal Emerald Limited ("Coastal Emerald"), an indirect wholly-owned subsidiary of the Company, issued 3.9% guaranteed bonds in the principal amount of US$400,000,000 guaranteed by the Company and with the benefit of a keepwell deed by Shandong Hi-Speed (the "Original Guaranteed Bonds") to the independent third parties. On 13 March 2018, Coastal Emerald further issued an additional 3.9% guaranteed bonds in the principal amount of US$200,000,000 (the "Additional Guaranteed Bonds") to the independent third parties. The Additional Guaranteed Bonds were consolidated to form a single series with the Original Guaranteed Bonds. The Original Guaranteed Bonds and the Additional Guaranteed Bonds in an aggregate amount of US$600,000,000 (equivalent to approximately HK$4,642,130,000) will mature on 3 March 2019. Further details are set out in the announcements of the Company dated 5 March 2018, 6 March 2018 and 12 March 2018.

As at 31 March 2018 and 2017, the Group has other two outstanding bonds in an aggregate amount of HK$20,227,000 (2017: HK$20,076,000), including (a) a 5% unsecured seven-year straight bond with principal amount of HK$10,000,000 to an independent third party. The final maturity of the bond issued is in the year ending 31 March 2022; and (b) a 5% unsecured seven-year straight bond with principal amount of HK$10,000,000 to an independent third party. The final maturity of the bond issued is in the year ending 31 March 2021.

(iii) Other borrowings

As at 31 March 2018, the Group has two outstanding other borrowings advanced from certain affiliates of Shandong Hi-Speed (note 34(a)), including (a) an entrusted loan of an amount of RMB200,000,000 (equivalent to approximately HK$249,853,000) from an associate of Shandong Hi-Speed, which is unsecured, bears interest at 9% per annum and repayable in year ending 31 March 2019; and (b) a loan of an amount of USD200,000,000 (equivalent to approximately HK$1,550,000,000) form a subsidiary of Shandong Hi-Speed, which is unsecured, bear interest at 4.5% per annum and repayable in year ending 31 March 2021.

27. CONVERTIBLE BONDS

During the year ended 31 March 2018, the Company had fully redeemed the convertible bond 2 ("CB 2") and issued convertible bond 5 ("CB 5"). During the year ended 31 March 2017, the Company had fully redeemed the convertible bond 3 ("CB 3") and issued and partly redeemed convertible bond 4 ("CB 4").

CB 1

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

The CB 1 bears interest from the date of issue at 8% per annum on the principal amount of the convertible bonds and payment to be made on the maturity date. The CB 1 is secured by a share charge of the entire share capital of China Shangdong Hi-Speed Hong Kong Leasing Limited (formerly known as Hong Kong Leasing Limited ("Hong Kong Leasing")), an indirect wholly-owned subsidiary of the Company.

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

CB 2

On 24 December 2015, the Company issued 8% USD-denominated convertible bonds with the aggregate principal amount of US$40,000,000 (equivalent to approximately HK$310,000,000). Each bond entitles the holder to convert to the Company's ordinary shares at a conversion price of HK$0.72 and maturity on 24 December 2018. On 6 February 2018, the Company early redeemed CB 2 in full, which was settled by the issuance of CB 5 and recognised losses of approximately HK$16,254,000 in profit or loss for the year ended 31 March 2018 (note 7). Details of the CB 2 are set out in the Company's announcements dated 15 December 2015, 24 December 2015, 23 January 2018 and 6 February 2018.

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

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

27. CONVERTIBLE BONDS (continued)

CB 3

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

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

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

CB 4

On 16 August 2016, the Company issued 8% USD-denominated convertible bonds with the aggregate principal amount of US$40,000,000 (equivalent to approximately HK$310,000,000). The proceeds of the CB 4 was used to redeem the CB 3 in full in an aggregate amount of US$40,000,000 (equivalent to approximately HK$310,000,000). Each bond entitles the holder to convert to Company's ordinary share at a conversion price of HK$0.72 and maturity on 16 August 2018. On 17 October 2016 and 5 January 2017, the Company early redeemed the CB 4 in the principal amount of US$10,000,000 and US$20,000,000 (equivalent to approximately HK$77,500,000 and HK$155,000,000) and recognised losses of approximately HK$6,884,000 and HK$12,096,000 in profit or loss for the year ended 31 March 2017 respectively. Details of the CB 4 are set out in the Company's announcements dated 27 July 2016, 16 August 2016, 7 December 2016 and 5 January 2017.

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

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

27. CONVERTIBLE BONDS (continued)

CB 5

On 6 February 2018, the Company issued 6% USD-denominated convertible bonds with the aggregate principal amount of US$40,000,000 (equivalent to approximately HK$310,000,000). The proceed of the CB 5 was used to redeem the CB 2 in full in an aggregate amount of US$40,000,000 (equivalent to approximately HK$310,000,000). CB 5 is divided into two tranches, namely Tranche A Bonds and Tranche B Bonds. Tranche A Bonds in the principal amount of US$20,000,000 (equivalent to approximately HK$155,000,000) entitles the holder to convert to the Company's ordinary shares at a conversion price of HK$0.35 and Tranche B Bonds in the principal amount of US$20,000,000 (equivalent to approximately HK$155,000,000) entitles the holder to convert to the Company's ordinary shares at a conversion price of HK$0.42. If the average closing price of the shares of the Company for any five consecutive trading days is equal to or greater than HK$0.38, the Tranche A Bonds shall immediately become convertible into shares of the Company. Both the maturity date of Tranche A Bonds and Tranche B Bonds are on 6 August 2019. Details of the CB 5 are set out in the Company's announcements dated 23 January 2018 and 6 February 2018.

The CB 5 bears interest at 6% per annum payable in arrears every six months after the date of issue.

The CB 5 contains two components: liability and equity elements. The equity element is presented in equity heading "convertible bonds reserve". The effective interest rate of the liability component on initial recognition is 11.32% per annum.

CB 1, CB 2, CB 3, CB 4 and CB 5 ("All CBs")

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

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

27. CONVERTIBLE BONDS (continued)

CB 1, CB 2, CB 3, CB 4 and CB 5 ("All CBs") (continued)

The information of all CBs are presented as follows:

	CB1 HK$'000	CB2 HK$'000	CB3 HK$'000	CB4 HK$'000	CB5 HK$'000
Principal amounts:					
– as at issue date	387,500	310,000	310,000	310,000	310,000
Interest:	8% p.a. payable semi-annually	8% p.a. payable semi-annually	7% p.a. payable semi-annually	8% p.a. payable semi-annually	6% p.a. payable semi-annually
Issue date:	28 October 2015	24 December 2015	31 December 2015	16 August 2016	6 February 2018
Maturity date:	28 October 2018	24 December 2018	31 December 2017	16 August 2018	6 August 2019
Conversion price per share:	HK$0.68	HK$0.72	HK$0.72	HK$0.72	HK$0.35 (Tranche A Bonds)/ HK$0.42 (Tranche B Bonds)

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

	CB1 HK$'000	CB2 HK$'000	CB3 HK$'000	CB4 HK$'000	CB5 HK$'000	Total HK$'000
Principal amounts:						
Liability component	345,789	287,564	276,404	282,113	287,145	1,479,015
Equity component	41,711	22,436	33,596	27,887	22,855	148,485
Nominal value of CB						
– as at issue date	387,500	310,000	310,000	310,000	310,000	1,627,500
As at 1 April 2016	363,894	291,147	282,664	–	–	937,705
Liability component at issue date	–	–	–	282,113	–	282,113
Imputed interest charge (note 8)	44,031	32,033	14,118	13,826	–	104,008
Interest paid and payable	(36,521)	(24,965)	(11,961)	(8,060)	–	(81,507)
Redemption	–	–	(284,821)	(213,976)	–	(498,797)
As at 31 March 2017 and 1 April 2017	371,404	298,215	–	73,903	–	743,522
Liability component at issue date	–	–	–	–	287,145	287,145
Imputed interest charge (note 8)	45,511	27,938	–	9,862	4,740	88,051
Interest paid and payable	(31,000)	(28,461)	–	(6,200)	–	(65,661)
Redemption	–	(297,692)	–	–	–	(297,692)
As at 31 March 2018	**385,915**	**–**	**–**	**77,565**	**291,885**	**755,365**

Transaction cost included legal fee and arrangement fee.

