友川集團控股有限公司

NEWTREE GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1323)

2017/2018

ANNUAL REPORT

Contents

Corporate Information

Executive Directors

Mr. Wong Wai Sing *(Chairman and Chief Executive Officer)*
Mr. Chan Kin Lung
Mr. Lee Chi Shing, Caesar
Mr. Wong Jeffrey

Independent Non-executive Directors

Mr. Kwok Kam Tim
Dr. Hui Chik Kwan
Mr. Tso Ping Cheong, Brian

Audit Committee Members

Mr. Kwok Kam Tim *(Chairman)*
Dr. Hui Chik Kwan
Mr. Tso Ping Cheong, Brian

Remuneration Committee Members

Mr. Kwok Kam Tim *(Chairman)*
Dr. Hui Chik Kwan
Mr. Tso Ping Cheong, Brian

Nomination Committee Members

Mr. Tso Ping Cheong, Brian *(Chairman)*
Mr. Kwok Kam Tim
Dr. Hui Chik Kwan

Authorised Representatives

Mr. Wong Jeffrey
Ms. Chan Chiu Wing

Company Secretary

Ms. Chan Chiu Wing

Listing Information

Main Board of
The Stock Exchange of Hong Kong Limited
Stock Code: 1323

Company's Website

www.newtreegroupholdings.com

Registered Office

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Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

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Principal Share Registrar and Transfer Office in Cayman Islands

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

Branch Share Registrar and Transfer Office in Hong Kong

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

Principal Bankers

Bank of China, Macau Branch
Bank of East Asia, Limited
Bank of Communications Co. Ltd. Hong Kong Branch

Auditor

Moore Stephens CPA Limited
801–806 Silvercord, Tower 1
30 Canton Road, Tsimshatsui
Kowloon, Hong Kong

Chairman's Statement

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Director(s)") of Newtree Group Holdings Limited (the "Company"), I am pleased to present to you the audited annual results of the Company and its subsidiaries (the "Group") for the year ended 31 March 2018.

Result of the Group

During the year under review, the Group recorded a revenue from continuing operations of approximately HK$115.7 million (2017: approximately HK$75.1 million), representing an increase of 54.1% as compared to the same period of last year, the increase was mainly contributed by our provision of money lending services ("Money Lending Business"), which was acquired in December 2016, while revenue of a full year period has been incorporated into the Group's financial results for the year ended 31 March 2018. Profit attributable to owners of the Company for the current year amounted to approximately HK$14.7 million as compared to a loss of approximately HK$190.4 million last year. The profit in 2018 was mainly due to the substantial increase in gross profit of approximately HK$35.5 million primarily arising from Money Lending Business; the decrease in impairment losses on trade receivables and goodwill from continuing operations amounting to approximately HK$74.1 million; and profit from discontinued operations amounting to approximately HK$45.6 million. These positive drivers were partially offset by the increase in impairment losses on loan receivables amounting to approximately HK$21.6 million and increase in finance costs of approximately HK$12.7 million, mainly due to new issue of convertible bonds in August 2017.

Dividend

The Directors do not recommend for payment of a final dividend for the year ended 31 March 2018.

Prospect

During the financial year 2017/18, the Group has disposed underperformed businesses and also exercised its put option in disposing its interests in Goldbell Holdings Limited, by doing so it allows the Group to better utilises its resources by allocating resources to other profit making business such as the Group's Money Lending Business, and the acquisition of office property, which is intended to be used as the Group's headquarter and we believe it will be beneficial to the Group for many years to come, in terms of both financially and sustainability.

Furthermore, with the development of the Belt and Road initiative, Hainan province of China is expected to play a great role in constructing an economic cooperation zone around the South China Sea, and will see major influx of new investments and constructions of infrastructures in its near future. The Group seized this opportunity and proactively acquired 20% interest of Alpha Youth Limited, which one of its subsidiaries is engaged in the concrete production business in Hainan province, in hoping the Group will ride on this macroeconomic wave and be able to yield a new long term sustainable profit stream for the Group.

2017 has been a year of positive progress for the Group. We are looking to the future with confidence and are excited about the opportunities and challenges that lie ahead. We are committed to continue to explore new markets and opportunities with an aim to enhancing the competitiveness of the Group and ultimately archive positive returns for our shareholders.

Gratitude

I wish to take this opportunity to thank my fellow Directors, the management and all our staffs for their continuous dedication, commitment and hard work throughout the past year. Thank you also to our business associates, suppliers, customers and most importantly our shareholders and investors for keeping faith in us. Together, we shall take the Company towards success.

Wong Wai Sing
Chairman

29 June 2018

Management Discussion and Analysis

Business and Financial Review

During the year, the Group has been engaged in (i) wholesale and retail of household consumables ("Household Consumables Business"); (ii) design and development of three-dimensional animations, augmented reality technology application and e-learning web application ("Digital Technology Business"); (iii) trading of coal products ("Coal Business"); (iv) provision of educational technology solutions through online education programs and provision of English language proficiency tests ("Education Business"); and (v) provision of money lending services ("Money Lending Business"). The Group was also engaged in (i) sales and distribution of jewelries and watches ("Jewelries and Watches Business"); and (ii) manufacture and trading of clinical and household hygienic disposables and trading of related raw materials ("Hygienic Disposables Business"); which were disposed and classified as discontinued operations during the year ended 31 March 2018. Details are disclosed in Note 12 to the consolidated financial statements of this annual report.

During the year, the Group recorded a net profit attributable to owners of the Company of approximately HK$14.7 million (2017: a net loss of approximately HK$190.4 million).

Continuing Operations

Revenue

The Group's revenue from continuing operations increased by approximately HK$40.6 million or 54.1% from approximately HK$75.1 million for the year ended 31 March 2017 to approximately HK$115.7 million for the corresponding period in 2018.

The following table sets forth a breakdown of the Group's revenue from continuing operations by segments and geographical locations and as a percentage of the Group's total revenue from continuing operations for the year ended 31 March 2018, with comparative figures for the corresponding period in 2017:

	Year ended 31 March			
	2018 HK$'000	**2018 %**	2017 HK$'000 (restated)	2017 %
By segment:				
Household Consumables Business	**52,147**	**45.1**	55,141	73.4
Digital Technology Business	**6,194**	**5.3**	521	0.7
Coal Business	**—**	**—**	—	—
Education Business	**25,054**	**21.6**	17,905	23.9
Money Lending Business	**32,330**	**28.0**	1,506	2.0
Total	**115,725**	**100.0**	75,073	100.0

Business and Financial Review *(Continued)*
Continuing Operations *(Continued)*
Revenue *(Continued)*

	Year ended 31 March			
	2018 HK$'000	**2018 %**	2017 HK$'000 (restated)	2017 %
By geographical location:				
The People's Republic of China (the "PRC")	**20,938**	**18.0**	9,683	12.9
United Kingdom	**52,147**	**45.1**	55,141	73.5
Macau	**38**	**0.1**	282	0.4
Hong Kong	**42,602**	**36.8**	9,967	13.2
Total	**115,725**	**100.0**	75,073	100.0

The Group's revenue from Household Consumables Business slightly decreased by approximately HK$3.0 million or 5.4% from approximately HK$55.1 million for the year ended 31 March 2017 to approximately HK$52.1 million for the corresponding period in 2018 was mainly due to change in product mix for higher profit margin contribution products.

No revenue was generated from Coal Business for both years ended 31 March 2018 and 2017. During the year ended 31 March 2018, the trading transactions were still under suspension whereas the long outstanding trade receivables from the sole customer were under repayment steadily. Trading would only resume if the respective trade receivables being lessen to an acceptable level.

Revenue from Digital Technology Business increased by approximately HK$5.7 million from approximately HK$0.5 million for the year ended 31 March 2017 to approximately HK$6.2 million during the corresponding period in 2018 was mainly due to the positive results from the change in its sales mix which regain the competitiveness in the market especially in the PRC and sales volume increase accordingly.

Revenue from Education Business increased by approximately HK$7.2 million or 39.9% from approximately HK$17.9 million for the year ended 31 March 2017 to approximately HK$25.1 million during the corresponding period in 2018 was mainly due to the increase in revenue from the provision of English language proficiency tests in both Hong Kong and the PRC.

Revenue from Money Lending Business increased by approximately HK$30.8 million from approximately HK$1.5 million for the year ended 31 March 2017 to approximately HK$32.3 million for the corresponding period in 2018 as Money Lending Business was acquired during December 2016, while revenue of a full year period has been incorporated into the Group's financial results for the year ended 31 March 2018. Revenue from Money Lending Business accounted for approximately 28.0% of the Group's total revenue from continuing operations, which is one of the key revenue contributors during the year ended 31 March 2018.

Management Discussion and Analysis

Business and Financial Review *(Continued)*
Continuing Operations *(Continued)*
Gross Profit (Loss) and Gross Profit Margin

The following table sets forth the Group's gross profit (loss) and the gross profit margin from continuing operations by business segment for the year ended 31 March 2018, with comparative figures for the corresponding period in 2017:

	Year ended 31 March			
	2018	**2018**	2017	2017
	HK$'000	**GP%**	HK$'000 (restated)	GP%
By segment:				
Household Consumables Business	**10,043**	**19.3**	10,399	18.9
Digital Technology Business	**4,929**	**79.6**	(2,727)	—
Coal Business	**—**	**—**	—	—
Education Business	**10,385**	**41.5**	13,029	72.8
Money Lending Business	**32,330**	**100.0**	1,506	100.0
Overall	**57,687**	**49.8**	22,207	29.6

Gross profit from continuing operations increased by approximately HK$35.5 million or doubled from approximately HK$22.2 million for the year ended 31 March 2017 to approximately HK$57.7 million year-on-year.

The Group's gross profit margin for Household Consumables Business rose from approximately 18.9% for the year ended 31 March 2017 to approximately 19.3% for the corresponding period in 2018 which was resulted from the focus in trading of higher profit margin contribution products.

No gross profit margin for Coal Business for both financial years which was resulted from the continuous suspension of trading transactions in this segment.

Gross profit margin for Digital Technology Business turnaround from a gross loss for year ended 31 March 2017 to a gross profit margin of approximately 79.6% for the corresponding period in 2018 primarily due to the cost of services remain constant over the increase in sales volume.

The gross profit margin for Education Business decreased from approximately 72.8% for year ended 31 March 2017 to approximately 41.5% for the same corresponding period in 2018 as the demand from provision of educational technology solutions through online education programs shrank, whereas it contributed a higher profit margin as compared to the provision of English language proficiency tests services.

The gross profit margin for Money Lending Business is 100% for both financial years which contributed a positive impact to the Group's gross profit margin since its acquisition.

Business and Financial Review *(Continued)*

Continuing Operations *(Continued)*

Other Income

Other income from continuing operations mainly consists of bank interest income, interest income from bond receivable and other receivables, dividend income from investment in available-for-sale financial asset. Other income increased by approximately HK$4.1 million or 3 times from approximately HK$1.8 million for the year ended 31 March 2017 to approximately HK$5.9 million for the corresponding period in 2018 as (i) dividend income was received from the Group's unlisted equity investment in Goldbell Holdings Limited ("Goldbell") of approximately HK$2.0 million; (ii) only approximately 4-month bond interest income were accounted for in the year ended 31 March 2017, while 8-month bond interest income, approximately HK$1.7 million were recognised during the year ended 31 March 2018; and (iii) approximately HK$2.2 million of interest income generated from other receivables.

Other Gains and Losses

Other gains and losses from continuing operations for the year ended 31 March 2018 mainly comprise of fair value gain on financial assets at fair value through profit or loss of approximately HK$16.0 million, gain on disposal of available-for-sale financial asset of approximately HK$2.8 million offset by impairment loss on loan receivables of approximately HK$21.6 million, impairment loss on trade receivables of approximately HK$4.1 million and impairment loss on goodwill arised from Digital Technology Business of approximately HK$4.8 million, while for the corresponding period in 2017, the other gains and losses mainly comprise of impairment loss and written-off of trade receivables, net of reversal of impairment loss on trade receivables of approximately HK$29.9 million due to certain customers with prolonged delay in repayment which casts doubts on their abilities to make repayments, impairment loss on available-for-sale financial asset of approximately HK$2.8 million and impairment loss on goodwill of approximately HK$53.2 million arising from Digital Technology Business.

Further details in relation to the above impairment losses are discussed under heading "Impairments".

Selling and Distribution Expenses

Selling and distribution expenses from continuing operations mainly consist of transportation expenses and commissions paid to sales agents. Approximately HK$0.9 million was recognised during the year ended 31 March 2018 which remains similar compared with the corresponding period in 2017.

Administrative Expenses

Administrative expenses from continuing operations mainly consist of staff costs (including directors' remuneration), legal and professional fees, consultancy fees and rental expenses. Administrative expenses decreased by approximately HK$12.6 million or 18.3% from approximately HK$68.6 million for the year ended 31 March 2017 to approximately HK$56.0 million for the corresponding period in 2018 mainly due to decrease in staff costs of approximately HK$8.3 million.

Finance Costs

Finance costs from continuing operations mainly represent interest expenses on convertible bonds. The finance costs increased by approximately HK$12.7 million or 142.0% from approximately HK$8.9 million for the year ended 31 March 2017 to approximately HK$21.6 million for corresponding year 2018 as new convertible bonds with principal amount of HK$200.0 million were issued in August 2017, approximately 8-month interest expenses were recognised, while for the year ended 31 March 2017, approximately 5-month interest expenses arising from the old convertible bonds with principal amount of HK$100.0 million which were fully redeemed in August 2016.

Management Discussion and Analysis

Business and Financial Review *(Continued)*
Continuing Operations *(Continued)*
Loss before Income Tax
The Group recorded a loss before income tax from continuing operations of approximately HK$27.4 million for the year ended 31 March 2018 as compared to approximately HK$140.2 million for the year ended 31 March 2017. The decrease in loss in 2018 was mainly due to the substantial increase in gross profit of approximately HK$35.5 million primarily arising from Money Lending Business which was acquired in December 2016 and contributed a positive gross profit to the Group since its acquisition; and the decrease in impairment losses on trade receivables and goodwill from continuing operations amounting to approximately HK$74.1 million. These positive drivers were partially offset by the increase in impairment losses on loan receivables amounting to approximately HK$21.6 million and increase in finance costs of approximately HK$12.7 million, mainly due to new issue of convertible bonds in August 2017.