27. CONVERTIBLE BONDS (continued)

CB 1, CB 2, CB 3, CB 4 and CB 5 ("All CBs") (continued)

	2018	2017
	HK$'000	HK$'000
Analysed for reporting purpose as:		
Non-current	**291,885**	743,522
Current	**463,480**	–
	755,365	743,522

As at 31 March 2018, the fair values of liability component of the CB 1, CB 4 and CB 5 were approximately HK$394,017,000, HK$77,406,000 and HK$291,350,000 (2017: CB 1, CB 2 and CB 4 were approximately HK$389,327,000, HK$311,447,000 and HK$77,852,000) respectively.

28. DEFERRED TAX LIABILITIES

	Convertible bonds	**Changes in fair values of investments at fair value through profit or loss**	**Fair value adjustments arising from business combination**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2016	10,254	48,297	111,750	170,301
Acquisition of subsidiaries (note 31(c))	–	–	82	82
Issuance of convertible bonds	4,601	–	–	4,601
Redemption of convertible bonds	(6,830)	–	–	(6,830)
(Credited)/charge to profit or loss for the year (note 12)	(3,604)	29,079	–	25,475
Exchange alignment	–	(1,886)	–	(1,886)
At 31 March 2017 and 1 April 2017	4,421	75,490	111,832	191,743
Issuance of convertible bonds	3,771	–	–	3,771
Disposal of interest in subsidiaries resulting in loss of control (note 31(b))	–	–	(82)	(82)
Credited to profit or loss for the year (note 12)	(4,952)	(9,211)	–	(14,163)
Exchange alignment	–	5,250	–	5,250
At 31 March 2018	**3,240**	**71,529**	**111,750**	**186,519**

28. DEFERRED TAX LIABILITIES (continued)

At 31 March 2018, the Group had tax losses arising in Hong Kong of approximately HK$52,348,000 (2017: HK$115,575,000) that are subject to the agreement by the Hong Kong Inland Revenue Department and are available indefinitely for offsetting against future taxable profits arising in Hong Kong of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of those losses due to the unpredictability of future taxable profit streams of those companies and, accordingly, in the opinion of the directors of the Company, it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

29. ISSUED CAPITAL

Authorised and issued capital

	2018	2017
	HK$'000	HK$'000
Authorised capital:		
2,000,000,000,000 (2017: 2,000,000,000,000) ordinary shares of HK$$0.00025 (2017: HK$0.00025) each	**500,000**	500,000
Issued and fully paid:		
24,551,714,002 (2017: 19,188,648,437) ordinary shares of HK$0.00025 (2017: HK$0.00025) each	**6,138**	4,797

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

	Notes	**Number of shares in issue/ (repurchased)**	**Issued/ (repurchased) capital**	**Share premium account**	**Total**
			HK$'000	HK$'000	HK$'000
At 1 April 2016		19,310,448,342	4,828	3,236,117	3,240,945
Shares repurchased and cancelled	(i)	(121,799,905)	(31)	(81,575)	(81,606)
At 31 March 2017 and 1 April 2017		19,188,648,437	4,797	3,154,542	3,159,339
Shares issued	(ii)	5,363,065,565	1,341	1,646,655	1,647,996
At 31 March 2018		**24,551,714,002**	**6,138**	**4,801,197**	**4,807,335**

29. ISSUED CAPITAL (continued)

Authorised and issued capital (continued)

Notes:

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

(ii) During the year ended 31 March 2018, the Company issued an aggregate number of 5,363,065,565 shares of the Company, which represented the following:

(a) 5,000,000,000 consideration shares issued on 13 October 2017 which arose from the completion of the major and connected transaction in relation to the acquisition of 40% equity interest in Shandong (BVI) pursuant to the sale and purchase agreement. Further details were set out in the Company's announcements dated 25 April 2017, 16 May 2017, 30 June 2017, 18 August 2017, 29 September 2017, 13 October 2017 and the circular dated 27 July 2017 and note 18 to the consolidated financial statements.

(b) 363,065,565 consideration shares issued on 26 March 2018 which arose from the completion of the transaction in relation to the acquisition of 60% equity interest in Kun Peng pursuant to the sale and purchase agreement. Further details were set out in the Company's announcements dated 29 December 2017 and 26 March 2018 and note 31(c)(i) to the consolidated financial statements.

29. ISSUED CAPITAL (continued)

Capital management

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

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

As at 31 March 2018 and 2017, subsidiary of the Group licensed by the development of the Shenzhen Municipal Government Financial Services Office is required to maintain a minimum registered share capital of RMB100,000,000 at all times.

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

Save as disclosed above, no changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2018 and 2017.

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

	2018	2017
	HK$'000	HK$'000
Total borrowings	**8,028,855**	1,274,941
Total assets	**14,414,673**	4,735,830
Gearing ratio	**55.70%**	26.92%

30. SHARE OPTION SCHEME

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

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

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

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

30. SHARE OPTION SCHEME (continued)

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

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

	Number of share option*						Adjusted price of the Company's shares**			
Name of participant	At 1 April 2017 '000	Granted during the year '000	Adjustment due to subdivision '000	At 31 March 2018 '000	Date of grant of share options	Exercise period of share options	Adjusted exercise price of share options* HK$ per share	At grant date of share options HK$ per share	Immediately before the exercise date HK$ per share	At exercise date of share options HK$ per share
Mr. Yau Wai Lung	169,400	–	–	169,400	5-12-2014	5-12-2014 to 4-12-2024	0.42	0.405	N/A	N/A

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

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

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

30. SHARE OPTION SCHEME (continued)

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

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

Notes:

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

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

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

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

For the years ended 31 March 2018 and 2017, there is no share-based payment expenses as the Company did not grant any share options in that year.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of a subsidiary

For the year ended 31 March 2018

Disposal of Park Rise Investments Limited ("Park Rise")

On 31 March 2017, the Group entered into a sale and purchase agreement with Leading Fortune International Group Limited ("Leading Fortune"), a wholly-owned company of Mr. Yau Wai Lung, an executive director of the Company, pursuant to which the Group agreed to sell and Leading Fortune agreed to purchase the entire issued share capital of Park Rise, an indirect wholly-owned subsidiary of the Company. All conditions precedent in the agreement have been fulfilled during the year ended 31 March 2018 and the disposal of Park Rise was completed on 11 August 2017. The cash consideration was determined at HK$100,680,000 with reference to the completion accounts of Park Rise. The net assets of Park Rise at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment (note 15)	141,175
Other receivables	3,058
Cash and cash equivalents	319
Borrowings	(58,585)
	85,967
Gain on disposal of Park Rise (note 7)	14,713
Consideration satisfied by cash in respect of disposal of Park Rise	100,680
Net cash inflow arising on disposal:	
Cash consideration received	100,680
Less: cash and cash equivalents disposal of	(319)
	100,361

Gain on disposal of Park Rise of approximately HK$14,713,000 (note 7) has been included in the consolidated income statement for the year ended 31 March 2018.

Further details were set out in the Company's announcements dated 31 March 2017 and 11 August 2017.