Income Tax Expense
The Group recorded an income tax expense from continuing operations of approximately HK$4.0 million during the year ended 31 March 2018 as compared to approximately HK$1.6 million during the year ended 31 March 2017. There was no change in applicable tax rates for the Company's subsidiaries for both years. The subsidiaries operating in Hong Kong were subject to Hong Kong Profits Tax at a rate of 16.5% (2017: 16.5%) for the year. For the subsidiaries operating in the PRC, pursuant to the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and the Regulation on the implementation of the EIT Law, the general enterprise income tax rate of the PRC entities was 25% from 1 January 2008 onwards, the majority subsidiaries operating in the PRC was subject to a tax rate of 25% (2017: 25%) except for a subsidiary which was recognised as a high and new technology enterprise is subject to a preferential tax rate of 15% (2017: 15%) during the period from 1 April 2017 to 31 December 2017. For the subsidiary operating in Macau, profit was exempted from Macao Complementary Tax for both years.

The increase in income tax expense was mainly due to increase in income tax expense for Money Lending Business which was acquired in December 2016.

Impairments
During the year under review, the Group had the following impairments:

(a) Impairment losses were recognised on goodwill of approximately HK$4.8 million in relation to the Digital Technology Business. An independent professional valuer was engaged to perform impairment assessment and found that the recoverable amount of the cash generating unit ("CGU") was less than the carrying amount of the CGU. Thus impairment on the goodwill is considered necessary. The impairment loss was mainly attributable to the increase in competition among other market participants, less of digital competitiveness and the change in customers' needs, which led to slowdown in our development growth rate in our cash flow projection.

(b) Impairment losses were recognised on trade receivables of approximately HK$4.1 million for several customers who were in financial difficulties or have a prolonged delay in repayment and the Group considers that the recoverability of amounts due from these customers is remote.

(c) Impairment losses were recognised on loan receivables of approximately HK$21.6 million for several loan borrowers who have a prolonged delay in repayment of loan interest/principal and the Group considers that the default risk of these borrowers is high and thus impairment on loan receivables is considered necessary.

Management Discussion and Analysis

Business and Financial Review *(Continued)*

Discontinued Operations

Jewelries and Watches Business

On 28 March 2017, the Group entered into a disposal agreement to dispose of its entire equity interest of Tiger Global Group Limited ("Tiger Global", together with its subsidiary and associate are referred to as the "Tiger Global Group"), to an independent third party at a consideration of HK$30.0 million. The Tiger Global Group carried out all of the Group's Jewelries and Watches Business operation. Accordingly, the Group's Jewelries and Watches Business operation was classified as discontinued operation, and the disposal was completed on 30 June 2017. A gain on disposal of Tiger Global Group of approximately HK$0.5 million was recognised during the year ended 31 March 2018.

Gross loss and net loss were resulted for year ended 31 March 2017 and period before disposal during financial year 2018. In view of the unsatisfactory performance of Tiger Global Group over the past years, the Board considered that the disposal of Tiger Global Group is expected to allow the Group to realise its investment in Tiger Global Group, eliminate the uncertainty of future performance of the sales and distribution of jewelries and watches from the Group, reallocate its resources to other business segments and strengthen the capital base of the Group.

Details of the disposal are set out in the announcements of the Company dated 28 March 2017, 29 March 2017 and 30 June 2017 and Notes 12, 29 and 46(a) to the consolidated financial statements of this report.

Hygienic Disposables Business

On 5 May 2017, the Group also entered into a disposal agreement to dispose of its entire equity interest of Brighten Tree Limited, together with its subsidiary (the "Brighten Tree Group") and the aggregate advance owned by the Brighten Tree Group, to independent third parties at a consideration of HK$85.0 million. Brighten Tree Group held the manufacturing arm of the Group's Hygienic Disposables Business. Accordingly, the Group's Hygienic Disposables Business would then be classified as discontinued operation, and the disposal was completed on 25 May 2017. A gain on disposal of approximately HK$64.7 million was recognised in the year ended 31 March 2018.

In view of Hygienic Disposables Business has been making losses for the past three years, the Board considered that it is appropriate and in the interests of the Group and the shareholders of the Group to terminate this loss-making business and to reallocate more resources to other business segments of the Group.

Details of the disposal are set out in the announcements of the Company dated 5 May 2017 and 25 May 2017 and Notes 12 and 46(b) to the consolidated financial statements of this report.

Total Comprehensive Income For The Year Attributable To Owners Of The Company

The total comprehensive income for the year attributable to owners of the Company approximately HK$5.8 million for the year ended 31 March 2018 as compared to a loss of approximately HK$189.2 million for the year ended 31 March 2017.

Management Discussion and Analysis

Business and Financial Review *(Continued)*

Results of Performance Guarantees On Acquisitions

Chengxin Finance — 2017 Guaranteed Profit

On 15 December 2016, the Group entered into a sale and purchase agreement with an independent vendor for acquisition of the entire equity interest in Chengxin Finance Limited ("Chengxin Finance") at total nominal consideration of HK$50.0 million. The acquisition was completed on 29 December 2016. Pursuant to the sale and purchase agreement, the vendor guaranteed that the net profit before taxation of Chengxin Finance for the year ended 31 December 2017 and year ending 31 December 2018 will not be less than HK$5.0 million (the "2017 Guaranteed Profit") and HK$5.0 million respectively.

On 9 April 2018, the Company has received the certificate issued by the auditors of Chengxin Finance which confirmed that the 2017 Guaranteed Profit has been fulfilled. Further details are set out in the announcement of the Company dated 9 April 2018.

Alpha Youth Group — 2017 Guaranteed Profit

In relation to the Alpha Youth Acquisition (as defined in subsection headed "Significant Events and Material Acquisition and Disposal"), pursuant to the Acquisition Agreement (as defined below), the vendor guaranteed that audited net profit after tax of the 海南華盛混凝土有限公司 (Hainan Huasheng Concrete Company Limited*), a wholly-owned subsidiary of Alpha Youth Limited for the year ended 31 December 2017 and year ending 31 December 2018, shall not be less than RMB42.0 million (the "Alpha 2017 Guaranteed Profit") and RMB47.0 million respectively.

On 18 April 2018, the Company has received a certificate from the auditor confirmed the adjusted profit of Hainan Huasheng Concrete Company Limited for the year ended 31 December 2017 exceed the Alpha 2017 Guaranteed Profit. Further details are set out in the announcement of the Company dated 18 April 2018.

Trade Receivables

The amount of trade receivables before allowance for bad and doubtful debts amounting to approximately HK$200.8 million as at 31 March 2018, which decreased by 24.0% as compared to approximately HK$264.2 million as at 31 March 2017. As at 31 March 2018, allowance for bad and doubtful debts of trade receivables amounted to approximately HK$163.4 million was made as compared to an allowance of approximately HK$159.3 million as at 31 March 2017. For long outstanding receivables, follow up actions have been taken by the Group to recover these receivables, including the negotiation of repayments by way of assets other than cash and/or instituting legal actions against these customers.

Trade Payables

Trade payables decreased by approximately 36.9% from approximately HK$141.7 million as at 31 March 2017 to approximately HK$89.4 million as at 31 March 2018. The decrease was mainly come from the disposal of Hygienic Disposables Business in the current year.

Liquidity and Financial Resources

As at 31 March 2018, the Group had debts comprising promissory notes and liability component of convertible bonds amounting to approximately HK$224.9 million (2017: nil).

As at 31 March 2018, the Group had cash and cash equivalents of approximately HK$67.0 million (2017: approximately HK$25.6 million) which were mainly denominated in HK$ and RMB.

* *For identification purpose only*

Business and Financial Review *(Continued)*

Liquidity and Financial Resources *(Continued)*

As at 31 March 2018, the Group's current ratio was approximately 1.4 (2017: 1.4) and the Group's gearing ratio was approximately 58.5% (2017: nil), calculated based on the total debts of approximately HK$224.9 million (2017: nil) over shareholder's equity of approximately HK$384.3 million (2017: approximately HK$371.3 million).

Capital Structure

The capital structure of the Group as at 31 March 2018 is summarised as follows:

(A) Share Capital

As at 31 March 2018 and 2017, the Company has 2,378,783,201 ordinary shares in issue with total shareholders' equity of the Group amounted to approximately HK$384.3 million (31 March 2017: approximately HK$371.3 million). There was no change in the share capital structure of the Company during the year ended 31 March 2018.

(B) Share Option

On 29 August 2016, the Company granted 57,900,000 share options under the share option scheme of the Company adopted on 26 February 2015 to certain Directors and employees at an exercise price of HK$0.48 per share, which were vested immediately on the date of grant (i.e. 29 August 2016) and will expire on 28 August 2019, of which 52,500,000 share options were outstanding as at 31 March 2018.

(C) Convertible Bonds

The Group has raised fund via issue of convertible bond during the year ended 31 March 2018.

On 4 August 2017, the Company, as issuer, and Lead Thrive Investments Limited, as subscriber, entered into a subscription agreement in relation to the issuance of 8% per annum guaranteed convertible bonds in the aggregate principal amount of HK$200.0 million with an initial conversion price at HK$0.46 per share due on 10 August 2019 (the "Convertible Bonds 2019"). The Convertible Bonds 2019 was issued on 11 August 2017.

During the year ended 31 March 2018, no Convertible Bonds 2019 has been converted into shares of the Company. As at 31 March 2018, the outstanding principal amount of the Convertible Bonds 2019 was HK$200.0 million, representing a maximum of 434,782,608 new shares may be issued upon its full conversion.

Management Discussion and Analysis

Business and Financial Review *(Continued)*
Capital Structure *(Continued)*
(C) Convertible Bonds *(Continued)*

Details of the use of proceeds as at 31 March 2018 are set out as below:

Net proceeds raised	Intended use of proceeds	Approximate actual use of net proceeds as at 31 March 2018
HK$199.7 million	(i) Payment for the acquisition of 20% equity interest in Alpha Youth Limited; and (ii) as general working capital of the Group	(i) HK$95.0 million had been used for the settlement of cash consideration for the Alpha Youth Acquisition (as defined in the subsection head "Significant Events and Material Acquisition and Disposal"); (ii) HK$104.7 million applied as the working capital of Money Lending Business.

Further details are set out in the announcements of the Company dated 4 August 2017 and 11 August 2017 and Note 31 to the consolidated financial statements of this report.

Currency and Interest Rate Exposure

Certain sales transactions of the Group are denominated in foreign currencies, which expose the Group to foreign currency risks. Currently, the Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises. Certain monetary financial assets are denominated in foreign currencies as at 31 March 2018. The exposure in exchange rate risks mainly arose from fluctuations of United States Dollar ("USD"), British Pound ("GBP"), Renminbi ("RMB") and Macau Pataca ("MOP") to Hong Kong Dollar ("HKD"). The Group's currency risk exposure in relation to the monetary financial assets is expected to be minimal as USD is pegged with HKD. Also, the Group does not have significant monetary financial assets denominated in MOP and RMB.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation on interest rates arising from the Group's bank balances and the Group's exposure to interest rate risks on bank balances, is expected to be minimal.

Charge on Assets

As at 31 March 2018, the Group did not have any assets under charged/pledged while as at 31 March 2017, certain buildings and leasehold land with carrying value of approximately HK$10.2 million had been pledged as securities for certain banking facilities granted to the Group.

Contingent Liabilities

As at 31 March 2017, a wholly-owned subsidiary of the Tiger Global provided corporate guarantee to a bank for securing a borrowing of an associate of the Tiger Global amounting to approximately HK$9.1 million. Such corporate guarantee is ceased upon the completion of disposal of Tiger Global Group on 30 June 2017. Save as aforesaid or otherwise mention herein, the Group did not have any material contingent liabilities as at 31 March 2018.

Business and Financial Review *(Continued)*

Capital Commitment

As at 31 March 2018, the Group had the following commitments:

	2018 HK$'000	2017 HK$'000
Capital commitment contracted but not provided for:		
Equity interest in Treasure Profit Limited	109,740	–

Operating Lease Commitments

At the end of the year ended 31 March 2018, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2018 HK$'000	2017 HK$'000
As lessee		
Within one year	2,759	4,391
In the second to fifth years, inclusive	3,272	4,076
	6,031	8,467

Significant Events and Material Acquisitions and Disposal

Save as the Convertible Bond 2019 as disclosed in the paragraph headed "Capital Structure" under "Business and Financial Review", disposal of the Tiger Global Group and the Brighten Tree Group as disclosed in the paragraph headed "Discontinued Operations" under "Business and Financial Review" in this report, the Group has also involved in the following acquisitions and disposal during year ended 31 March 2018:

(i) Acquisition of 20% equity interest in Alpha Youth Limited

On 21 September 2017, Bright World Investment Limited, a wholly-owned subsidiary of the Company, entered into a conditional acquisition agreement (as amended and supplemented by the supplemental agreement dated 6 October 2017 and the extension letter dated 7 December 2017, the "Acquisition Agreement") with an independent vendor relating to the acquisition of 20% equity interest in Alpha Youth Limited (together with its subsidiaries are referred as "Alpha Youth Group") at a nominal consideration of HK$119.0 million (the "Alpha Youth Acquisition").

The Alpha Youth Group is principally engaged in the production and sale of concrete in Hainan Province, the PRC through its subsidiary. The Directors believe there would be strong demand for concrete in Hainan Province in coming years and are optimistic about the growth and prospect of the concrete industry in Hainan Province. The Directors are also considering that the Alpha Youth Acquisition represents an attractive investment opportunity for the Group to tap into the concrete industry in the PRC.

The Alpha Youth Acquisition was completed on 15 February 2018. Upon completion, the Alpha Youth Group will become an associate of the Group.

Management Discussion and Analysis

Significant Events and Material Acquisitions and Disposal *(Continued)*

(i) Acquisition of 20% equity interest in Alpha Youth Limited *(Continued)*

On 15 February 2018, the Group and the independent vendor entered into an option deed pursuant to which the independent vendor will grant the Group a right to acquire all but not part of the remaining 80% of the issued share capital of Alpha Youth Limited within two years from the date of completion.

Further details are set out in the circular of the Company dated 25 January 2018 and the announcements of the Company dated 21 September 2017, 6 October 2017, 7 December 2017, 14 February 2018, 15 February 2018 and 18 April 2018.

(ii) Disposal of 10% equity interest in Goldbell Holdings Limited

On 10 July 2014, Golden Star Group Holdings Limited, a wholly-owned subsidiary of the Group, entered into a conditional acquisition agreement (the "Goldbell Acquisition Agreement") with two independents vendors (the "Vendors") relating to the acquisition of 10% of the total issued share capital of Goldbell (the "Sales Shares") at the consideration of HK$159.0 million (the "Consideration"). Pursuant to the Goldbell Acquisition Agreement, the Group shall be entitled to serve a notice to the Vendors to require the Vendors to purchase the Sales Shares from the Group at the Consideration commencing from 42 months after the completion of the acquisition (the "Put Option").

Based on the financial performance and the unsatisfactory dividend yield of Goldbell in recent years, the Board is of the view that there has not been any substantial progress in the business of Goldbell, and its business is no longer in line with the Group's future development plans.

On 17 January 2018, the Group exercised the Put Option and entered into a deed of installment with the Vendors, pursuant to which the Vendors agreed to settle the Consideration by 12 installments, with and interest rate of 15% per annum.

On 16 March 2018, the Vendors have paid the entire amount of the Consideration and the interest accrued thereon ahead of the payment schedule as set out in the installment deed. The disposal of Goldbell was completed on 16 March 2018 and the Group ceased to have any interest in Goldbell.

Further details are set out in the announcements of the Company dated 17 January 2018 and 16 March 2018.

(iii) Acquisition of Treasure Profit Limited

On 27 March 2018, the Group entered into acquisition agreement with an independent vendor to acquire the entire equity interest in Treasure Profit Limited ("Treasure Profit') at an aggregate cash consideration of approximately HK$146.3 million.

Treasure Profit is principally engaged in property investment and is the sole owner of a commercial property located in Hong Kong. As at 31 March 2018, approximately HK$36.6 million deposit had been paid to vendor. The Company intends to use the property as its operating office in Hong Kong following the expiry of all the existing tenancies.

The acquisition has not been completed as at the date of this report. Further details are set out in the announcement of the Company dated 27 March 2018.

Management Discussion and Analysis

Significant Event after the Reporting Period

Save as disclosed in the paragraphs headed "Results of Performance Guarantees On Acquisitions" under "Business and Financial Review" of the 2017 Guaranteed Profit and the Alpha 2017 Guaranteed Profit, there is no other significant event noted after the reporting period.

Employee Information and Remuneration Policy

As at 31 March 2018, the Group employed a total of 92 (31 March 2017: 144) employees. During the year ended 31 March 2018, staff costs, including directors' emoluments under the continuing operations, amounted to approximately HK$33.6 million (2017: approximately HK$41.9 million).

The Group firmly believes that staff is the most important resources and provides its staff with sound working conditions. The salaries and benefits of the Group's employees are maintained at a competitive level and the Group periodically review the performance of the employees for determining the level of salary adjustment and promotion of the employees. Discretionary year-ended bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme and medical benefits.

The Company adopted the share option scheme adopted on 26 February 2015, where share options to subscribe for shares of the Company may be granted to the eligible participants of the Group.

Prospect

During the year ended 31 March 2018, the Group has disposed of its underperformed businesses with an aim of improving the overall profitability and performance of the Group. By reallocating the Group's resources towards profit-making activities, managements believes the Group will be benefited financially and sustainability.

Household Consumables Business

Despite the slight decrease in revenue, the segment profitability has been improving due to change in product mix for higher profit margin contribution products. The Company is still optimistic in its potential growth and it has deployed resources to expand the sales team with an aim to explore new business opportunities. In addition, the Group is identifying and introducing new products to expand its product and client base.

Coal Business

The overdue account receivable from our customer were under repayment steadily through out the year ended 31 March 2018. The Group will only consider the resume of this business segment when the respective account receivable being lessen to an acceptable level. As substantial financial resources have been deployed in this segment, the Group will continue to monitor the market development and interact closely with both supplier and customer in reviewing our operating position with an aim to have a sustainable development in this business segment.

Digital Technology Business

The rapid changing in demand of mobile user and netizens, emerging of sophisticated ideas and advancement of innovation information technology like big data, cloud computing, AI application etc. attributed to the booming in the industry but put very high pressure on the market players. However, the positive results from the change in the sales mix of the Group has re-gains the competitiveness in the market especially in the PRC. The Group is exploring business opportunities and in the process of identifying potential partners, through cooperation and collaboration of the Group's resources and the partners' expertise, to seize new markets in the digital technology business.

Management Discussion and Analysis

Prospect *(Continued)*

Education Business

The never ending demand for education-related products and services in Hong Kong and the PRC drives the continuous growth in this industry as a whole. The Company believes that the positive industry outlook will attract more entrants, which could induce more intense competition. Market researches on talent education and early childhood education has been conducted to analyse the feasibility and profitability in order to expand the business scale.

Money Lending Business

The Group has acquired Money Lending Business in December 2016 and the Company is satisfied on the financial performance of this business segment. Based on its current financial performance, the Board is confident that Money Lending Business will continue to contribute a stable and favorable income stream to the Group in future years. With the continual growth in the money lending business market in Hong Kong, the Board believes that Money Lending Business will provide an excellent platform for the Group to expand, explore and capitalise this business market. Nevertheless, with the current volatile stock market, fluctuations of the property market in Hong Kong as well as other uncertainties in macro-economy, the Group will continue to develop this business under prudent credit control procedures and strategies to balance between business growth and risk management.

Management's response on the Qualified Opinion

As disclosed on pages 51 and 59 of this annual report, the auditor of the Company expressed a qualified opinion in relation to the limitation of scope on impairment assessment of loan receivables and recognition of interest income. The Company had provided the Company's auditor with all available information concerning loan receivables recoverability assessment, including ageing analysis and settlement information of overdue balances, information concerning repayment ability and wealth proof documents of borrowers, information relating to the effectiveness of securing the outstanding loans and interest upon expiry, renewal or default, proof of latest value and volatility of the collaterals and/or other documents in support the judgements and assessment.

It is the intention of the Company to rectify the matters in relation to the qualified opinion. Going forward, the Company will allocate more resources in this segment to ensure client's information in relation to their credibility and risk assessment are sufficiently obtained and retained. The Company is considering to engage an independent professional CPA firm to further review and advise on the whole loan monitoring process of the Money Lending Business.

With the above actions taken, the management of the Company believes that similar qualified opinion will not be issued in the Group's consolidated financial statements for the year ending 31 March 2019.

Audit committee's and Management's views

The audit committee of the Company had critically reviewed the major judgmental areas relating to the qualified opinion on the Group's audited consolidated financial statements for the year ended 31 March 2018. There is no disagreement between the views of the audit committee and the management of the Company and those of the auditor on the qualified opinion issued by the auditor.

Directors and Senior Management

Executive Directors

Mr. Wong Wai Sing ("Mr. Wong"), aged 32, joined the Company in October 2011 and is currently the Chairman of the Board, Chief Executive Officer and an executive Director. Mr. Wong was also the Vice Chairman of the Company from October 2011 to June 2013, and the Chief Executive Officer of the Company from May 2012 to July 2014. Mr. Wong has taken up the management role as a director of a number of subsidiaries of the Company. Mr. Wong is a member of the Hong Kong Institute of Directors and a member of the Hong Kong Concrete Institute. Mr. Wong holds a Bachelor of Science degree in international trade and business from the Canterbury University, London, an international master degree of business administration from the Stratford University, Falls Church, Virginia, the United States of America and a master of arts from the Universidad Empresarial De Costa Rica. He also obtained a certificate of three-tiers' integrate coal mine's safety (三級煤礦安全技術綜合考試) from the Bureau of Xinjiang Coal Mine Safety Supervision, the PRC (中國新疆煤礦安全監察局).

Mr. Wong has experience in a wide range of businesses, including coal mining and trading in natural resources, provision of internet e-gaming, travel agent services, entertainment programme production, and provision of motor vehicles beauty services. He also invested in companies with principal activities regulated under the Securities and Futures Ordinance (Chapter 571 of The Laws of Hong Kong (the "SFO")).

He was initially appointed as a non-executive director of Capital Finance Holdings Limited, a company whose shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 8239) in November 2008, and subsequently resigned from his final positions of Vice Chairman and executive director in April 2016.

Mr. Chan Kin Lung ("Mr. Chan"), aged 49, joined the Company in October 2013 as an executive Director and is the Chief Investment Officer of the Company. Mr. Chan holds a bachelor's degree of Management of the Economy# (經濟管理) from the Air Force Engineering University of People's Liberation Army, the PRC# (中國人民解放軍空軍工程大學) and holds a diploma of Senior Energy Valuer# (能源審計評估師（高級）) from the Ministry of Human Resources and Social Security of the PRC# (中華人民共和國人力資源和社會保障部). Mr. Chan has extensive experience in the coal mining industry (being both open-pits and undergrounds), exploration, exploitation, production in the Xinjiang Uyghur Autonomous Region, the PRC and the Guizhou Province, the PRC. Mr. Chan also has over 13 years of experience in corporate management. Mr. Chan adopted a proactive management approach and delivered outstanding performances in various areas, specifically in the areas of corporate managements and providing mining's technical supports and solutions to the senior managements.

Mr. Lee Chi Shing, Caesar ("Mr. Lee"), aged 54, joined the Company in October 2011 as an executive Director. He graduated from the Department of Accountancy and obtained a Master degree in International Accountancy, both from the Hong Kong Polytechnic University. He is a fellow member of both the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and also a member of the Society of Registered Financial Planners. He is experienced in corporate management and internal control. He was the senior manager of Ernst and Young and has worked in the Inland Revenue Department for over 15 years.

Mr. Lee is currently an executive director and deputy Chairman of Superactive Group Company Limited (stock code: 176), a company listed on the Main Board of the Stock Exchange. Mr. Lee was an executive director of Sun International Group Limited (stock code: 8029), a company listed on the Growth Enterprise Market of the Stock Exchange, from August 2006 to November 2015.

Directors and Senior Management

Executive Directors *(Continued)*

Mr. Wong Jeffrey, aged 31, joined the Company in September 2015 as an executive Director. Mr. Wong Jeffrey has been appointed as the Chief Operating Officer of the Company in September 2016 and has taken up the management role as a director of a number of subsidiaries of the Company. Mr. Wong Jeffrey obtained a Bachelor degree of Applied Science (Laboratory Medicine) from the Royal Melbourne Institute of Technology University in Australia in 2008 and a Master degree of Business Administration (International) from the Deakin University in Australia in 2013. Mr. Wong Jeffrey is also an associate member of the Hong Kong Institute of Directors and a member of the Hong Kong Concrete Institute. Prior to joining the Group, Mr. Wong Jeffrey worked as medical scientist in various hospitals in Australia from February 2007 to June 2013.

Mr. Wong Jeffrey joined the Group in July 2013 as the chairman assistant and was subsequently promoted to the project coordinator and the senior project officer of Bright Rising Enterprise Limited, a wholly-owned subsidiary of the Company, in July 2014 and January 2015 respectively.

Independent Non-Executive Directors

Mr. Kwok Kam Tim ("Mr. Kwok"), aged 41, joined the Company in April 2012 as an independent non-executive Director. Mr. Kwok is currently the Chairman of each of the Audit Committee and the Remuneration Committee of the Company, and a member of the Nomination Committee of the Company. Mr. Kwok is a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants, the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. Mr. Kwok holds a Bachelor of Engineering degree from the Hong Kong University of Science and Technology, a Bachelor of Arts degree in Accountancy and a Master degree in Corporate Governance from the Hong Kong Polytechnic University. He had worked in an international accounting firm and has over 16 years of experience in accounting, auditing and financial management.

Mr. Kwok is currently a financial controller of Silk Road Logistics Holdings Limited (stock code: 988), a company listed on the Main Board of the Stock Exchange. He was an independent non-executive director of Capital Finance Holdings Limited (stock code: 8239), a company listed on the Growth Enterprise Market of the Stock Exchange, from October 2009 to September 2015.

Dr. Hui Chik Kwan ("Dr. Hui"), aged 44, joined the Company in April 2012 as an independent non-executive Director. Dr. Hui is currently a member of each of the Audit Committee, Nomination Committee and Remuneration Committee of the Company. Dr. Hui holds a bachelor degree of medicine and a bachelor degree of surgery from the University of Hong Kong, a postgraduate diploma in practical dermatology from the University of Wales, College of Medicine, the United Kingdom. Dr. Hui has completed a certificate of specialist registration under the specialty of family medicine of the Medical Council of Hong Kong. He is also a fellow of the Royal Australia College of General Practitioners, Australia and a fellow of the Hong Kong Academy of Medicine in the specialty of Family Medicine. Dr. Hui has over 18 years of experience in the field of family medicine and worked in the Queen Mary Hospital, Tuen Mun Hospital, United Christian Hospital, UMP Park Island Medical Center and Hong Kong Sanatorium & Hospital. Dr. Hui has received all round training in community based family medicine during his practicing in different public and private hospitals and private clinic respectively. During the Severe Acute Respiratory Syndrome attacked in 2002, Dr. Hui volunteered to work in the accident and emergency department of Queen Mary Hospital. Dr. Hui is now running his own private family medical clinic, and is the family doctor of Mr. Wong.

Independent Non-Executive Directors *(Continued)*

Mr. Tso Ping Cheong, Brian ("Mr. Tso"), aged 38, joined the Company in February 2015 as an independent non-executive Director. Mr. Tso is currently the Chairman of the Nomination Committee of the Company, and a member of each of the Audit Committee and Remuneration Committee of the Company. He graduated from the Hong Kong Polytechnic University in Hong Kong, with a bachelor's degree of arts in accountancy in November 2003 and obtained a master degree of corporate governance from the Hong Kong Polytechnic University in October 2013. Mr. Tso has over 14 years of experience in accounting and financial management. From September 2003 to July 2007 and August 2007 to November 2008, Mr. Tso worked at Ernst & Young Hong Kong office and Ernst & Young Shenzhen office, a multinational accounting firm, respectively, with the last position as manager. Mr. Tso is currently a fellow member of each of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants, the Institute of Chartered Secretaries and Administrators and the Hong Kong Institute of Chartered Secretaries.

Since January 2013, Mr. Tso has been the sole proprietor of Teton CPA Company, an accounting firm. Mr. Tso is currently an independent non-executive director of each of Larry Jewelry International Company Limited (stock code: 8351), Shenglong Splendecor International Limited (stock code: 8481) and Guru Online (Holdings) Limited (stock code: 8121), all companies listed on the Growth Enterprise Market of the Stock Exchange. He was initially appointed as an independent non-executive director and the chairman of the board of GreaterChina Professional Services Limited (stock code: 8193), a company listed on the Growth Enterprise Market of the Stock Exchange in July 2014, and subsequently resigned as an independent non-executive director in January 2018. Mr. Tso was a non-executive director of Heng Sheng Holdings Limited (stock code: 8181), a company listed on the Growth Enterprise Market of the Stock Exchange, from July 2014 to February 2015.

Senior Management

Mr. Chan Kin Yip ("CKY"), aged 45, has joined the Company as the Chief Financial Officer since September 2015. CKY has taken up the management role as a director of a number of subsidiaries of the Company. CKY graduated from The Hong Kong Polytechnic University with a Bachelor of Arts Degree in Accountancy. He served as an internal control consultant of Evershine Group Holdings Limited ("Evershine") (stock code: 8022) from September 2007 to March 2009 and was appointed as an executive director of Evershine from March 2009 to March 2012. He has extensive experience in the fields of audit, internal control and treasury and is a member of the Hong Kong Institute of Certified Public Accountants.