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

(b) Disposal of interest in subsidiaries resulting in loss of control

For the year ended 31 March 2018

(i) Disposal of Top Wish

On 11 October 2017, the Group entered into a sale and purchase agreement with the independent third parties ("Top Wish Purchasers"), pursuant to which the Group agreed to sell and Top Wish Purchasers agreed to purchase the 75% issued share capital of Top Wish, an indirect wholly-owned subsidiary of the Company and its subsidiaries (collectively referred to as the "Top Wish Group"). All conditions precedent in the agreement have been fulfilled during the year ended 31 March 2018 and the disposal of the Top Wish Group was completed on 11 October 2017. The cash consideration was determined at HK$21,075,000 with reference to the completion accounts of the Top Wish Group. The net assets of Top Wish Group at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment (note 15)	470
Intangible assets (note 16)	500
Other receivables	14,908
Cash and cash equivalents	1,208
Other payables and accruals	(580)
	16,506
Attributable goodwill (note 16)	11,501
Less: fair value of 25% residual interest of Top Wish Group	(7,002)
Gain on disposal of Top Wish Group	70
Consideration satisfied by cash in respect of disposal of the Top Wish Group	21,075
Net cash inflow arising on disposal:	
Cash consideration received	21,075
Less: cash and cash equivalents disposal of	(1,208)
	19,867

This transaction was accounted for as disposal of interest in a subsidiary resulting in loss of control. Subsequent to the disposal, the remaining 25% equity interest in Top Wish is still held by the Group under significant influence and became an associate of the Group (note 17).

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

(b) Disposal of interest in subsidiaries resulting in loss of control (continued)

For the year ended 31 March 2018 (continued)

(ii) Disposal of Eternal Billion Holding Group Limited ("Eternal Billion")

On 11 October 2017, the Group entered into a sale and purchase agreement with the independent third parties ("Eternal Billion Purchasers"), pursuant to which the Group agreed to sell and Eternal Billion Purchasers agreed to purchase the 75% entire issued share capital of Eternal Billion, an indirect wholly-owned subsidiary of the Company and its subsidiaries (collectively referred to as the "Eternal Billion Group"). All conditions precedent in the agreement have been fulfilled during the year ended 31 March 2018 and the disposal of the Eternal Billion Group was completed on 11 October 2017. The cash consideration was determined at HK$750,000 with reference to the completion accounts of Eternal Billion Group. The net assets of Eternal Billion Group at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Cash and cash equivalents	692
Other payables and accruals	(60)
	632
Less: fair value of 25% residual interest of Eternal Billion Group	(158)
Gain on disposal of Eternal Billion Group	276
Consideration satisfied by cash in respect of disposal of the Eternal Billion Group	750
Net cash inflow arising on disposal:	
Cash consideration received	750
Less: cash and cash equivalents disposal of	(692)
	58

This transaction was accounted for as disposal of interest in a subsidiary resulting in loss of control. Subsequent to the disposal, the remaining 25% equity interest in Eternal Billion are still held by the Group under significant influence and became an associate of the Group (note 17).

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

(c) Acquisition of subsidiaries

For the year ended 31 March 2018

(i) Acquisition of Kun Peng

On 29 December 2017, Coastal Silk Limited ("Coastal Silk"), an indirect wholly-owned subsidiary of the Company, entered into a share purchase agreement (the "Share Purchase Agreement") with Honesta Investment Limited ("Honesta Investment"), as vendor, Kun Peng and Mr. Hua, pursuant to which (i) Coastal Silk agreed to subscribe for, and Kun Peng agreed to allot and issue, 12,500 new shares in Kun Peng, representing 25% of the then share capital of Kun Peng and 20% of the share capital as enlarged by the new shares to be allotted and issued by Kun Peng, at a cash consideration of RMB50,000,000 (equivalent to approximately HK$62,463,000) (the "Share Subscription"); and (ii) Honesta Investment agreed to sell, and Coastal Silk agreed to purchase, 25,000 shares in Kun Peng, representing 50% of the then share capital of Kun Peng and 40% of the share capital as enlarged by the new shares to be allotted and issued by Kun Peng in accordance with Share Subscription, at a consideration satisfied by way of allotment and issue of 363,065,565 shares of the Company (the "Consideration Shares") (the "Share Acquisition") (note 29(ii)(b)) (collectively the "Kun Peng Acquisition"). Upon completion of the Kun Peng Acquisition on 26 March 2018, Kun Peng was held by the Group as 60%-owned subsidiary.

Kun Peng Group is principally engaged in the Restricted Businesses in the PRC which is attributable to the financial technology segment of the Group after its acquisition. Further details were set out in the Company's announcements dated 29 December 2017 and 26 March 2018, note 4 to the consolidated financial statements and "Contractual Arrangement" Section in the "Report of the directors".

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

(c) Acquisition of subsidiaries (continued)

For the year ended 31 March 2018 (continued)

(i) Acquisition of Kun Peng (continued)

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

	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed at fair value:	
Property, plant and equipment (note 15)	3,138
Intangible assets (note 16)	34,073
Interests in associates	9,482
Trade and other receivables	87,126
Cash and cash equivalents	103,490
Other payables and accruals	(132,120)
Tax payables	(438)
	104,751
Less: non-controlling interests at proportionate share of net assets acquired	(69,721)
Goodwill (note 16)	145,429
	180,459
Total consideration satisfied by:	
Cash consideration paid	62,463
Consideration Shares based on quoted market price at acquisition date (note 29(ii)(b))	117,996
	180,459

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

(c) Acquisition of subsidiaries (continued)

For the year ended 31 March 2018 (continued)

(i) Acquisition of Kun Peng (continued)

Net cash inflow arising on the acquisition of Kun Peng:

	HK$'000
Cash consideration paid	(62,463)
Cash and cash equivalents acquired	103,490
	41,027

Acquisition related costs of approximately HK$180,000 were charged to administrative expenses in the consolidated income statement for the year ended 31 March 2018.

The fair value of the identifiable assets acquired and liabilities assumed have been arrived at on the basis of the valuation of Kun Peng at data of acquisition carried out by Crowe Horwath First Trust Appraisal Pte Ltd., an independent valuer not connected with the Group.

Pursuant to the Share Purchase Agreement, Honesta Investment and Mr. Hua jointly and severally agree that an aggregate minimum distributable operating net profit of certain subsidiaries of Kun Peng, including Cashlai, Shenzhen Qianhai Honesta Asset Management Company Ltd. ("Honesta Asset Management"), and their subsidiaries (the "Minimum Net Profit") for the years ending 31 December 2018, 2019 and 2020 will be RMB32,270,000, RMB58,170,000 and RMB95,700,000 respectively. In the event that Cashlai, Honesta Asset Management and their subsidiaries fail to achieve the above aggregate Minimum Net Profit during the three financial years ending 31 December 2020, the Company will buy back a portion of the Consideration Shares at nil consideration based on the shortfall of the net profit upon the financial statements of the financial year ending 31 December 2020 are ready, subject to the approval of the Securities and Futures Commission and compliance with the Code of Share Buy-backs and all regulatory requirements or compensate the Group the shortfall in cash. In the opinion of the directors of the Company, the fair value of such contingent consideration, being the right to buy back the Considerations Shares at nil consideration, is insignificant at initial recognition and at the end of the reporting period.

Trade and other receivables mainly included trade receivables of approximately HK$14,571,000 and guarantee deposits paid to various independent entities under the money lending referral service business of approximately HK$33,730,000 (see description on note 22(ii)(a)).

The fair value of trade and other receivables at the date of acquisition approximated to the gross contractual amount and amounted to approximately HK$87,126,000.

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

(c) Acquisition of subsidiaries (continued)

For the year ended 31 March 2018 (continued)

(i) Acquisition of Kun Peng (continued)

Goodwill was determined as the excess of the consideration and the amount of non-controlling interest of Kun Peng over the fair values of the identifiable assets acquired and liabilities assumed as at the completion date. Goodwill arose in the acquisition of Kun Peng because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Kun Peng. These benefits were not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The directors of the Company have assessed the recoverable amount of the goodwill based on the higher of fair value less costs of disposal and value in use and determined that there are no impairment of the goodwill at the date of acquisition and at the end of the reporting period. Details of the assessment at the end of the reporting period are set out in note 16 to the consolidated financial statements.

None of the goodwill arising on the acquisition was expected to be deductible for tax purposes.

During the year ended 31 March 2018, the consolidated income statement included revenue of Kun Peng Group from the date of acquisition to 31 March 2018 of approximately HK$1,261,000. Kun Peng Group also contributed a loss of approximately HK$1,513,000 over the same period. Had the acquisition been completed on 1 April 2017, the consolidated income statement of the Group would have instead included revenue of approximately HK$551,841,000 and profit of approximately HK$668,349,000.