Ms. Yick Mi Ching, Dawnibilly ("Ms. Yick"), aged 58, joined the Company in June 2012 as an executive Director and re-designated as the administrative and human resources manager of the Company in December 2017. Ms. Yick holds a Master of Business Administration and a Master of Management from Macquarie Graduate School of Management, Australia and Honours Degree of Bachelor of Arts in Business Administration from the University of Portsmouth, the United Kingdom. Ms. Yick has also completed a diploma in secretarial and administration from the City and Guilds of London Institute and an advanced diploma in secretarial and administrative studies from the Hong Kong Management Association. Ms. Yick has over 23 years of experience in the field of administration. Ms. Yick has adopted a proactive management approach and delivered outstanding performances in various areas, specifically in the areas of corporate management and providing secretarial support to the senior executives.

\# The English translation of Chinese names or words above, where indicated, are indicated for information purpose only and should not be regarded as official English translation names of such Chinese names or words.

Corporate Governance Report

The Company and the Board are devoted to achieve and promote a high standards of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhancing shareholder's value and safeguarding interests of the shareholders and other stakeholders. Accordingly, the Company has adopted sound corporate governance principles with emphasis on effective internal control, stringent disclosure practices, transparency and accountability to all stakeholders.

Compliance of the Code Provisions

Throughout the year, the Company has complied with all the code provisions contained in Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the rules governing the listing of securities on the Stock Exchange (the "Listing Rules"), with the exception of the following deviations:

Code provision A.2.1

The code provision A.2.1 of the CG Code stipulates that the role of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. Wong Wai Sing ("Mr. Wong") held the role of chairman of the Board ("Chairman") and chief executive officer of the Company ("CEO") during the year ended 31 March 2018.

The Board is of the view that it is appropriate and in the best interests of the Company for Mr. Wong to hold both positions as it helps to maintain the continuity of the policies and the stability of the operations of the Company. As the Board meets regularly to consider matters relating to business operations of the Group, the Board is of the view that the above arrangement will not impair the balance of power and authority of the Board and the executive management. The effectiveness of corporate planning and implementation of corporate strategies and decisions will generally not be undermined.

Notwithstanding the above, the Board will review the current structure from time to time. If any candidate with suitable leadership, knowledge, skills and experience can be identified within or outside the Group, the Company may consider to make necessary arrangements.

Code provision E.1.2

The code provision E.1.2 of the CG Code stipulates, among other things, that the chairman of the board should attend the annual general meeting.

Mr. Wong, the Chairman, was unable to attend the annual general meeting of the Company held on 15 August 2017 (the "2017 AGM") and the extraordinary general meeting of the Company held on 14 February 2018 (the "EGM") due to other commitment and Mr. Wong appointed Mr. Wong Jeffrey, an executive Director, to act as his representative and to take the chair of both at the 2017 AGM and the EGM and to ensure that proceedings of the meetings would be conducted in order. The Company considers that sufficient measures have been taken to ensure the Company's corporate governance practices are no less exacting than those in the CG Code.

Directors' Securities Transactions

The Company had adopted a code of conduct regarding directors' securities transactions with terms no less exacting than those set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the "Model Code"). The Company had made specific enquiries to all Directors and all Directors have confirmed that they complied with the required standards set out in the Model Code and the code of conduct regarding securities transactions throughout the year ended 31 March 2018.

Board

Responsibilities

The Chairman provides leadership and governance of the Board so as to create the conditions for overall Board's and individual Director's effectiveness, and ensures that all key and appropriate issues are discussed by the Board in a timely manner.

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and the Directors are collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs and overseeing the achievement of strategic plans to enhance Shareholders' value. The Directors are expected to make decisions objectively in the interests of the Company.

Generally, the Board is responsible for all major aspects of the affairs of the Company, including:

- formulation of overall strategies and review of its financial performance and results and the internal control and risk management systems;
- policies relating to key business and financial objectives of the Company;
- material transactions, including acquisition, investment, disposal of assets or capital expenditure;
- appointment, removal or re-appointment of Board members, auditor and company secretary;
- communication with key stakeholders, including Shareholders and regulatory bodies; and
- recommendation to Shareholders on final dividend and the declaration of any interim dividends.

The Board is responsible for maintaining proper accounting records so as to monitor and disclose with reasonable accuracy of the financial position of the Group. The Board updates Shareholders on the operations and financial position of the Group through interim and annual reports and results announcements as well as the publication of timely reports and announcements of inside information and other disclosure required as prescribed by the relevant laws, rules and regulations.

Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors, at the expense of the Company.

All Directors, including independent non-executive Directors assume the responsibilities to the Shareholders for the well-being and success of the Company. They are aware of their duties to act in good faith and in the best interests of the Company.

The Board empowers the executive Directors and senior management team to implement the decisions of the Board under the leadership of the CEO, with department heads responsible for different aspects of the business. CEO is responsible for overall operational management and reports to the Board. In entrusting management and administrative functions to the management team, the Board provides clear instructions regarding the powers delegated to management, and requires the prior approvals of the Board before or making important decisions and commitments on behalf of the Company.

The Board is of the view that there is adequate balance of power. Responsibilities for the Company's daily business management are shared amongst executive Directors. Besides, all major decisions are made in consultation with members of the Board and appropriate committees of the Board.

Board *(Continued)*

Composition

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company.

The latest List of Directors and their Role and Function has been published on the websites of the Company and the Stock Exchange. As at the date of this annual report, the Board comprises four executive Directors namely Mr. Wong Wai Sing (Chairman and CEO), Mr. Chan Kin Lung, Mr. Lee Chi Shing, Caesar and Mr. Wong Jeffrey; and three independent non-executive Directors, namely Mr. Kwok Kam Tim, Dr. Hui Chik Kwan and Mr. Tso Ping Cheong, Brian. Biographical details of the Directors are shown on pages 17 to 19 of this annual report and set out on the website of the Company.

The Board has at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors and with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise throughout the year ended 31 March 2018.

Insurance Cover

The Company has arranged appropriate insurance cover in respect of any legal action against its directors and officers. The extent of insurance cover is reviewed on an annual basis.

Non-Executive Directors

The Company has three independent non-executive Directors, namely Mr. Kwok Kam Tim, Dr. Hui Chik Kwan and Mr. Tso Ping Cheong, Brian. The non-executive Directors advise the Company on strategic and critical matters. The Board considers that each non-executive Director brings his own senior level of experience and expertise to the constructive functioning of the Board.

All independent non-executive Directors were appointed for a specific term of two years unless terminated by either party giving not less than one (1) month's written notice. All Directors are subject to the retirement by rotation and re-election in accordance with the articles of association of the Company (the "Articles"), which require one-third of the Directors in office to retire from office by rotation and re-election at each annual general meeting.

Each of the independent non-executive Director has made written annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee has assessed their independence and concluded that all the independent non-executive Directors are independent.

Appointment, Re-Election and Removal of Directors

The Articles set out a formal procedure for the appointment of new Directors to the Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Corporate Governance Report

Directors' and Auditor's Responsibilities for the Consolidated Financial Statements

The Directors acknowledge their responsibilities to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the financial position of the Group and of the financial performance and cashflows for that period. The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities. The Directors also warrant that the Group's consolidated financial statements will be published in a timely manner.

In preparing the consolidated financial statements for the year ended 31 March 2018, the Board has selected suitable accounting policies and applied them consistently, prepared the consolidated financial statements on a going concern, fair and reasonable basis. As at 31 March 2018, the Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement of the auditor of the Company about their reporting responsibilities on the Group's consolidated financial statements for the year ended 31 March 2018 is set out in the section headed "Independent Auditor's Report" in this annual report.

Induction and Continuous Professional Training

Each newly appointed Director receives comprehensive, formal and tailored induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

The Company provided continuous professional training and Directors received regular updates and presentations on changes and developments to the Group's business and to the legislative and regulatory environments in which the Group operates from time to time. In addition, all Directors were requested to provide the Company with the records of the other training they received. All Directors are also encouraged to attend relevant training courses at the Company's expense.

The Directors acknowledge the need for continuous professional development so that they can continue contributing to the Company, and the Company provides support whenever relevant and necessary.

Induction and Continuous Professional Training *(Continued)*

The Directors have confirmed that they have received trainings [Note 1] and update their skills by the following means during the year ended 31 March 2018:

Name of Directors	Reading journals, written training materials and/or updates	Attending courses, seminars, conferences and/ or forums	Receiving briefings from Chief Financial Officer, Company Secretary and/or other executives
Mr. Wong Wai Sing	✓	✓	✓
Mr. Chum Hon Sing [Note 2]	✓		✓
Mr. Chan Kin Lung	✓		✓
Mr. Lee Chi Shing, Caesar	✓		✓
Ms. Yick Mi Ching, Dawnibilly [Note 3]	✓	✓	✓
Mr. Wong Jeffrey	✓	✓	✓
Ms. Lin Fang [Note 4]	✓		✓
Mr. Kwok Kam Tim	✓	✓	✓
Dr. Hui Chik Kwan	✓		✓
Mr. Tso Ping Cheong, Brian	✓	✓	✓

Notes:

1. Training referred above refers to training relevant to the Group's business, the economy, market trends, corporate governance, rules and regulations, accounting, financial or other professional skills or directors' duties and responsibilities.
2. Resigned on 18 April 2017.
3. Resigned on 1 December 2017.
4. Appointed on 18 April 2017 and resigned on 1 February 2018.

Meetings

The Board meets at least four times each year and as business need arises. The Company's memorandum of association and the Articles provide for participation at meetings through telephone and other electronic means. The Directors have full access to information on the Group and independent professional advice at all times whenever deemed necessary by the Directors.

The Board held 13 meetings during the year ended 31 March 2018. The attendance of each Director at the Board, committees and general meetings are as follows:

	Number of meetings attended/Eligible to attend				
Directors	**Board Meetings**	**Audit Committee Meetings**	**Remuneration Committee Meetings**	**Nomination Committee Meetings**	**General Meetings**
Executive Directors:					
Mr. Wong Wai Sing *(Chairman and Chief Executive Officer)*	8/13	N/A	N/A	N/A	0/2
Mr. Chum Hon Sing *(Vice-Chairman)* Note 1	0/0	N/A	N/A	N/A	0/0
Mr. Chan Kin Lung	13/13	N/A	N/A	N/A	2/2
Mr. Lee Chi Shing, Caesar	9/13	N/A	N/A	N/A	2/2
Ms. Yick Mi Ching, Dawnibilly Note 2	6/10	N/A	N/A	N/A	1/1
Mr. Wong Jeffrey	13/13	N/A	N/A	N/A	2/2
Non-Executive Director:					
Ms. Lin Fang Note 3	8/10	N/A	N/A	N/A	1/1
Independent Non-Executive Directors:					
Mr. Kwok Kam Tim	11/13	2/2	3/3	3/3	2/2
Dr. Hui Chik Kwan	5/13	2/2	2/3	2/3	2/2
Mr. Tso Ping Cheong, Brian	9/13	2/2	3/3	3/3	2/2

Notes:

1 Resigned on 18 April 2017.
2 Resigned on 1 December 2017.
3 Appointed on 18 April 2017 and resigned on 1 February 2018.

Reasonable notices have been given to all meetings of the Board. Directors are given all materials to enable the Board to make informed decision. Except for those circumstances permitted by the Articles, a Director who has a material interest in any contract, transaction, arrangement or any other kind of proposal put forward to the Board for consideration, will abstain from voting on the relevant resolution and such Director is not counted as quorum.

Corporate Governance Report

Board Committees

The Board established the audit committee, remuneration committee and nomination committee (the "Committees") on 17 December 2010 with clearly-defined written terms of reference. The main roles and responsibilities of the Committees, including all authorities delegated to them by the Board, are set out in the respective terms of reference. The independent views and recommendations of the Committees ensure proper control of the Group expected from a listed company. The chairman of each committee reports the outcome of the Committees' meetings to the Board for further discussions and approvals, and execute the powers delegated to the Committees.

Audit Committee

The Board has established the audit committee of the Company ("Audit Committee") with specific written terms of reference setting out the duties, responsibilities and authorities delegated by the Board. The major duties and responsibilities of the Audit Committee include (i) making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, approving the remuneration and terms of engagement of the external auditors, and addressing any questions of resignation or dismissal of such auditors, reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards, and developing and implementing policies in the engagement of the external auditors to supply non-audit services; (ii) monitoring the integrity of financial statements and reports of the Group and reviewing significant financial reporting judgements contained therein; and (iii) reviewing the effectiveness of the financial reporting, risk management and internal control systems of the Group.

The Audit Committee comprises all independent non-executive Directors and is chaired by an independent non-executive Director who is an accountant with related financial management expertise. The company secretary of the Company (the "Company Secretary") acts as the secretary to the Audit Committee. As at 31 March 2018, the members of the Audit Committee were Mr. Kwok Kam Tim *(Chairman)*, Dr. Hui Chik Kwan and Mr. Tso Ping Cheong, Brian.

During the year ended 31 March 2018, the Audit Committee held 2 meetings to review the annual report for the year ended 31 March 2017 and the interim report for the six months ended 30 September 2017 and review the internal control and risk management matters of the Group.

Auditor's Remuneration

During the year, the remuneration paid/payable to the external auditor of the Company, Moore Stephens CPA Limited, in respect of statutory audit was approximately HK$1,300,000 (for the year ended 31 March 2017: approximately HK$1,251,000) and non-audit services was approximately HK$1,382,000 (for the year ended 31 March 2017: approximately HK$413,000). Non-audit services include (i) tax compliance services of the Company and certain subsidiaries of the Company of approximately HK$67,000; (ii) agreed-upon procedures ("AUP") on interim financial statements of the Company of approximately HK$165,000; (iii) acting as reporting accountants for the major acquisition of Alpha Youth Limited of approximately HK$1,100,000; and (iv) AUP on Alpha Youth Limited's financial statements for the year ended 31 December 2017 in relation to the Alpha 2017 Guaranteed Profit of approximately HK$50,000.

Acting as reporting accountants for the major acquisition of Alpha Youth Limited was the major non-audit services rendered by the auditor, representing approximately 80% and 41% of the total amount paid/payable to non-audit services and the total auditor's remuneration paid/payable during the year ended 31 March 2018 respectively. As such service was a one-off service, the Audit Committee is in the opinion that it would not impair the auditor's independence.

Board Committees *(Continued)*

Internal Control and Risk Management

The Board is responsible for internal control and risk management systems of the Group and for reviewing its effectiveness. Internal control and risk management systems will be reviewed by the Board annually.

The Board requires the senior management to establish and maintain sound and effective internal control. The management assessed the likelihood of risk occurrence, ranked these risks according to the likelihood and the severity of the impact on the Group, provided treatment plans, and monitored the risk management progress.