For the year ended 31 March 2017

(ii) Acquisition of China Innovation Finance Zhonghong

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

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

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

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

(c) Acquisition of subsidiaries (continued)

For the year ended 31 March 2017 (continued)

(ii) Acquisition of China Innovation Finance Zhonghong (continued)

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

	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed at fair value:	
Property, plant and equipment (note 15)	13
Available-for-sale investments (note 18)	794
Cash and cash equivalents	154
Other receivables	7,753
Other payables	(241)
Total identifiable net assets of subsidiaries	8,473
Goodwill (note 16)	26,372
	34,845
Total consideration satisfied by:	
Cash consideration paid	34,845
Net cash outflow arising on the acquisition:	
Cash consideration paid	34,845
Cash and cash equivalents acquired	(154)
	34,691

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

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

(c) Acquisition of subsidiaries (continued)

For the year ended 31 March 2017 (continued)

(ii) Acquisition of China Innovation Finance Zhonghong (continued)

During the year ended 31 March 2017, the consolidated income statement included revenue of China Innovation Finance Zhonghong from date of acquisition to 31 March 2017 of approximately HK$80,000. China Innovation Finance Zhonghong also contributed a loss of approximately HK$2,359,000 over the same period. Had the acquisition been completed on 1 April 2016, the consolidated income statement would have instead included revenue of approximately HK$193,511,000 and profit of approximately HK$158,455,000.

(iii) Acquisition of CIFS

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

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

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

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

(c) Acquisition of subsidiaries (continued)

For the year ended 31 March 2017 (continued)

(iii) Acquisition of CIFS (continued)

	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed at fair value:	
Property, plant and equipment (note 15)	81
Trading right (note 16)	500
Statutory deposits	205
Cash and cash equivalents	25,967
Trade and other receivables	10,812
Bank borrowings	(7,500)
Other payables and accruals	(291)
Deferred tax liabilities (note 28)	(82)
Total identifiable net assets of subsidiaries	29,692
Goodwill (note 16)	11,501
	41,193
Total consideration satisfied by:	
Cash consideration paid	41,193
Net cash outflow arising on the acquisition:	
Cash consideration paid	41,193
Cash and cash equivalents acquired	(25,967)
	15,226

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

During the year ended 31 March 2017, the consolidated income statement included revenue of CIFS from date of acquisition to 31 March 2017 of approximately HK$286,000. CIFS also contributed a loss of approximately HK$483,000 over the same period. Had the acquisition been completed on 1 April 2016, the consolidated income statement would have instead included revenue of approximately HK$193,880,000 and profit of approximately HK$166,297,000.

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

(d) Major non-cash transactions

Save as disclosed elsewhere in these consolidated financial statements, the Group entered into the following major non-cash transactions:

(i) For the year ended 31 March 2018, the Group disposed an investment at fair value through profit or loss through CIFS, an associate of the Group, which is the securities broker. The proceed of HK$230,000,000 arising from the disposal was settled after the end of the reporting period.

(ii) For the year ended 31 March 2018, the Group settled CB 2 by the issuance of CB 5. Further details are set out in note 27 to the consolidated financial statements.

(iii) For the year ended 31 March 2017, the Group settled CB 3 by the issuance of CB 4. Further details are set out in note 27 to the consolidated financial statements.

(iv) For the year ended 31 March 2017, a loan receivable with a carrying amount of approximately HK$155,500,000 was settled by a customer by way of exchange of 200,000 units of Haitong International Investment Fund. Further details are set out in note 21 to the consolidated financial statements.

32. PLEDGE OF ASSETS

As at 31 March 2018, except that CB 1 is secured by the share charge of the entire share capital of Hong Kong Leasing (note 27), none of the other assets of the Group were pledged.

Details of pledge of assets of the Group as at 31 March 2017 as follows:

(i) CB 1 was secured by the share charge of the entire share capital of Hong Kong Leasing (note 27).

(ii) A portion of the finance lease receivables with aggregate carrying amount of approximately HK$450,557,000 were pledged to the banks in the PRC (note 19).

(iii) The Group has pledged restricted cash with aggregate carrying amount of approximately HK$41,502,000 for bank loans and bank facilities (note 23).

(iv) The Group has pledged a property, plant and equipment with carrying amount of approximately HK$144,726,000 for a bank loan (note 15).

33. COMMITMENTS

Operating lease arrangements

As lessee

The Group leases certain properties under operating lease arrangements, with leases negotiated for initial terms ranging from one to three years (2017: one to five years).

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2018 **HK$'000**	2017 HK$'000
Within one year	**9,618**	16,364
In the second to fifth years, inclusive	**6,530**	23,774
	16,148	40,138

Capital commitments

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

	2018 **HK$'000**	2017 HK$'000
Acquisition of a company	**7,500**	7,500
Contracted for acquisition for the property, plant and equipment	**–**	2,408
	7,500	9,908

34. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the year.

(a) Transactions and balances with affiliates of Shandong Hi-Speed

As at 31 March 2018, the Company is 42.60% owned by Shandong Hi-Speed. Save as disclosed in note 34(g) to the consolidated financial statements, the Group entered into the following material transactions with the affiliates of Shandong Hi-Speed:

Balances with affiliates of Shandong Hi-Speed

	2018 **HK$'000**	2017 HK$'000
With a bank, which is a subsidiary of Shandong Hi-Speed		
– bank deposits	**249,087**	–
– interest-bearing bank borrowing (note 26(i), note 34(g)(iv))	**374,780**	–
Other borrowings (note 26(iii), note 34(g)(iv)) from		
– an associate of Shandong Hi-Speed	**249,853**	–
– a subsidiary of Shandong Hi-Speed	**1,550,000**	–
Loan receivable from an associate of Shandong Hi-Speed (note 34(g)(i))	**–**	7,700

Transactions with affiliates of Shandong Hi-Speed

	2018 **HK$'000**	2017 HK$'000
Interest income from a bank, which is a subsidiary of Shandong Hi-Speed	**15**	–
Interest income on a loan to an associate of Shandong Hi-Speed included in revenue (note 34(g)(i))	**403**	118
Interest expenses on borrowings from an associate and a subsidiary of Shandong Hi-Speed	**3,221**	–

Further details of the transaction in relation to the acquisition of 40% interest in Shandong Hi-Speed (BVI) International Holdings Limited from an associate of Shandong Hi-Speed are set out in note 34(g)(iii) to the consolidated financial statements.

(b) Transactions and balances with other government-related entities in the PRC

During the year ended 31 March 2018, certain bank deposits, cash and cash equivalents and bank borrowings as of 31 March 2018 and the relevant interest earned or paid during the year are transacted with banks and other financial institutions controlled by the PRC government. In the opinion of the directors of the Company, all such transactions were conducted in the ordinary course of business and on normal commercial terms.

34. RELATED PARTY TRANSACTIONS (continued)

(c) Transactions and balances with a company controlled by a former director of the Company

(i) As at 31 March 2018, the Group has an amount due from China Hover Dragon, in which Mr. Ji Kewei, the former director of the Company, has interest in it, of approximately HK$153,811,000 (2017: HK$128,714,000). Further details are set out in note 22(iv)(a) to the consolidated financial statements.

(ii) During the year ended 31 March 2017, the Group repurchased 117,870,876 ordinary shares of the Company of approximately HK$78,973,000 from China Hover Dragon at nil consideration. Further details are set out in note 29(i) to the consolidated financial statements.

(d) Balances with non-controlling interests

As at 31 March 2018, included in "Other payables and accruals" balance in the consolidated statement of financial position was an aggregate amounts due to subsidiaries from the non-controlling interests of an amount of approximately HK$17,177,000 (2017: nil) (note 25).

(e) Transactions and balances with an associate

As at 31 March 2018, included in "Trade and other receivables" balance in the consolidated statement of financial position was an amount due from an associate, namely CIFS, of an amount of HK$230,000,000 (2017: nil) (note 22(iv)(d)), which was the proceed arising from the disposal of an investment at fair value through profit or loss in which CIFS was the securities broker of the transaction under normal commercial terms and conditions. The Group paid HK$312,000 commission fee arising from the transaction to CIFS during the year ended 31 March 2018 (2017: nil).