Control procedures have been designed to safeguard assets against unauthorised use and disposition; ensure compliance with relevant laws, rules and regulations; ensure proper maintenance of accounting records for provision of reliable financial information; and to provide reasonable assurance against material misstatement, loss or fraud.

The Group has policy in place for handling and dissemination of inside information, which stipulates the handling of inside information on a need-to-know basis and prohibit any dissemination of non-public information.

The internal control and risk management systems of the Group aim to manage, but not completely eliminate, the risks which hinder the achievement of business objectives, which only provides reasonable assurance, while cannot guarantee that material false statements and damages will be fully avoidable.

For the year ended 31 March 2018, the Group has engaged an external advisory firm to undertake the internal audit function to ensure the effectiveness and efficiency of the risk management and internal control systems of the money lending business of the Group, and no significant deficiency and weakness on the internal control and risk management systems have been identified. Result of the review has been reported to the Audit Committee, which was recommended to the Board. Improvements in internal control and risk management measures to enhance the risk management and internal control systems of the Group and to mitigate risks of the Group were adopted by the Board. Based on the findings and recommendations, as well as the comments of the Audit Committee, the Board considered the internal control and risk management systems of the Group were effective and adequate and concluded that there were no significant areas of concern which might affect Shareholders' interests during the financial year.

Remuneration Committee

The remuneration committee of the Company ("Remuneration Committee") is responsible for, among other functions, making recommendations to the Board on the policies and structure for the remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policies on such remuneration, reviewing and approving the management's remuneration proposals with reference to corporate goals and objectives resolved by the Board from time to time, and determining the specific remuneration packages of the executive Directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment. No individual Director is involved in deciding his/her own remuneration.

The Remuneration Committee comprises all independent non-executive Directors. The Company Secretary acts as the secretary to the Remuneration Committee. As at 31 March 2018, the members of the Remuneration Committee were Mr. Kwok Kam Tim *(Chairman)*, Mr. Tso Ping Cheong, Brian and Dr. Hui Chik Kwan.

Board Committees *(Continued)*

Remuneration Committee *(Continued)*

The Remuneration Committee held 3 meetings during the year ended 31 March 2018, whereby the members of the Remuneration Committee reviewed and recommended to the Board on the remuneration packages of the Directors (other than members of the Remuneration Committee) and senior management, recommended remuneration proposals for newly appointed Directors and senior management with reference to the prevailing market conditions, the Company's performance and his or her time, effort and expertise to be exercised on the Group's affairs of the Company.

Nomination Committee

The nomination committee of the Company ("Nomination Committee") is responsible for reviewing the structure, size and composition (including but not limited to the skills, gender, knowledge and experience) of the Board on a regular basis and making recommendations to the Board regarding any proposed changes; identifying individuals qualified to become Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships (in particular candidates who can add value to the management through their contributions in strategic business areas and whose appointment will lead to a strong Board), assessing the independence of the independent non-executive Directors and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of the Directors and succession planning for the Directors in particular for the Chairman and CEO. In order to achieve a diversity of perspectives among members of the Board, the Company has adopted the board diversity policy (the "Board Diversity Policy").

Summary of Board Diversity Policy

The Company recognises the benefits of having a diverse Board to enhance the quality of its performance. The Company sees increasing diversity at the Board as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, consideration has been made from a number of aspects, such as gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All appointments of Board members will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee will review the Board Diversity Policy periodically. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The Nomination Committee comprises all independent non-executive Directors. The Company Secretary acts as the secretary to the Nomination Committee. As at 31 March 2018, the members of the Nomination Committee were Mr. Tso Ping Cheong, Brian *(Chairman)*, Mr. Kwok Kam Tim and Dr. Hui Chik Kwan.

The Nomination Committee held 3 meetings during the year ended 31 March 2018, whereby the members of the Nomination Committee discussed and made recommendation to the Board on the re-election of retiring Directors and re-appointment of Directors, reviewed the size, structure, composition and diversity of the Board, assessed the independence of independent non-executive Directors and discussed the roles of the Chairman and the CEO.

Board Committees *(Continued)*

Company Secretary

On 1 April 2018, Ms. Chan Chiu Wing ("Ms. Chan"), was appointed as the Company Secretary to fill the causal vacancy arising from the resignation of Ms. Kwok Ka Huen ("Ms. Kwok") on the same date. Both Ms. Kwok and Ms. Chan confirmed that she has complied with all the qualifications, experience, and professional training requirements of the Listing Rules. During the year ended 31 March 2018, both Ms. Kwok and Ms. Chan has taken no less than 15 hours of relevant professional training.

The appointment and removal of the Company Secretary is subject to approval by the Board in physical meeting and accordance with the Articles.

Corporate Governance Function

The Board is also responsible for performing the corporate governance duties with its written terms of reference as set out below:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the corporate governance code and disclosure in the Corporate Governance Report.

During the year ended 31 March 2018, the Board has reviewed the policy of the corporate governance and the corporate governance report of the Company.

Communications with Shareholders

The Group reports to its shareholders at least twice a year through interim and annual results, which are announced as early as possible to keep Shareholders informed of the Group's performance. General meetings of the Company provide a forum for communication between the Shareholders and the Board. All Shareholders are encouraged to attend the annual general meetings to discuss the progress of the Group's business. The chairman of each of the general meetings are available to answer questions at the general meetings. Separate resolutions are proposed at the general meetings on each substantial issue, including re-election of Directors. The Company's website, which contains corporate information, interim and annual reports, announcements and circulars issued by the Company as well as the recent developments of the Group, enables the Shareholders to access information on the Group on a timely basis.

Communications with Shareholders *(Continued)*

Procedures for Shareholders to convene an Extraordinary General Meeting

Pursuant to Article 58 of the Articles, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Procedures for Shareholders to put forward proposals at Shareholders' meetings

Shareholders who wish to move a resolution may by means of requisition convene an extraordinary general meeting following the procedures set out above.

Investor Relations

The Company's website (www.newtreegroupholdings.com) offers communication channel between the Company and the Shareholders and potential investor. Apart from disclosure of all necessary information to the Shareholders in compliance with the Listing Rules, news update on the Company's business development and operation are available on the Company's website.

Shareholders are encouraged to attend all general meetings of the Company. Notices of general meetings are circulated to all Shareholders in accordance with the requirements of the Listing Rules and the Articles. The results of voting by poll are published on the websites of the Stock Exchange and the Company after the meetings.

Any comments and suggestions to the Board can be addressed by post to our principal place of business in Hong Kong or email at general@newtreegroupholdings.com.

Constitutional Documents

During the year ended 31 March 2018, there was no change in the Company's constitutional documents.

Environmental, Social and Governance Report

Introduction

This Environmental, Social and Governance Report (the "ESG report") for Newtree Group Holdings Limited (the "Company") and its subsidiaries (collectively the "Group" and "we") for the year ended 31 March 2018 mainly covers the Group's trading business in the United Kingdom carried out by S&J Distribution Limited ("S&J Distribution"), money lending business in Hong Kong carried out by Chengxin Finance Limited ("Chengxin Finance"), as well as the general office in Hong Kong (the "Hong Kong Office"). The ESG report presents the Group's sustainability approach and performance in the environmental and social aspects of its business in the reporting period from 1 April 2017 to 31 March 2018. The environmental key performance indicators ("KPIs") in the year will be focused on S&J Distribution in the United Kingdom, Chengxin Finance, and the Hong Kong Office, and will gradually expand to other subsidiaries in the future. For information on our corporate governance, please refer to the "Corporate Governance Report" on pages 20 to 30 of this annual report. The Group will continue to strengthen its efforts to collect information in order to enhance its performance in the environmental and social subject areas and to disclose related information in sustainable development.

The ESG report has been prepared in accordance with the "Environmental, Social and Governance Reporting Guide" issued by the Stock Exchange of Hong Kong Limited, as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

Our employees from different divisions of the Group were involved in helping us recognize our sustainability performance. The data collected not only highlights the Group's sustainable initiatives during the year, but also sets the basis of the Group's sustainability strategies. The Group will increase the stakeholder engagement via constructive dialogue, with a view to driving long-term prosperity.

Protect Our Environment

Use of Resources

As an environmentally friendly corporate, we bear the responsibility to protect the nature. We continues encouraging our employees to switch off unnecessary lights and electronic equipment while not in use, maximize the use of natural lighting, divide the office area into different light zones with independent lighting switches, adopt energy efficient lighting system, clean light fixtures regularly to maximize their energy efficiency, and apply anti-ultraviolet films on windows to reduce heat gain, in order to reduce the use of air conditioning.

In the year, the energy consumption includes the purchased electricity from S&J Distribution, Chengxin Finance and the Hong Kong Office, and the diesel oil consumption of vehicles from S&J Distribution. The details of energy consumption in the year are as follows:

Energy Consumption	**Year ended 31 March 2018**
Total energy consumption (MWh)	237.72
Energy consumption per staff (MWh/staff)	7.43
Energy consumption from purchased electricity (MWh)	53.23
Energy consumption from diesel oil (MWh)	184.49

Reference:

i. Conversion factors 2017 issued by the United Kingdom Government

Protect Our Environment *(Continued)*

Use of Resources *(Continued)*

Moreover, the packaging material used by S&J Distribution is mainly plastics. To utilize the material to the greatest extent, the usage of material is constantly evaluated to avoid overstocking and squandering resources. The details of packaging material used in the year are as follows:

Packaging Material	Year ended 31 March 2018
Total packaging material used (kg)	1,475.00
Packaging material used per revenue (kg/HK$'000)	0.03

Emission

The Group strictly complies with national and local laws and regulations regarding emission, including but not limited to the Air Pollution Control Ordinance of Hong Kong and Environmental Act 1995 of the United Kingdom. Since the report scope only covers the trading segment in the United Kingdom, money lending segment and the general administration in Hong Kong, our major exhaust gas is from the vehicle use of S&J Distribution. Wastewater is mainly domestic sewage, which is discharged to the municipal drainage system.

To minimize the exhaust gas from vehicles and maintain their efficiencies, S&J Distribution avoids car idling and conducts regular maintenance for proper function and correct tyre pressure. During the year, the emissions from vehicles of S&J Distribution are as follows:

Emissions from Vehicles	Year ended 31 March 2018
Nitrogen oxides (kg)	208.08
Sulphur dioxides (kg)	0.32
Particulates (kg)	6.61

Reference:

i. Fleet Weighted Road Transport Emission Factor 2016 issued by National Atmospheric Emissions Inventory of the United Kingdom

We always remind our employees to cherish water resources, for example, S&J Distribution reminds employees to turn off the faucet tight after use, in order to avoid water wastage. As the offices of Chengxin Finance and the Hong Kong Office are rented and the water consumptions are unable to obtain, the water consumption of S&J Distribution in the year was 129 m^3 and its water consumption intensity is 16.13 m^3 per staff.

Protect Our Environment *(Continued)*

Emission *(Continued)*

In consideration of the potential threats of climate change to the communities, the Group has made steady progress in reducing its "carbon footprint" across our business. In terms of transportation, our internal activities are held at locations easily accessible by public transportation to actively reduce carbon emissions caused indirectly by holding activities. We also grow green plants in office areas. In the year, all paper used is recycled, which helps reduce 2.03 tonnes CO_2e greenhouse gas emissions due to disposal of paper waste. The greenhouse gas emissions emitted by S&J Distribution, Chengxin Finance and the Hong Kong Office in the year are as follows:

Greenhouse Gases	**Year ended 31 March 2018**
Total greenhouse gas emissions (tonnes CO_2e)	139.49
Greenhouse gas emissions per staff (tonnes CO_2e/staff)	4.36
Scope 1 — Direct emissions[1] (tonnes CO_2e)	102.84
Scope 2 — Energy indirect emissions[2] (tonnes CO_2e)	27.42
Scope 3 — Other indirect emissions[3] (tonnes CO_2e)	9.23

References:

i. Conversion factors 2017 issued by the United Kingdom Government

ii. Appendix 2: Reporting Guidance on Environmental KPIs of Environmental, Social and Governance Reporting Guide issued by The Stock Exchange of Hong Kong Limited

Waste Management

The solid waste is mainly generated in daily office operation, including general waste and paper waste. The general waste is collected and placed to the designated area of the building, while the used paper is placed in the recycling bin of the building management. We produce minimal hazardous waste. When there is hazardous waste, we will handle it properly. For example, the used toner will be collected and recycled by the respective manufacturer.

In order to reduce waste disposal and paper consumption, our employees are encouraged to use paper on both sides and disseminate information by electronic means whenever possible. Also, employees are encouraged to reduce the use of one-off stationery and equipment and use more refillable stationery instead.

1 Direct emissions of the Group were from fuel combustion in vehicles.

2 Energy indirect emissions of the Group were from purchased electricity.

3 Other indirect emissions of the Group included paper used and recycled, business travel by employees, and greenhouse gas emissions due to electricity used for fresh water and sewage processing by government organization.

Protect Our Environment *(Continued)*

Waste Management *(Continued)*

During the year, a small amount of hazardous waste was produced, including 14 light bulbs replaced. Information on non-hazardous waste included those produced by S&J Distribution and the Hong Kong Office. The details of hazardous and non-hazardous waste produced in the year are as follows:

Wastes	**Year ended 31 March 2018**
Hazardous waste produced (kg)	5.60
Hazardous waste generated per staff (kg/staff)	0.18
Non-hazardous waste produced (kg)	347.97
Non-hazardous waste produced per staff (kg/staff)[4]	11.60

Care Our Employee

Recruitment

The Group continues to act in strict compliance with the relevant labor laws and regulations promulgated by the national and local governments, such as the Employment Ordinance of Hong Kong, Labor Law of the PRC (《中華人民共和國勞動法》) and Employment Rights Act 1996 of the United Kingdom. The Group respects cultural and individual diversity. A non-discrimination approach is adopted throughout the whole recruitment process, from advertising to employment. All applicants receive equal opportunity and are considered solely based on their academic knowledge, morality, ability and relevant working experience.

The total number of full-time employees of the Group was 92 for the year ended 31 March 2018 (2017: 144) and the details are as follows:

Number of Employee of the Group	**Year ended 31 March**	
	2018 Number	2017 Number
By Geographic Region		
Hong Kong	**53**	53
PRC	**29**	76
Macau	**2**	6
United Kingdom	**8**	9
By Gender		
Male	**54**	89
Female	**38**	55
By Age		
Below 30 years old	**22**	29
Between 30 to 50 years old	**60**	92
Over 50 years old	**10**	23

4 As the non-hazardous waste collected does not include those produced by Chengxin Finance, the non-hazardous waste intensity is calculated by number of employees of the Hong Kong Office and S&J Distribution.