(f) Compensation of key management personnel of the Group:

	2018 **HK$'000**	2017 HK$'000
Short-term employee benefits	**3,857**	14,809
Emolument shares	**–**	2,726
	3,857	17,535

Further details of directors' emoluments and the five highest paid employees are included in notes 10 and 11, respectively, to the consolidated financial statements.

34. RELATED PARTY TRANSACTIONS (continued)

(g) Applicability of the Listing Rules relating to connected transactions

(i) On 16 January 2017, C.I.F. Financial Limited ("CIF Finance"), an indirect wholly-owned subsidiary of the Company, entered into the loan agreement with Shandong Hi-Speed Investment Fund Management Limited ("SHS Fund Management"), a company incorporated in the Cayman Islands, pursuant to which CIF Finance has agreed to provide the loan in the principal amount of HK$7,700,000 to SHS Fund Management for a term of one year after the date of advance at an interest rate of 7.5% per annum.

SHS Fund Management is an associate of Shandong Hi-Speed and hence, a connected person of the Company. The entering into of the loan agreement and the transactions contemplated thereunder are subject to announcement and reporting requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Further details are set out in the Company's announcement dated 17 January 2017. The loan was subsequently fully repaid by SHS Fund Management during the year ended 31 March 2018.

(ii) On 31 March 2017, Greater Chance Group Limited ("Greater Chance"), an indirect wholly-owned subsidiary of the Company, has entered a sale and purchase agreement to dispose the entire issued share capital of Park Rise, the legal and beneficial owner of the aircraft held by the Group, at a consideration of HK$97,200,000 to Leading Fortune International Group Limited ("Leading Fortune"), a company incorporated in the British Virgin Islands.

The consideration was determined after negotiations between Greater Chance and Leading Fortune taking into account the carrying amount of the aircraft as at 19 January 2016 (being the date on which Greater Chance acquired the entire issued share capital of Park Rise) in the sum of HK$156,574,000 minus the deficit of HK$59,374,000, being the amount determined by Greater Chance and Leading Fortune taking into account, inter alia, the net liabilities of Park Rise (without taking into account the value of the aircraft) as shown in the unaudited management accounts of Park Rise as at 31 March 2017.

The sale and purchase is conditional upon fulfilment of the following conditions: (a) the compliance by Greater Chance of all requirements under the Listing Rules for entering into of the sale and purchase agreement and the transactions contemplated thereunder; (b) the obtaining by Greater Chance of all approvals of its board of directors; and (c) the obtaining by Greater Chance of all consents of the financiers of Park Rise. All conditions precedent in the agreement have been fulfilled for the year ended 31 March 2018 and the disposal of Park Rise was completed on 11 August 2017. The cash consideration was determined at HK$100,680,000 with reference to the completion accounts of Park Rise. Further details were set out in the Company's announcements dated 31 March 2017 and 11 August 2017 and, note 31(a) to the consolidated financial statements.

34. RELATED PARTY TRANSACTIONS (continued)

(g) Applicability of the Listing Rules relating to connected transactions (continued)

(ii) (continued)

Leading Fortune, being a company wholly-owned by Yau Wai Lung, an ED of the Company, is an associate of the connected person of the Company as defined under Rule 14A.07 of the Listing Rules. As such, the entering into of the sales and purchase agreement and the transactions contemplated thereunder are subject to announcement and reporting requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(iii) On 25 April 2017, Viewlock Limited, a wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with Shandong International (Hong Kong) Limited ("Shandong International") and Shandong Province Rural Economic Development Investment Company（山東省農村經濟開發投資公司）("Shandong Rural" as guarantor for Shandong International) to acquire 40% of the issued share capital of Shandong Hi-Speed (BVI) International Holdings Limited ("Shandong (BVI)") (see note 18(iv)) ("Shandong (BVI) Acquisition").

At the material time of entering into the sales and purchase agreement, Shandong International and its concert parties were indirectly interested in 5,459,648,350 shares of the Company, representing 28.5% of the total issued share capital of the Company at the material time. Shandong International is an associate of Shandong Hi-Speed and hence a connected person of the Company.

Accordingly, the Shandong (BVI) Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Shandong (BVI) Acquisition is more than 25% but are all less than 100%, the Shandong (BVI) Acquisition also constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and therefore will be subject to the reporting, announcement and Independent shareholders' approval requirements under Chapter 14 and 14A of the Listing Rules.

34. RELATED PARTY TRANSACTIONS (continued)

(g) Applicability of the Listing Rules relating to connected transactions (continued)

(iii) (continued)

Independent shareholders' approval on the Shandong (BVI) Acquisition and the issue of consideration shares under special mandate has been obtained pursuant to the poll results of a special general meeting held on 18 August 2017. Furthermore, on 9 August 2017, a whitewash waiver has been granted by the Executive director of the Corporate Finance Division of the Securities and Futures Commission of Hong Kong.

On 13 October 2017, the Shandong (BVI) Acquisition was completed and 5,000,000,000 consideration shares were issued by the Company to the seller pursuant to the sale and purchase agreement.

Further details were set out in the Company's announcements dated 25 April 2017, 16 May 2017, 30 June 2017, 18 August 2017, 29 September 2017, 13 October 2017 and the circular dated 27 July 2017 and note 18 to the consolidated financial statements.

(iv) As disclosed in 34(a) to the consolidated financial statements, the Group entered into loan agreements during the year ended 31 March 2018, of which the Group is the borrower, with affiliates of Shandong Hi-Speed and hence connected persons of the Company. In the opinion of the directors of the Company, the entering into of the loan agreements and the transactions contemplated thereunder are exempted connected transactions under Chapter 14A of the Listing Rules as these were financial assistances received by the Group, which were conducted on normal commercial terms or better and they were not secured by any assets of the Group.

Other than (1) the transactions mentioned in note 34(g) above and (2) the repurchase of shares mentioned in note 34(c)(ii) above, none of the above related party transactions fall under the definition of connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

35. FINANCIAL INSTRUMENTS BY CATEGORY

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

	2018 HK$'000	2017 HK$'000
Financial assets		
Available-for-sale investments		
– at cost	**340,800**	340,800
– at fair value	**1,595,200**	4,600
Investments at fair value through profit or loss		
– held for trading	**721,869**	757,079
– designated as fair value through profit or loss	**3,145,475**	1,075,673
Loans and receivables (including restricted cash and cash and cash equivalents)	**7,081,560**	1,148,763
	12,884,904	3,326,915
Financial liabilities		
Amortised cost	**8,313,532**	1,355,383

36. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS

(a) Fair value of financial assets that are measured at fair value

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation model(s) and inputs used).

Items	Fair value 2018 HK$'000	Fair value 2017 HK$'000	Fair value hierarchy	Valuation technique(s)	Significant unobservable inputs
Available-for-sale investments					
Club membership debenture	**5,200**	4,600	Level 2	Market comparison	N/A
Unlisted equity investment					
– in elsewhere	**1,590,000**	–	Level 3	Discounted cash flow	Discount rate: 15.6% (2017: N/A) (Note i) Terminal growth rate: 3% (2017: N/A) (Note i)
Investments at fair value through profit or loss					
Listed equity investments					
– in the PRC	**234,862**	253,795	Level 3	Discounted cash flow#	Discount rate: 9.3% (2017: 10.1%) (Note ii) Terminal growth rate: 3% (2017: 3%) (Note ii)
– in Hong Kong	**1,827,768**	757,079	Level 1	Quoted price in an active market	N/A
Unlisted equity investment					
– in elsewhere	**–**	265,837	Level 3	Based on disposal agreement*	N/A
Unlisted convertible bonds					
– in Hong Kong	**–**	394,190	Level 3	Based on disposal agreement*	N/A
Investment funds					
– in Hong Kong	**546,828**	–	Level 2	Latest transaction price	N/A
– in elsewhere	**1,257,886**	161,851	Level 2	Latest transaction price	N/A

* Significant unobservable input on recoverable amount was not applicable. Therefore, no sensitivity analysis is performed.

\# The investment is listed in the NEEQ which is not considered as an active market as there are minimal transactions in the NEEQ. Therefore, a discounted cash flow approach is adopted in determining the fair value of the investment.

36. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

(a) Fair value of financial assets that are measured at fair value (continued)

Notes:

(i) As at 31 March 2018, it is estimated that with all other variables held constant, an increase/decrease in the discount rate by 10% would have decreased/increased the Group's profit by approximately HK$163,019,000 and HK$218,842,000 respectively. Furthermore, it is estimated that an increase/decrease in the terminal growth rate by 10% would have increased/decreased the Group's profit by approximately HK$26,993,000 and HK$17,910,000 respectively.

(ii) As at 31 March 2018, it is estimated that with all other variables held constant, an increase/decrease in the discount rate by 10% would have decreased/increased the Group's profit by approximately HK$18,857,000 and HK$24,750,000 (2017: HK$29,947,000 and HK$39,844,000) respectively. Furthermore, it is estimated that an increase/decrease in the terminal growth rate by 10% would have increased/decreased the Group's profit by approximately HK$5,893,000 and HK$5,893,000 (2017: HK$8,519,000 and HK$7,814,000) respectively.

During the year ended 31 March 2018, the Group did not have any financial assets transferred between Level 1, Level 2 and Level 3 fair value measurement. During the year ended 31 March 2017, the Group did not have any financial assets transferred between Level 1 and Level 2 fair value hierarchy. Certain financial asset had transferred into or out of Level 3 fair value measurement for the year ended 31 March 2017.

Financial assets measured at fair value:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
As at 31 March 2018				
Available-for-sale investments	**–**	**5,200**	**1,590,000**	**1,595,200**
Investments at fair value through profit or loss	**1,827,768**	**1,804,714**	**234,862**	**3,867,344**
	1,827,768	**1,809,914**	**1,824,862**	**5,462,544**
As at 31 March 2017				
Available-for-sale investments	–	4,600	–	4,600
Investments at fair value through profit or loss	757,079	161,851	913,822	1,832,752
	757,079	166,451	913,822	1,837,352

36. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

(a) Fair value of financial assets that are measured at fair value (continued)

The movement during the year in the balances of Level 3 fair value measurement is as follows:

	2018 **HK$'000**	2017 HK$'000
Available-for-sale investments		
At 1 April	–	–
Acquisition	**1,535,576**	–
Fair value gain	**54,424**	–
At 31 March	**1,590,000**	–
Investments at fair value through profit or loss		
At 1 April	**913,822**	–
Transfer from Level 2 (note)	–	96,010
Acquisition	–	57,535
Disposal	**(660,026)**	(566)
Fair value (loss)/gain	**(43,981)**	770,819
Exchange realignment	**25,047**	(9,976)
At 31 March	**234,862**	913,822

Note: During the year ended 31 March 2017, certain equity investment in the PRC transferred from Level 2 to Level 3 fair value measurement due to the significant unobservable inputs were applied to the valuation model of the equity investment during the year.

(b) Fair value measurement and valuation process

The management of the Group is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of a financial asset or a financial liability, the Group uses market observable data to the extent it is available. When Level 1 inputs are not available, the Group engaged independent qualified external valuers to perform the valuation. The management of the Group works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management of the Group reports to EDs of the Company semi-annually to explain the cause of fluctuations in the fair value of the financial assets and financial liabilities.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments comprise loans receivables, finance lease receivables, deposits and other receivables, available-for-sale investments, investments at fair value through profit or loss (including securities and derivative financial instruments), restricted cash, cash and cash equivalents, other payables and accruals, convertible bonds and borrowings. Details of these financial instruments are disclosed in respective notes. The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk, foreign currency risk and equity price risk as further detailed below. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing financial assets and liabilities. As at 31 March 2018, certain of the Group's finance lease receivables, loans receivables, convertible bonds and borrowings are at fixed rate. Although subject to interest rate risk, they are not remeasured in the consolidated financial statements in response to changes in interest rates and therefore change in interest rate risk variables would not affect reported profit or loss in the short term. Variable-rate borrowings amounted to approximately HK$811,280,000 out of the total borrowings of approximately HK$8,028,855,000 (2017: HK$455,023,000 out of the total borrowings of approximately HK$1,274,941,000). The Group currently does not have interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

An increase of 50 basis points in interest rates at the reporting date would have decreased or increased profit for both years by the amounts shown below. This analysis assumes that all other variables remain constant.

	2018 **HK$'000**	2017 HK$'000
Variable-rate borrowings	**2,182**	2,275

There was no material impact to the other components of equity for the years ended 31 March 2018 and 2017.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

As at 31 March 2018 and 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets including loans receivables, finance lease receivables, available-for-sale investments, investments at fair value through profit or loss, deposits and other receivables, bank balances and restricted cash as stated in the consolidated statement of financial position.

The Group's loans receivable arise from the ordinary course of business of the Group and are closely monitored by the EDs in charge of the Group's money lending operations on an ongoing basis. In order to minimise the credit risk, the Group has established policies and systems for the monitoring and control of credit risk. The management has delegated different divisions responsible for determination of credit limits, credit approvals and other monitoring processes to ensure that follow-up action is taken to recover overdue debts. The Board has overall responsibility for the Group's credit policies and oversees the credit quality of the Group's advance portfolio. In addition, management reviews the recoverable amount of loans and receivables individually or collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced. Further quantitative data in respect of the Group's exposure to credit risk arising from loans receivables are disclosed in note 21 to the consolidated financial statements.

The Group's finance lease receivables arise from the ordinary course of business of the Group and are closely monitored by the EDs in charge of the Group's financial leasing operations on an ongoing basis. Further quantitative data in respect of the Group's exposure to credit risk arising from finance lease receivables are disclosed in note 19 to the consolidated financial statements.

The management considers that the credit risk of club membership debenture recognised as available-for-sale investments in the consolidated statement of financial position is low as the club has good reputation.

The credit risks of deposits and other receivables are low as the Group has not had any significant loss arising from non-performance by the counterparties in the past and management does not expect so in the future. The Group's liquid funds (mainly bank balances) are placed in various banks. The credit risk on liquid fund is limited because the counterparties are banks with good reputation.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group's liquidity risk is managed by management on an ongoing basis by the raising of loans and/or equity fundings to meet expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, if any, to ensure that it maintains sufficient reserves of cash and bank balances to meet its liquidity requirements in the short and long terms.

As part of its ordinary brokerage activities, the Group is also exposed to liquidity risk arising from timing difference between settlements with clearing houses or brokers and customers. The goal of liquidity risk management is to ensure the Group maintains adequate liquid capital to fund its business commitments as well as to comply with the relevant FRR applying to the licensed subsidiary.

The maturity profile of the Group's financial liabilities as at end of the reporting period, based on the contractual undiscounted payments, is as follows:

	2018				
	On demand/ less than 3 months HK$'000	**3 to less than 12 months HK$'000**	**1 to 5 years HK$'000**	**Total undiscounted cash flows HK$'000**	**Total carrying amount HK$'000**
Financial liabilities included in other payables and accruals	**233,976**	**18,293**	**32,408**	**284,677**	**284,677**
Borrowings:					
– bonds	**42,370**	**4,770,225**	**20,974**	**4,833,569**	**4,662,357**
– interest-bearing bank borrowings	**7,085**	**396,034**	**447,089**	**850,208**	**811,280**
– other borrowings	**21,763**	**315,143**	**1,670,125**	**2,007,031**	**1,799,853**
Convertible bonds	**9,688**	**494,062**	**316,458**	**820,208**	**755,365**
	314,882	**5,993,757**	**2,487,054**	**8,795,693**	**8,313,532**

	2017				
	On demand/ less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Financial liabilities included in other payables and accruals	80,442	–	–	80,442	80,442
Borrowings:					
– bonds	500	500	23,500	24,500	20,076
– interest-bearing bank borrowings	45,760	195,562	304,246	545,568	511,343
Convertible bonds	31,010	31,334	829,756	892,100	743,522
	157,712	227,396	1,157,502	1,542,610	1,355,383

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

Certain cash and cash equivalents and financial assets included in trade and other receivables are denominated in HK$ and RMB, currencies other than functional currencies of respective group entities. The Group currently does not have a foreign currency hedging policy. However, the management of the Group will monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

With transaction in the US$, the impact of it is insignificant as the HK$ is pegged to US$ at a fixed rate of approximate HK$7.75 = US$1.00. Therefore, no sensitivity analysis was presented.