Care Our Employee *(Continued)*

Child and Forced Labor

We strictly abide by the laws and regulations regarding child labor and forced labor, such as the Prohibition of Using Child Labor (《禁止使用童工規定》) and Labor Contract Law of the PRC (《中華人民共和國勞動合同法》). If work overtime is needed, employees must also do so voluntarily to prevent forced overtime, and overtime pay shall be made in accordance with the relevant laws and regulations. The job descriptions of the position, which clearly state the duties and responsibilities of the role, are provided to employees before officially coming on board to avoid forced labor. We engage employees in labor contracts to prevent forced labor.

Employee Benefits

Our employees are our most valuable asset and we value their rights and welfare. We strictly abide by the laws and regulations related to the employees' benefits, such as the Employment Ordinance of Hong Kong, Labor Law of the PRC (《中華人民共和國勞動法》) and Employers' Liability (Compulsory Insurance) Regulations of the United Kingdom. The salary structure is reviewed annually to ensure that the Group offers competitive remuneration package to our employees. Except basic salary, we also offer discretionary bonus based on the individual performance of the employees and our financial performance. While the working hours of employees are set regarding the relevant national and local regulations, time off in lieu is provided to employees if they work overtime. For instance, the Company offers compensation leave, transportation allowance and complimentary dinner if employees are required to work overtime.

Statutory holidays are provided in accordance with the relevant national and local regulations. Our employees are entitled to different types of leave, including annual leave, compensation leave, sick leave, bereavement leave, maternity leave, paternity leave, etc. Employees of the Group may be provided with extra benefits according to the operations located. For example, employees in the Company are invited to festive dinners, entitled to early leaves before festive holidays and are provided with complimentary lunch, drinks, freshly brewed coffee and snacks. The Company also allows employees to dress down on Fridays and before public holidays for a more comfortable working environment.

Development and Training

In order to establish an excellent team to cope with the rapid development and efficient operation of the Group, we monitor the employees' performance continuously. Our promotion is executed on a fair and open basis. We do not tolerate any form of discrimination on grounds of gender, race, age, religion and national origin. Promotion and dismissal decision of any employee within the Group are considered thoroughly on the employee's attitude, ability and performance at work. The Group provides orientation and internal training to employees in targeted, systematic and forward-looking approach. The Company has been accredited once again as an authorized employer of Hong Kong Institute of Certified Public Accountants to train prospective members of the Institute. To encourage our employees to develop their potential through independent life-long learning, we subsidize staffs to participate in external job-related training.

During the year ended 31 March 2018, our employees have participated in various training sessions with topics covered financial and accounting, occupational health and corporate governance.

Care Our Employee *(Continued)*

Health and Safety

Work safety is the cornerstone of the sustainable development of the Group. We strictly abide by the laws and regulations regarding occupational health and safety, such as the Occupational Safety and Health Ordinance of Hong Kong, Law of the PRC on Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) and Health and Safety at Work etc Act 1974 of the United Kingdom. A Health and Safety Policy has been adopted by S&J Distribution to provide reference and guideline on occupational health and safety. To protect our employees from injury or ill health, designated personnel is assigned to carry out workplace inspection and risk assessments annually to identify the tasks and equipments related to our business that are likely to present a significant risk of injury or ill health to our employees or others within our facilities. Employees are consulted in good time on matters concerning their health and safety at work by meetings, toolbox talks and notice board.

Respect Our Supplier and Client

Supply Chain Management

The development of the Group relies on many suppliers to provide the materials to support our business operations. Green procurement principle is taken into consideration during the procurement process. Suppliers are encouraged to use less packaging material to reduce the waste generated during the delivery process. When there are suppliers with similar qualification, we prioritize suppliers who are near to the locations of the Group to reduce the "carbon footprint" due to long-distance transportation. The Group establishes a long-term strategic cooperative relationship with suppliers of good performances in qualification, reputation, product quality, environmental protection and social responsibility.

Protect Our Clients

The Group strictly abides by the national and local laws and regulations regarding intellectual property right, such as the Trade Marks Ordinance of Hong Kong, Patent Law of the PRC (《中華人民共和國專利法》) and Data Protection Act 1998 of the United Kingdom. The Group highly values the confidentiality of our clients' data. Confidential and personal information are disclosed to officers on a need-to-know basis. We are committed to protecting the software system to prevent the introduction of virus contamination and the leakage of clients' information. We strictly abide by the national and local laws and regulations regarding the product safety, and respect and protect intellectual rights. In addition to the trademark registration of the Group's corporate logo, the Group also conducts relevant manufacturing business under the "Mammoth" trademark. Our policy is to label our products properly in accordance with local requirements. For example, S&J Distribution has been assessed as satisfying the requirements of the Cleaning & Hygiene Suppliers Association ("CHSA") Manufacturing Standard. We work to ensure that the labels and trademarks used in our products properly reflect product specifications and the quality standards. In conducting our money lending business, we give detail explanation of all the terms of the agreement to our customers before entering into any agreements for loan. We strictly follow the rules and regulations stipulated under Money Lenders Ordinance of Hong Kong in our money lending business operations. All customers' complaints shall be handled in a timely and proactive manner.

Respect Our Supplier and Client *(Continued)*

Anti-corruption

In order to maintain the Group's integrity and justice, we strictly abide by the laws and regulations regarding bribery, extortion, fraud and money laundering, such as the Prevention of Bribery Ordinance of Hong Kong, Criminal Law of the PRC (《中華人民共和國刑法》) and Bribery Act 2010 of the United Kingdom. We also established an anti-bribery policy to effectively prohibit commercial bribes, kickbacks or similar payoffs or benefits paid by any suppliers or clients. Employees can report any irregularities, such as dereliction of duty, abuse of power, receiving bribes and encroachment on corporate property, to the designated personnel. The Group will investigate the improper behaviors and take corresponding remedial measures against the irregularities. In operating our money lending business, we established internal procedures to regulate and monitor our due diligence and record-keeping procedures to ensure we have strictly abided by the Anti-Money Laundering and Counter-Terrorist Financing Ordinance.

Community Investment

Over the years, the Group has focused on community activities and strongly encouraged our employees to participate in various volunteer works. For example, we have participated in and made donations to the "Po Leung Kuk Dress Special Day" and made monetary contribution to VTC scholarship in the year.

Report of the Directors

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

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the Group are (i) wholesale and retail of household consumables; (ii) design and development of three-dimensional animations, augmented reality technology application and e-learning web application; (iii) trading of coal products; (iv) provision of educational technology solutions through online education programs and provision of English language proficiency tests; and (v) provision of money lending services. The Group was also engaged in (i) sales and distribution of jewelries and watches; and (ii) manufacture and trading of clinical and household hygienic disposables and trading of related raw materials, which were disposed and classified as discontinued operations during the year ended 31 March 2018. Details of the principal activities of the Company's principal subsidiaries are set out in Note 36 to the consolidated financial statements contained herein.

Results and Dividends

The Group's financial performances for the year ended 31 March 2018 are set out in the consolidated statement of comprehensive income on pages 60 to 61.

The Directors do not recommend for payment of a final dividend for the year ended 31 March 2018 (2017: Nil).

Financial Summary

A summary of the results and assets and liabilities of the Group for the last five financial years is set out on page 154 of this annual report. This summary does not form part of the audited consolidated financial statements.

Business Review and Performance

A review of the business of the Group and a discussion and analysis of the Group's performance during the year under review and a discussion on the Group's future business development and outlook of the Company's business are provided in the section headed "Management Discussion and Analysis" on pages 4 to 16 of this annual report.

Relationships With Employees, Suppliers and Customers

The Group dedicates to providing a healthy, safe and comfortable working environment for all employees. The Group has formulated comprehensive training program and various career development paths.

The Group also understands that it is important to maintain good relationship with its suppliers and customers to fulfill its immediate and long-term goals. To maintain its market competitiveness within the industry, the Group aims at delivering constantly high standards of quality in the service to its customers.

For further details, please refer to the Environmental, Social and Governance Report in pages 31 to 37 of this annual report.

Report of the Directors

Environmental, Social and Governance

Environmental conservation remains a key focus for the Group. The conscientious use of resources and adoption of best practices across the Group's businesses underlie its commitment to safeguarding the environment. The Group complies with environmental legislation and promotes awareness towards environmental protection to the employees by, for example, encouraging staff consume electricity and paper according to actual needs, so as to reduce energy consumption and minimise unnecessary waste. The Group puts great emphasis in environmental protection and sustainable development.

For further details, please refer to the Environmental, Social and Governance Report in pages 31 to 37 of this annual report.

Compliance with Laws and Regulations

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company for the year ended 31 March 2018.

For further details, please refer to the Environmental, Social and Governance Report in pages 31 to 37 of this annual report.

Principal Risks and Uncertainties

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. Apart from those risk and uncertainties discussed in the section headed "Management Discussion and Analysis" on pages 4 to 16 of this annual report, certain key risks and uncertainties are identified by the Group and listed as follows:

(i) Business and Financial Risks

The profitability and financial position may be materially and adversely affected if any of our major customers ceases their business relationship with the Group. The business and financial position may be materially and adversely affected if there is a global economic downturn in the geographic locations in which the Group operates.

(ii) Operational Risks

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. The Group recognises that operational risks cannot be eliminated completely and that it may not always be cost effective to do so.

Financial risk factors are set out in Note 43(b) to the consolidated financial statements of this annual report. Details of risk management are set out in the Corporate Governance Report under the paragraph headed "Internal Control and Risk Management" on page 27 of this annual report. The Discussion forms an integral part of this Report of the Directors. There may be other risks and uncertainties in addition to those known to the Group or which may not be material now but could turn out to be material in the future.

Property, Plant and Equipment

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

Other Intangible Assets

Details of the movements in the other intangible assets of the Group during the year are set out in Note 17 to the consolidated financial statements contained herein.

Share Capital and Shares Issued

Details of the movements in the Company's share capital and shares issued during the year are set out in Note 34 to the consolidated financial statements contained herein.

Equity-linked Agreements

Details of the equity-linked agreements entered into during the year ended 31 March 2018 or subsisted at the end of the year are set out below:

(a) Share Option Scheme

The Company has adopted a share option scheme on 26 February 2015 (the "Share Option Scheme") for the purpose of providing incentives and rewards to those at the sole determination of the Board, have contributed or will contribute to the Company or its subsidiaries, such as (a) any full-time or part-time employee of the Company and/or any subsidiary of the Company; (b) any director (including executive, non-executive and independent non-executive director) of the Company and/or any subsidiary of the Company; and (c) any consultant or adviser, distributor, contractor, supplier, service provider, agent, customer and business partner of the Company and/or any subsidiary of the Company.

The Board may offer to grant any options subject to such terms and conditions in relation to the minimum period of the options to be held and/or the performance targets to be achieved before such option can be exercised and/or any other terms as the Board may determine in its absolute discretion. There is no general requirement on the minimum period for which an option must be held.

The life of the Share Option Scheme is 10 years from the date of adoption (26 February 2015), after which no further options will be granted but the provisions of the Share Option Scheme shall remain in force with respect to options granted.

The subscription price shall, subject to any adjustments made pursuant to the terms of the Share Option Scheme, be a price determined by the Board and notified to each grantee and shall be at least the highest of: (a) the closing price per share as stated in the Stock Exchange's daily quotations sheet on the offer date; (b) the average closing price per share as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the offer date; and (c) the nominal value of a share.

Equity-linked Agreements *(Continued)*

(a) Share Option Scheme *(Continued)*

The maximum aggregate number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes adopted by the Group which provide for the grant of options to acquire or subscribe for shares must not exceed such number of shares as shall represent 30% of the shares of the Company in issue from time to time. No option shall be granted under the Share Option Scheme if this will result in such limit being exceeded.

Subject to the aforesaid limit, the total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of the Group must not, in aggregate, exceed 10% of the shares of the Company in issue as at the adoption date of the Share Option Scheme unless shareholders' approval in general meeting is obtained to renew the scheme mandate limit, which shall not exceed 10% of the shares of the Company in issue at the date of such approval. Any further grant of options is subject to shareholders' advanced approval in a general meeting (the "Scheme Mandate Limit"). The existing Scheme Mandate Limit was approved by the Shareholder in the annual general meeting of the Company on 26 September 2016 and the outstanding number of options available for issue under the Share Option Scheme is 234,753,320, which represents 9.87% of the issued shares of the Company as at the date of this annual report.

The total number of shares issued and to be issued upon exercise of the options granted to each eligible participant (including both exercised and outstanding options under the Share Option Scheme) in any 12-month period must not exceed 1% of the shares of the Company in issue. Where any further grant of options to an eligible participant would result in excess of such limit, such further grant shall be subject to the approval of the shareholders at a general meeting with such eligible participant and his associates abstaining from voting.

Pursuant to the Share Option Scheme, HK$1.00 per offer of grant is payable by the grantee to the Company on acceptance of the option offer as consideration for the grant. The option must be accepted within 10 days from the date on which an offer of option is made to a grantee.

Any grant of options to a connected person or any of its associates must be approved by all of the independent non-executive Directors (excluding any independent non-executive Director who is the grantee). Where options are proposed to be granted to a substantial shareholder or an independent non-executive Director or any of their respective associates, and the proposed grant of options will result in the total number of shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant representing in aggregate over 0.1% of the shares of the Company in issue and having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK$5 million, such grant of options must be subject to the approval of the Shareholders taken on a poll at a general meeting.

Equity-linked Agreements *(Continued)*

(a) Share Option Scheme *(Continued)*

Details of the share options movements during the year ended 31 March 2018 under the Share Option Scheme are as follows:

				Number of share options						
Name or category of grantees	Date of grant of share options	Exercise price (HK$)	Exercise period (Note 2)	Balance as at 01.04.2017	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Effect of resignation of a director (Note 3)	Balance as at 31.03.2018
Directors										
Mr. Chan Kin Lung	29/08/2016 (Note 1)	0.48	29/08/2016 – 28/08/2019	10,000,000	–	–	–	–	–	**10,000,000**
Ms. Yick Mi Ching, Dawnibilly	29/08/2016 (Note 1)	0.48	29/08/2016 – 28/08/2019	10,000,000	–	–	–	–	(10,000,000)	**–**
Mr. Wong Jeffrey	29/08/2016 (Note 1)	0.48	29/08/2016 – 28/08/2019	10,000,000	–	–	–	–	–	**10,000,000**
Mr. Kwok Kam Tim	29/08/2016 (Note 1)	0.48	29/08/2016 – 28/08/2019	800,000	–	–	–	–	–	**800,000**
Dr. Hui Chik Kwan	29/08/2016 (Note 1)	0.48	29/08/2016 – 28/08/2019	800,000	–	–	–	–	–	**800,000**
Mr. Tso Ping Cheong, Brian	29/08/2016 (Note 1)	0.48	29/08/2016 – 28/08/2019	800,000	–	–	–	–	–	**800,000**
Sub-Total				32,400,000	–	–	–	–	(10,000,000)	**22,400,000**
Employees										
In aggregate	29/08/2016 (Note 1)	0.48	29/08/2016 – 28/08/2019	20,100,000	–	–	–	–	10,000,000	**30,100,000**
Sub-Total				20,100,000	–	–	–	–	10,000,000	**30,100,000**
Total				52,500,000	–	–	–	–	–	**52,500,000**

Notes:

1. The closing price of the shares immediately before 29 August 2016, on which those options were granted, was HK$0.40.

2. The exercise period of the share options is 29 August 2016 to 28 August 2019 (both days inclusive).

3. Ms. Yick Mi Ching, Dawnibilly, who has resigned as an executive Director while remained as the administrative and human resources manager of the Company with effect from 1 December 2017, beneficially owned as to 10,000,000 share options. These share options were re-classified from the category of Directors to Employees.