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

	2018		2017	
	RMB against HK$	**HK$ against RMB**	RMB against HK$	HK$ against RMB
	HK$'000	**HK$'000**	HK$'000	HK$'000
Cash and cash equivalents	**–**	**25**	–	31
Financial assets included in trade and other receivables	**–**	**–**	–	34,394
	–	**25**	–	34,425

The following table details the Group's sensitivity analysis for increase and decrease in the functional currencies of the respective group entities against relevant foreign currencies and all other variables were held constant.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	Strengthen/ (weaken by) %	Increase/ (decrease) in equity HK$'000	Decrease/ (increase) in profit after tax HK$'000
2018			
HK$ strengthen against RMB by	**5**	**1**	**1**
HK$ weaken against RMB by	**5**	**(1)**	**(1)**
2017			
HK$ strengthen against RMB by	5	1,721	1,721
HK$ weaken against RMB by	(5)	(1,721)	(1,721)

The sensitivity rate used above represents management's assessment of the reasonably possible change in foreign exchange rates. The analysis is performed on the same basis for 2017.

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as held for trading equity investments (note 20) as at 31 March 2018 and 2017. The Group's listed investments are listed on the Hong Kong Stock Exchange and are valued at quoted market prices at the end of the reporting period. The management managed this exposure by maintaining a portfolio of investments with different risks. The management considers that there is no significant equity price risk for Yunnan Highway and other investments in unlisted equity securities and those investments were excluded for sensitivity analysis.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk (continued)

The following table demonstrates the sensitivity to every 15% (2017: 15%) change in equity prices of the listed equity investments, with all other variables held constant, based on their carrying amounts at the end of the reporting period.

	Increase/ (decrease) in equity prices %	Carrying amount of equity investments HK$'000	Increase/ (decrease) in equity HK$'000	Decrease/ (increase) in profit after tax HK$'000
2018				
Investments listed in:				
– Hong Kong	**15**	**1,827,768**	**229,776**	**229,776**
	(15)	**1,827,768**	**(229,776)**	**(229,776)**
2017				
Investments listed in:				
– Hong Kong	15	757,079	94,824	94,824
	(15)	757,079	(94,824)	(94,824)

The sensitivity analysis above had been determined based on the exposure to equity price risks as at 31 March 2018 and 2017. For sensitivity analysis purpose, 15% (2017: 15%) was used as the sensitivity rate for the year ended 31 March 2018 as a result of the volatile financial markets. In management's opinion, the sensitivity analysis was unrepresentative of the inherent equity price risk as it only reflects the impact of equity price changes to equity securities held as at the end of the reporting period.

38. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 21 March 2018, Xianglong Finance Leasing (Shenzhen) Company Limited* ("**Xianglong FL**") entered into a finance lease arrangement, pursuant to which Xianglong FL agreed to purchase certain machinery and equipment for the production business from China Tieniu Group Co., Ltd. ("**China Tieniu**"), at an aggregate consideration of RMB500,000,000 (equivalent to approximately HK$624,633,000), which have been leased back to China Tieniu for a term of five years at a total lease payment of approximately RMB575,711,000 (equivalent to approximately HK$719,216,000).

On 29 March 2018, Xianglong FL entered into a finance lease arrangement, pursuant to which Xianglong FL agreed to purchase certain machinery and equipment for the production business from Hangzhou ESSEN Auto Component Co., Ltd. ("**Hangzhou ESSEN**"), at an aggregate consideration of RMB600,000,000 (equivalent to approximately HK$749,559,000), which have been leased back to Hangzhou ESSEN for a term of three years at a total lease payment of approximately RMB650,850,000 (equivalent to approximately HK$813,085,000).

On 7 May 2018, Xianglong FL and Hangzhou ESSEN entered into a supplemental agreement, whereby the total lease payments payable under the finance lease arrangement was amended to approximately RMB623,035,000 (equivalent to approximately HK$778,336,000), of which approximately RMB351,847,000 (equivalent to approximately HK$439,550,000) of the lease payments (consisting of the principal lease amount of RMB350,000,000 (equivalent to approximately HK$437,243,000) and an interest of approximately RMB1,847,000 (equivalent to approximately HK$2,177,000)) shall be paid in advance by Hangzhou ESSEN on 8 May 2018. The remaining lease payments shall be payable in six half-yearly installments, consisting of (a) the principal lease amount of RMB250,000,000 (equivalent to approximately HK$312,317,000); and (b) an interest of approximately RMB21,188,000 (equivalent to approximately HK$24,971,000).

As the contractual parties to above arrangements are the same, the arrangements are required to be aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules. As one or more of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the transactions contemplated under the arrangements, on an aggregated basis, are higher than 25% but lower than 100%, the transactions as contemplated thereunder, on an aggregated basis, constitute a major transaction of the Company and are therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. The Company is aware that the announcement of transactions dated on 16 May 2018 constitute a late announcement under the Listing Rules of the relevant notifiable transactions and in respect of the arrangements, have not been made subject to shareholders' approval when, after aggregation of two transactions, should have been made subject to shareholders' approval. Up to the date of this report, no shareholders' approval has been obtained by the Company. A special general meeting will be convened to obtain such shareholders' approval.

Details were set out in the announcements of the Company dated 16 May 2018, 1 June 2018 and 7 June 2018.

* *For identification purpose only*

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Borrowings	**Liability component of convertible bonds**	**Interest payable**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2017	531,419	743,522	767	1,275,708
Financing cash flows	6,738,034	(65,661)	(38,493)	6,633,880
Exchange adjustments	62,622	–	(16,788)	45,834
Disposal of a subsidiary (note 31(a))	(58,585)	–	–	(58,585)
Extinguishment of convertible bonds	–	(10,547)	–	(10,547)
Total interest expenses (note 9)	–	88,051	72,765	160,816
At 31 March 2018	**7,273,490**	**755,365**	**18,251**	**8,047,106**

40. CONTINGENT LIABILITIES

As disclosed in note 22(ii)(a) to the consolidated financial statements, during the year ended 31 March 2018, Shenzhen Huixin entered into cooperation agreements with various independent entities for the purpose of Shenzhen Huixin providing financial guarantee to borrowers that obtained financing from lenders via these entities through Shenzhen Huixin's money lending referral service business. Shenzhen Huixin is exposed to the guaranteed loan principal of the borrowers and the respective interests.

As at 31 March 2018, the guaranteed loan principal was amounted to approximately HK$708,346,000. Shenzhen Huixin provided guarantee deposits of approximately HK$33,730,000 to these entities (note 22(ii)(a)). The Group has assessed the credit worthiness and past payment history of the borrowers, pledge of collaterals and the Group has provided sufficient guarantee deposits in accordance with the cooperation agreements. In the opinion of the directors of the Company, the fair value of the provision for guaranteed liabilities to the Group is insignificant as at 31 March 2018.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31 March 2018 and 2017 are as follows:

Name	Place of Incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	Attributable equity interest held by the Company				Principal activities
			Directly		Indirectly		
			2018	2017	2018	2017	
CIF Finance	Hong Kong	HK$530,000,001 and US$50,000,000	–	–	100%	100%	Money lending
China Shandong Hi-Speed Hong Kong Leasing Limited (formerly known as Hong Kong Leasing Limited)	Hong Kong	HK$310,000,000	–	–	100%	100%	Investment holding
Heritage Management (Hong Kong) Company Limited	Hong Kong	HK$2	–	–	100%	100%	Provision of corporate services
Prostar Hong Kong Limited	Hong Kong	HK$2	100%	100%	–	–	Provision of corporate services
Mass Nation Investments Limited	BVI	US$1	–	–	100%	100%	Investment holding
Safe Castle Limited	BVI	US$1	–	–	100%	100%	Investment in securities
Viewlock Limited	BVI	US$1	100%	100%	–	–	Investment in securities
Coastal Silk	BVI	US$1	–	–	100%	100%	Investment holding
Coastal Emerald	BVI	US$1	–	–	100%	100%	Issuer of Guaranteed Bonds
翔龍融資租賃(上海)有限公司	PRC	RMB500,000,000	–	–	100%	100%	Provision of financial leasing
翔龍融資租賃(深圳)有限公司 Xianglong FL	PRC	US$48,000,000	–	–	100%	100%	Provision of financial leasing
翔龍融資租賃(北京)有限公司	PRC	RMB500,000,000	–	–	100%	100%	Provision of financial leasing
深圳亞太租賃資產交易中心有限公司 Shenzhen Asia-Pacific Leasing Assets Exchange Center Co., Ltd.	PRC	RMB100,000,000	–	–	100%	100%	Provision of asset trading platform
中新金中弘(深圳)商業保理有限公司 China Innovative Finance Zhonghong	PRC	RMB100,300,000	–	–	100%	100%	Provision of business factoring
中新金(深圳)投資有限公司*	PRC	USD874,000	–	–	100%	100%	Investment holding
山高(深圳)投資有限公司*	PRC	RMB2,000,000,000	–	–	100%	–	Provision of financial leasing
深圳前海厚生資產管理有限公司#	PRC	RMB30,000,000	–	–	36%	–	Provision of asset management in PRC
深圳錢來網金融信息服務有限公司 Cashlai#	PRC	RMB45,920,001	–	–	36%	–	Provision for online investment and technology-enabled lending services
深圳滙信信用管理有限公司 Shenzhen Huixin#	PRC	RMB30,000,000	–	–	36%	–	Provision of investment management

* The company is a wholly foreign-owned company established in the PRC.

The above represented effective interest indirectly held by the Group. These entities were subsidiaries of Kun Peng, a 60%-owned subsidiary of the Group and therefore the directors of the Company consider that the Company can exercise control over these entities through control of Kun Peng.

42. THE STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) The statement of financial position of the Company

	2018 **HK$'000**	2017 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1**	1
Amounts due from subsidiaries	**10,557,146**	3,523,729
Available-for-sale investments	**5,200**	4,600
Advances to associates	**32,002**	–
Investments at fair value through profit or loss	**1,105,899**	–
Total non-current assets	**11,700,248**	3,528,330
CURRENT ASSETS		
Prepayments and other receivables	**259,034**	1,392
Cash and cash equivalents	**517,160**	17,300
Total current assets	**776,194**	18,692
CURRENT LIABILITIES		
Other payables and accruals	**42,112**	5,620
Convertible bonds	**463,480**	–
Amounts due to subsidiaries	**4,657,549**	–
Borrowings	**983**	983
Total current liabilities	**5,164,124**	6,603
NET CURRENT(LIABILITIES)/ASSETS	**(4,387,930)**	12,089
Total assets less current liabilities	**7,312,318**	3,540,419
NON-CURRENT LIABILITIES		
Borrowings	**2,005,744**	19,093
Convertible bonds	**291,885**	743,522
Deferred tax liabilities	**3,240**	4,420
Total non-current liabilities	**2,300,869**	767,035
Net assets	**5,011,449**	2,773,384
CAPITAL AND RESERVES		
Issued capital	**6,138**	4,797
Reserves	**5,005,311**	2,768,587
Total equity	**5,011,449**	2,773,384

Approved and authorised for issued by the board of directors on 21 June 2018 and are signed on its behalf by:

Yau Wai Lung
Director

Ji Kecheng
Director

42. THE STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(b) Reserve movement of the Company

	Issued capital HK$'000	Share premium account HK$'000 (note i)	Share options reserve HK$'000 (note ii)	Capital redemption reserve HK$'000 (note iii)	Contributed surplus HK$'000 (note iv)	Available-for-sale investments revaluation reserve HK$'000 (note v)	Convertible bonds reserve HK$'000 (note vi)	Accumulated losses HK$'000	Total equity HK$'000
At 1 April 2016	4,828	3,236,117	40,150	1,177	1,524,577	120	81,615	(1,875,987)	3,012,597
Loss for the year and total comprehensive loss for the year	–	–	–	–	–	–	–	(167,248)	(167,248)
Repurchase of ordinary shares (note 29(i))	(31)	(81,575)	–	–	–	–	–	–	(81,606)
Redemption of convertible bonds	–	–	–	–	–	–	(45,517)	31,872	(13,645)
Equity component on issue of convertible bonds (note 27)	–	–	–	–	–	–	27,887	–	27,887
Deferred tax arising on issue of convertible bonds (note 28)	–	–	–	–	–	–	(4,601)	–	(4,601)
At 31 March 2017 and at 1 April 2017	**4,797**	**3,154,542**	**40,150**	**1,177**	**1,524,577**	**120**	**59,384**	**(2,011,363)**	**2,773,384**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**566,439**	**566,439**
Other comprehensive income for the year: Change in fair value of an available-for-sale investment	**–**	**–**	**–**	**–**	**–**	**600**	**–**	**–**	**600**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**600**	**–**	**566,439**	**567,039**
Acquisition of an available-for-sale investment measured at fair value (note 29(ii)(a))	**1,250**	**1,528,750**	**–**	**–**	**–**	**–**	**–**	**–**	**1,530,000**
Acquisition of subsidiaries (note 29(ii)(b))	**91**	**117,905**	**–**	**–**	**–**	**–**	**–**	**–**	**117,996**
Extinguishment of convertible bonds	**–**	**–**	**–**	**–**	**–**	**–**	**4,121**	**22,680**	**26,881**
Deferred tax arising on issue of convertible bonds (note 28)	**–**	**–**	**–**	**–**	**–**	**–**	**(3,771)**	**–**	**(3,771)**
At 31 March 2018	**6,138**	**4,801,197**	**40,150**	**1,177**	**1,524,577**	**720**	**59,734**	**(1,422,244)**	**5,011,449**

42. THE STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(b) Reserve movement of the Company (continued)

Notes:

(i) Share premium account

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

(ii) Share options reserve

Share options reserve relates to share options granted to employees under New Share Option Scheme. Further information about share-based payments to employees is set out in note 30 above.

(iii) Capital redemption reserve

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

(iv) Contributed surplus

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

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

(v) Available-for-sale investments revaluation reserve

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

(vi) Convertible bonds reserve

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

43. APPROVAL FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 21 June 2018.

FIVE YEAR FINANCIAL SUMMARY

For the year ended 31 March 2018

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. Accordingly, certain prior year comparative amounts have been reclassified and restated to confirm to the current year's presentation.

RESULTS

	Year ended 31 March				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Continuing operations					
REVENUE	**458,440**	193,511	96,992	3,797	12,004
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**726,252**	190,798	111,939	(27,653)	283,547
Income tax (expense)/credit	**(55,527)**	(31,442)	(41,459)	(5,280)	4,091
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS	**670,725**	159,356	70,480	(32,933)	287,638
Discontinued operations					
Profit/(loss) for the year from discontinued operations	**–**	–	1,216	(95,794)	(6,613)
PROFIT/(LOSS) FOR THE YEAR	**670,725**	159,356	71,696	(128,727)	281,025
Profit/(loss) for the year attributable to:					
Owners of the Company	**671,330**	159,356	71,696	(128,727)	281,025
Non-controlling interests	**(605)**	–	–	–	–
	670,725	159,356	71,696	(128,727)	281,025

ASSETS AND LIABILITIES

	As at 31 March				
	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
TOTAL ASSETS	**14,414,673**	4,735,830	5,897,307	1,644,249	1,741,526
TOTAL LIABILITIES	**(8,569,849)**	(1,549,161)	(2,737,952)	(223,176)	(232,452)
NET ASSETS	**5,844,824**	3,186,669	3,159,355	1,421,073	1,509,074