Equity-linked Agreements *(Continued)*

(b) Convertible Bonds

On 4 August 2017, the Company, as issuer, and Lead Thrive Investments Limited, as subscriber, entered into a subscription agreement in relation to the issuance of 8% per annum guaranteed convertible bonds in the aggregate principal amount of HK$200.0 million with an initial conversion price at HK$0.46 per share due on 10 August 2019 (the "Convertible Bonds 2019").

The Convertible Bonds 2019 was issued on 11 August 2017. The actual net proceeds from the Convertible Bonds 2019 were approximately HK$199.7 million. The Board considers the issue of the Convertible Bonds 2019 provides an opportunity to raise additional funds for the potential business acquisition of a group that is principally engaged in the business of manufacturing concrete in the PRC and general working capital of the Group.

As at 31 March 2018, the aggregate outstanding principal amount of the Convertible Bonds 2019 was HK$200.0 million. Upon exercise of the conversion rights attached to the outstanding Convertible Bonds 2019, a maximum of 434,782,608 Shares will be allotted and issued.

Distributable Reserves

The Company had no distributable reserve as at 31 March 2018 (31 March 2017: Nil), calculated in accordance with the Companies Law of the Cayman Islands.

Donations

Charitable donations were made by the Group during the year ended 31 March 2018 amounting to approximately HK$91,000 (2017: HK$1,013,000).

Directors

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

Executive Directors
Mr. Wong Wai Sing
(Chairman and Chief Executive Officer)
Mr. Chum Hon Sing *(Vice Chairman)*
(resigned on 18 April 2017)
Mr. Chan Kin Lung
Mr. Lee Chi Shing, Caesar
Ms. Yick Mi Ching, Dawnibilly
(resigned on 1 December 2017)
Mr. Wong Jeffrey

Non-executive Director
Ms. Lin Fang
(appointed on 18 April 2017 and resigned on 1 February 2018)

Independent Non-executive Directors
Mr. Kwok Kam Tim
Dr. Hui Chik Kwan
Mr. Tso Ping Cheong, Brian

Pursuant to Article 83(3) of the Articles, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his or her appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Directors *(Continued)*

In accordance with Article 84 of the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation and being eligible, offer themselves for re-election at each annual general meeting, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

The Directors' biographical details are set out on pages 17 to 19.

Each of the independent non-executive Director has made written annual confirmation in respect of his independence pursuant to Rule 3.13 of the Listing Rules. The Nomination Committee is of the view that all independent non-executive Directors are independent.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting (the "AGM") has a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

Mr. Wong Wai Sing, Mr. Chan Kin Lung and Mr. Lee Chi Shing, Caesar have each entered into a letter of appointment as an executive Director with effect from 1 January 2016 and to be continued thereafter until terminated by either party giving not less than one (1) month's written notice.

Mr. Wong Jeffrey has entered into a letter of appointment as an executive Director with effect from 1 September 2016 and to be continued thereafter until terminated by either party giving not less than one (1) month's written notice.

Mr. Kwok Kam Tim, Dr. Hui Chik Kwan and Mr. Tso Ping Cheong, Brian have each entered into a letter of appointment with effect from 1 January 2018 for a term of two (2) years unless terminated by either party giving not less than one (1) month's written notice.

Mr. Chum Hon Sing resigned as a Director on 18 April 2017 as he required more time to pursue his other business engagements.

Ms. Yick Mi Ching, Dawnibilly resigned as Director with effect from 1 December 2017 as she desires to devote more time to her personal affairs.

Ms. Lin Fang resigned as a Director with effect from 1 February 2018 as she desires to devote more time to her personal affairs.

Each of Mr. Chum Hon Sing, Ms. Yick Mi Ching, Dawnibilly and Ms. Lin Fang has confirmed that he or she has no disagreement with the Board and there is no other matter relating to his or her resignation as a Director that needs to be brought to the attention of the Shareholders.

Permitted Indemnity Provision

Pursuant to Article 164(1) of the Articles, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto, and no Director shall be liable for any loss, misfortune or damage which may happen to or be incurred by the Company in the execution of the duties of his or she office or in relation thereto.

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by Section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong).

Management Contracts

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2018.

Directors' Interests in Competing Business

As at the date of this annual report, none of the Directors had any material interest in a business which causes or may cause a significant competition with the business of the Group and any other conflict of interests which any such person has or may have with the Group.

Directors' Interest in Transactions, Arrangements or Contracts

Save as disclosed in the subsection "Connected Transactions" below and Note 41 to the consolidated financial statements of this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director or his or her connected entities had a material interest, whether directly or indirectly, subsisted at any time during or at the end of the year ended 31 March 2018.

Interests of Directors and Chief Executive

As at 31 March 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were set out below:

Long position in the Shares and underlying shares

Name of Directors	Capacity	Total number of shares held	Total number of underlying shares held (Note 2)	Approximate percentage of shareholding in the Company
Mr. Wong Wai Sing (Note 1)	Beneficial owner and interest of a controlled corporation	523,700,000	–	22.01%
Mr. Chan Kin Lung	Beneficial owner	–	10,000,000	0.42%
Mr. Lee Chi Shing, Caesar	Beneficial owner	5,000,000	–	0.21%
Mr. Wong Jeffrey	Beneficial owner	–	10,000,000	0.42%
Mr. Kwok Kam Tim	Beneficial owner	–	800,000	0.03%
Dr. Hui Chik Kwan	Beneficial owner	–	800,000	0.03%
Mr. Tso Ping Cheong, Brian	Beneficial owner	–	800,000	0.03%

Notes:

1. Mr. Wong Wai Sing holds 41,894,000 shares in personal capacity, he also beneficially owned the entire issued share capital of Twin Star Global Limited, which is interested in 481,806,000 shares of the Company.

2. All are options granted by the Company on 29 August 2016 under the share option scheme adopted by the Company on 26 February 2015.

Save as disclosed above, as at 31 March 2018, none of the Directors and chief executive of the Company had registered an interest or short position in the shares, underlying shares and debentures of the Company, or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests of Substantial Shareholders

As at 31 March 2018, the following persons (not being a Director or chief executives of the Company) have interests or short positions in the shares and underlying shares of the Company which have been disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long Position in the Shares and underlying shares

Name	Nature of interest	Total number of shares or underlying shares held	Approximate percentage of interest in the Company
Twin Star Global Limited (Note 1)	Beneficial owner	481,806,000 shares	20.25%
Lead Thrive Investments Limited (Note 2)	Beneficial owner	434,782,608 underlying shares	18.27%
Mr. Fu Sze Shing (Note 2)	Beneficial owner	18,000,000 shares	19.03%
	Interest of a controlled corporation	434,782,608 underlying shares	

Notes:

1. Twin Star Global Limited is wholly owned by Mr. Wong Wai Sing, the Chairman and an executive Director. Accordingly, Mr. Wong Wai Sing is deemed to be interested in the shares held by Twin Star Global Limited.

2. These underlying shares of the Company represent a maximum of 434,782,608 new shares that may be issued upon full conversion of the Convertible Bonds 2019 which are beneficially owned by Lead Thrive Investments Limited whose entire issued share capital is beneficially owned by Mr. Fu Sze Shing. By virtue of the SFO, Mr. Fu Sze Shing is deemed to be interested in the underlying shares held by Lead Thrive Investments Limited.

Save as disclosed herein, the Company has not been notified of any other person (other than the Directors or chief executives of the Company) who had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO as at 31 March 2018.

Arrangement to Purchase Shares or Debenture

Save as disclosed above, at no time during the year and up to the date of this annual report were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or any of their respective spouse 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.

Connected Transactions

Details of the related party transactions of the Group during the year ended 31 March 2018 are set out in Note 41 to the consolidated financial statements contained herein. The Company has complied with the applicable requirements under the Listing Rules for those related party transactions which constituted non-exempt connected transactions/continuing connected transactions. Other related party transactions either did not constitute connected transactions/continuing connected transactions or constituted connected transactions/continuing connected transactions but were exempted from all disclosure and independent shareholders' approval requirements under the Listing Rules.

Payments of emoluments to the Directors pursuant to their respective service contracts with the Company were exempt connected transactions under Rule 14A.95 of the Listing Rules while payments of emoluments/consultancy fee to senior management do not constitute connected transactions under Chapter 14A of the Listing Rules.

Emolument Policy

The Group firmly believes that staff is the most important resources and provides its staff with sound working conditions. The salaries and benefits of the Group's employees are maintained at a competitive level and the Group periodically review the performance of the employees for determining the level of salary adjustment and promotion of the employees. Discretionary year-ended bonus based on individual performance will be paid to employees as recognition of and reward for their contributions. Other benefits include contributions to statutory mandatory provident fund scheme and medical benefits.

The emoluments of the Directors will be reviewed and recommended by the Remuneration Committee for the Board's approval having regard to the Company's performance and the time, effort and expertise to be exercised on the Group's affairs by the individual Director. Details of the Directors' and employees' emoluments are set out in Note 11 to the consolidated financial statements contained herein.

Retirement Benefit Plans

Other than operating a Hong Kong Mandatory Provident Fund Scheme, participating in the defined contribution pension scheme operated by the Macao government authority and the PRC state-managed retirement benefit scheme, the Group has not operated any other retirement benefit schemes for the Group's employees. Particulars of the retirement benefit plans are set out in Note 3 to the consolidated financial statements under the sub-heading "Retirement benefit plans".

Purchase, Sales or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the year ended 31 March 2018.

Pre-Emptive Rights

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

Tax Relief

The Directors are not aware of any tax relief available to the Shareholders by reason of their holding of the Company's securities.

Sufficiency of Public Float

Based on information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained a sufficient public float as at the date of this annual report.

Major Suppliers and Customers

In the year under review, the Group's largest supplier accounted for 14.2% (2017: 9.2%) of the Group's total purchases. The Group's five largest suppliers accounted for 44.8% (2017: 38.5%) of the Group's total purchases.

In the year under review, the Group's sales to its five largest customers accounted for 21.5% (2017: 54.1%) of the Group's total sales. The Group's largest customer accounted for 11.2% (2017: 22.3%) of the Group's total sales.

None of the Directors or any of their close associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the number of issued shares of the Company) has a beneficial interest in the Group's five largest customers or five largest suppliers.

Subsequent Events

Save as disclosed under the subsection "Significant Event after the Reporting Period" in the section "Management Discussion and Analysis", the Group does not have any other significant event after the reporting period.

Closure of Register of Members

In order to ascertain the entitlement to attend and vote at the AGM of the Company, which is proposed to be held on Wednesday, 26 September 2018, the register of members of the Company will be closed from Thursday, 20 September 2018 to Wednesday, 26 September 2018, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 19 September 2018.

Report of the Directors

Review of Financial Statements by Audit Committee

The Audit Committee has reviewed the management accounting principles and practices adopted by the Group and discussed the auditing, internal controls and financial reporting matters, including review of the audited consolidated financial statements of the Group for the year ended 31 March 2018.

Corporate Governance

The Company has published its corporate governance report, which is set out on pages 20 to 30 of this annual report.

Auditor

The consolidated financial statements for the years ended 31 March 2016, 2017 and 2018 were audited by Moore Stephens CPA Limited who will retire and, being eligible, offer themselves for re-appointment upon conclusion of the AGM.

A resolution will be proposed at the AGM to re-appoint Moore Stephens CPA Limited as auditor of the Company.

On behalf of the Board
Wong Wai Sing
Chairman and Executive Director

Hong Kong, 29 June 2018

Independent Auditor's Report

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Independent Auditor's Report to the Shareholders of
Newtree Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Qualified Opinion

We have audited the consolidated financial statements of Newtree Group Holdings Limited and its subsidiaries (together, the "Group") set out on pages 60 to 153, which comprise the consolidated statement of financial position as at 31 March 2018, and 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, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for Qualified Opinion

Scope limitation — Impairment assessment of loan receivables and recognition of interest income

As set out in Note 24 to the consolidated financial statements, as at 31 March 2018, the net carrying amounts of the loan receivables of the Group arising from its Money Lending Business amounted to approximately HK$283,136,000. In addition, as set out in Note 5 to the consolidated financial statements, interest income amounting to approximately HK$32,330,000 was recognised under the Money Lending Business for the year ended 31 March 2018.

Basis for Qualified Opinion *(Continued)*

Scope limitation — Impairment assessment of loan receivables and recognition of interest income *(Continued)*

As at the reporting date, the management has performed impairment assessment on its outstanding loan receivables, including the accrued interests balances. As a result of the assessment, a total impairment loss on loan receivables of approximately HK$21,583,000 has been provided for the year ended 31 March 2018. Management has informed us that the impairment assessment has been performed based on credit reviews of the outstanding loan and interest balances, taking into account the ageing analysis, historical payment records including subsequent settlements with the Group and, where available to the Group, credit information of the debtors, including information of the debtors' wealth and financial resources.

However, we have not been able to obtain sufficient appropriate audit evidence regarding the impairment assessments of the outstanding loan receivables, including sufficiently documented credit risk assessments and bases and supporting documentation for the results of the credit reviews. Due to insufficient documentary evidence concerning the credit reviews made available to us, there were no alternative audit procedures we could perform to satisfy ourselves as to the recoverability of the net carrying amounts of the loan receivables and the adequacy of the allowance for impairment of the loan receivables and hence as to whether the carrying amount of the loan receivables balances as at 31 March 2018 and the amount reported as impairment loss for loan receivables for the year ended 31 March 2018 were free from material misstatements. Furthermore, any adjustments found to be necessary in respect of impairment of the loan receivables might have significant effects on the recognition of interest income in the Money Lending Business, as such interest income should be recognised in consolidated profit or loss only if it is probable that the economic benefits associated with the transactions will flow to the Group and the amount of the revenue can be measured reliably. As a result, we were also unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to whether the interest income recognised as revenue for the year ended 31 March 2018 was free from material misstatements. Any adjustments that might have been found to be necessary in relation to these matters might have significant effects on the Group's consolidated financial position as at 31 March 2018 and the Group's consolidated financial performance and cash flows for the year then ended, and the related disclosures thereof in the consolidated financial statements.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment assessment of non-financial assets

The Group's impairment assessment of non-financial assets is disclosed in Note 19 to the consolidated financial statements and the accounting policies in Note 3 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
The management of the Company had performed an impairment review in accordance with HKAS 36 "*Impairment of Assets*" in relation to the Group's property, plant and equipment, other intangible assets and goodwill belonging to Household Consumables Business cash-generating unit ("CGU"), Digital Technology Business CGU, Education Business CGU and Money Lending Business CGU, and the Group's interests in associates. The Group had recognised an impairment loss on goodwill of approximately HK$4,820,000 under other gains and losses from continuing operations for the year ended 31 March 2018 as a result of the impairment review. The recoverable amounts of the CGUs and interests in associates required exercise of significant judgements and high level of estimation uncertainty by management concerning the estimated future cash flows and other key inputs. Accordingly, we have identified management's impairment assessment of the CGUs and interests in associates as a key audit matter.	Our key procedures to address the matter included: • Discussed with, and where applicable sought corroborative supporting information from, the management of the Company and the independent valuers engaged by the Company regarding the reasonableness of the valuation methodologies being adopted and the key inputs and assumptions used; • Discussed with the management of the Company and the valuers about the assumptions used in the cash flow projections and challenged the relevance and reasonableness of key assumptions based on our knowledge of the business and industry; and • Assessed the competency and experience of the valuers.

Key Audit Matters *(Continued)*

Impairment assessment of trade and other receivables

The Group's impairment assessment of trade and other receivables are disclosed in Note 25 to the consolidated financial statements and the accounting policies set out in Note 3 to the consolidated financial statements.

Key audit matter	How the matter addressed in our audit
As at 31 March 2018, the Group had trade and other receivables amounting to HK$40,070,000. The Group had recognised impairment loss on trade receivables of approximately HK$4,123,000 under other gains and losses from continuing operations and impairment loss on other receivables of approximately HK$14,257,000 in profit or loss and presented as part of the result of discontinued operations, during the year ended 31 March 2018. The estimated impairment losses were determined by the management of the Group based on the credit reviews performed, taking into account repayment history of the counterparties and the current market conditions. We have identified management's impairment assessments of the recoverability of trade and other receivables as a key audit matter because the amounts of the receivables are significant and the assessments required significant management judgement and involved high level of estimation uncertainty.	Our key procedures to address the matter included: • Obtained an ageing analysis of trade and other receivables from the management of the Group and discussed with the management whether the amounts were recoverable and the bases they were considered as recoverable; • Challenged the management's assessment of the recoverability of long outstanding and overdue trade and other receivables; and • Checked subsequent settlements of trade and other receivables on a sample basis.

Key Audit Matters *(Continued)*

Allocation of purchase price on acquisition of associates, call option and profit guarantee at the acquisition date

The Group's allocation of purchase price on acquisition of associates, and determination of the fair value of call option and profit guarantee arising from the acquisition, is disclosed in Note 20 to the consolidated financial statements and the accounting policies are set out in Note 3 to the consolidated financial statements.

Key audit matter	How the matter addressed in our audit
During the year, the Group acquired 20% equity interest in Alpha Youth Limited ("Alpha Youth") and its subsidiaries (collectively, "Alpha Youth Group"), which also resulted in the separate recognition of call option and profit guarantee, at a total nominal consideration of approximately HK$119,000,000. Up to the date of approval of these consolidated financial statements, the initial accounting for the acquisition of 20% equity interest in Alpha Youth Group during the year ended 31 March 2018 was determined provisionally in the consolidated financial statements as the corresponding valuations had not been completed. The accounting for acquisition of the 20% equity interest in Alpha Youth Group is an area of audit focus due to the significance of the transaction and the judgements involved, including the identification and valuation of assets acquired and liabilities assumed of Alpha Youth Group and allocation of consideration between investment in Alpha Youth Group, call option and profit guarantee. Significant judgements were required to be exercised by the management and high level of estimation uncertainty was involved. Accordingly, we have identified acquisition of Alpha Youth Group as a key audit matter.	Our key procedures to address the matter included: • Obtained and reviewed the terms of the share purchase agreement and other documents in relation to the acquisition; • Assessed the completeness of the assets acquired under the share purchase agreement and other documents in relation to the acquisition; • Assessed the completeness of the identification share of assets of Alpha Youth Group acquired and its liabilities assumed; • Assessed the reasonableness of valuation methodologies and the corresponding key inputs and assumptions on determination of the Group's share of provisional fair value of the identifiable assets acquired and liabilities assumed and fair value of call option and profit guarantee acquired; and • Assessed the competency and experience of the valuers.

Key Audit Matters *(Continued)*

Fair value measurement of derivative financial asset and contingent consideration receivable at the reporting date

The Group's fair value measurement of derivative financial asset and contingent consideration receivable at the reporting date is disclosed in Notes 22, 27 and 44 to the consolidated financial statements and the accounting policies are set out in Note 3 to the consolidated financial statements.

Key audit matter	How the matter addressed in our audit
As at 31 March 2018, the Group had recognised call option as derivative financial asset and profit guarantee receivable as contingent consideration receivable amounting to HK$28,854,000 and HK$1,335,000 respectively. The Group had recognised fair value gain on derivative financial asset of approximately HK$11,739,000 and fair value loss on contingent consideration receivable of approximately HK$1,854,000 under other gains and losses for the year ended 31 March 2018 as a result of the fair value measurement. The fair value measurement of derivative financial asset and contingent consideration receivable required exercise of significant judgements by the management concerning the estimated future profit of the associates and other key inputs and involved high level of estimation uncertainty. Accordingly, we have identified the management's fair value measurement of derivative financial asset and contingent consideration receivable as at 31 March 2018 as a key audit matter.	Our key procedures to address the matter included: • Discussed with, and where applicable sought corroborative supporting information from, the management of the Company and the independent valuer engaged by the Company regarding the reasonableness of the valuation methodologies being adopted and the key inputs and assumptions used; • Discussed with the management of the Company and the valuer about the assumptions used in the profit projections and challenged the relevance and reasonableness of key assumptions based on our knowledge of the business and industry; and • Assessed the competency and experience of the valuer.

Information Other Than the Consolidated Financial Statements and Auditor's Report thereon

The directors are responsible for the other information. The other information comprises all the information included in the annual report for the year ended 31 March 2018 of the Company other than the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of the Directors for the Consolidated Financial Statements

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

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

The audit committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement 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.

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements *(Continued)*

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

Moore Stephens CPA Limited
Certified Public Accountants

Hung, Wan Fong Joanne
Practising Certificate Number: P05419

Hong Kong, 29 June 2018

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000 (restated)
Continuing operations			
Revenue	5	115,725	75,073
Cost of sales		(58,038)	(52,866)
Gross profit		57,687	22,207
Other income	6	5,922	1,775
Other gains and losses	7	(13,898)	(85,487)
Selling and distribution expenses		(890)	(1,171)
Administrative expenses		(56,018)	(68,590)
Finance costs	8	(21,589)	(8,922)
Share of profit of associates	20	1,436	—
Loss before income tax from continuing operations		(27,350)	(140,188)
Income tax expense	9	(4,033)	(1,639)
Loss for the year from continuing operations		(31,383)	(141,827)
Discontinued operations			
Profit (loss) for the year from discontinued operations	12	45,648	(51,454)
Profit (loss) for the year	10	14,265	(193,281)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
— Exchange differences arising on translation		3,851	(3,769)
— Fair value gain on available-for-sale financial asset		—	2,200
		3,851	(1,569)
Items that were reclassified to profit or loss:			
— Exchange differences reclassified to profit or loss upon disposal of subsidiaries		(12,693)	—
— Reclassification adjustment of available-for-sale investment reserve upon impairment of assets		—	2,800
		(12,693)	2,800
Other comprehensive income for the year, net of income tax		(8,842)	1,231
Total comprehensive income for the year, net of income tax		5,423	(192,050)
Profit (loss) for the year attributable to:			
Owners of the Company		14,704	(190,400)
Non-controlling interests		(439)	(2,881)
		14,265	(193,281)

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000 (restated)
Total comprehensive income for the year attributable to:			
Owners of the Company		**5,834**	(189,169)
Non-controlling interests		**(411)**	(2,881)
		5,423	(192,050)
Earnings (loss) per share attributable to owners of the Company	14		
From continuing and discontinued operations			
Basic and diluted (HK cents)		**0.62**	(9.88)
From continuing operations			
Basic and diluted (HK cents)		**(1.30)**	(7.21)
From discontinued operations			
Basic and diluted (HK cents)		**1.92**	(2.67)

Consolidated Statement of Financial Position

At 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	1,343	9,408
Prepaid lease payments	16	–	5,049
Other intangible assets	17	49,432	49,818
Goodwill	18	79,465	84,285
Interests in associates	20	97,711	–
Available-for-sale financial asset	21	–	156,200
Loan receivables	24	–	8,000
Deposit	25	36,580	–
		264,531	312,760
CURRENT ASSETS			
Contingent consideration receivable	22	1,335	–
Inventories	23	5,610	12,423
Prepaid lease payments	16	–	164
Loan receivables	24	283,136	19,260
Trade and other receivables, prepayments and deposits	25	45,201	124,274
Bond receivable	26	–	10,842
Derivative financial asset	27	28,854	–
Financial assets at fair value through profit or loss	27	23,655	–
Bank balances and cash	28	67,013	25,636
		454,804	192,599
Assets held for sale	29	–	33,558
		454,804	226,157
CURRENT LIABILITIES			
Trade and other payables and accruals	30	104,680	155,995
Tax payable		3,948	6,623
Convertible bonds	31	206,784	–
		315,412	162,618
Liabilities directly associated with assets held for sale	29	–	3,558
		315,412	166,176
NET CURRENT ASSETS		139,392	59,981
TOTAL ASSETS LESS CURRENT LIABILITIES		403,923	372,741
NON-CURRENT LIABILITIES			
Promissory notes	32	18,118	–
Deferred tax liabilities	33	8,833	8,319
		26,951	8,319
NET ASSETS		376,972	364,422

Consolidated Statement of Financial Position

At 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
CAPITAL AND RESERVES			
Share capital	34	**23,788**	23,788
Reserves		**360,471**	347,510
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**384,259**	371,298
Non-controlling interests		**(7,287)**	(6,876)
TOTAL EQUITY		**376,972**	364,422

The financial statements on pages 60 to 153 were approved and authorised for issue by the Board of Directors on 29 June 2018 and are signed on its behalf by:

Mr. Wong Wai Sing
DIRECTOR

Mr. Jeffrey Wong
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

	Attributable to owners of the Company				
	Share capital HK$'000	Share premium HK$'000	Legal reserve HK$'000 (Note (i))	Convertible bonds equity reserve HK$'000	Share option reserve HK$'000
At 1 April 2016	9,370	890,519	49	5,947	–
Loss for the year	–	–	–	–	–
Other comprehensive income, net of income tax:					
– Exchange differences arising on translation	–	–	–	–	–
– Changes in fair value of available-for-sale financial assets	–	–	–	–	–
– Reclassification adjustment of available-for-sale investment reserve upon impairment of assets	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–
Issue of shares pursuant to open offer (Note 34(i))	14,055	216,450	–	–	–
Transaction cost attributable to issue of open offer shares (Note 34(i))	–	(11,079)	–	–	–
Acquisition of a subsidiary (Note 34(iii))	313	13,750	–	–	–
Recognition of equity-settled share-based payments (Note 37)	–	–	–	–	9,004
Issue of shares upon exercise of share options (Note 34(ii))	50	3,171	–	–	(821)
Lapse of share options (Note 37)	–	–	–	–	(56)
Transfer to accumulated losses upon redemption of convertible bonds (Note 31)	–	–	–	(5,947)	–
Transactions with owners	14,418	222,292	–	(5,947)	8,127
At 31 March 2017	23,788	1,112,811	49	–	8,127
Profit for the year	–	–	–	–	–
Other comprehensive income, net of income tax:					
– Exchange differences arising on translation	–	–	–	–	–
– Exchange differences reclassified to profit or loss upon disposal of subsidiaries (Note 46(b))	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–
Issue of convertible bonds (Note 31)	–	–	–	7,127	–
Transaction with owners	–	–	–	7,127	–
At 31 March 2018	23,788	1,112,811	49	7,127	8,127

Notes:

(i) In accordance with the provisions of Macao Commercial Code, Two-Two-Free Limited-Macao Commercial Offshore ("Two-Two-Free"), a subsidiary of the Company, is required to transfer a minimum of 25% of annual net profit to legal reserve until the legal reserve equals half of the quota capital. This reserve is not distributable to shareholders.

(ii) The special reserve represents the difference between the nominal value of the share capital issued by the Company and the share premium and the nominal value of the share capital of the subsidiaries comprising the Group prior to the group reorganisation in preparing for listing on The Stock Exchange of Hong Kong Limited.

(iii) The other reserves represent the difference between the fair value of interest-free advance to Mr. Chum Tung Hang, a shareholder of a subsidiary comprising the Group prior to the group reorganisation, measured at amortised cost using the effective interest method and its principal amount at inception amounting to HK$6,000,000.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

Attributable to owners of the Company							
Available-for-sale investment reserve HK$'000	Special reserve HK$'000 (Note (ii))	Exchange reserve HK$'000	Other reserves HK$'000 (Note (iii))	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
(5,000)	678	12,259	(6,000)	(592,248)	315,574	(3,995)	311,579
–	–	–	–	(190,400)	(190,400)	(2,881)	(193,281)
–	–	(3,769)	–	–	(3,769)	–	(3,769)
2,200	–	–	–	–	2,200	–	2,200
2,800	–	–	–	–	2,800	–	2,800
5,000	–	(3,769)	–	(190,400)	(189,169)	(2,881)	(192,050)
–	–	–	–	–	230,505	–	230,505
–	–	–	–	–	(11,079)	–	(11,079)
–	–	–	–	–	14,063	–	14,063
–	–	–	–	–	9,004	–	9,004
–	–	–	–	–	2,400	–	2,400
–	–	–	–	56	–	–	–
–	–	–	–	5,947	–	–	–
–	–	–	–	6,003	244,893	–	244,893
–	678	8,490	(6,000)	(776,645)	371,298	(6,876)	364,422
–	–	–	–	14,704	14,704	(439)	14,265
–	–	3,823	–	–	3,823	28	3,851
–	–	(12,693)	–	–	(12,693)	–	(12,693)
–	–	(8,870)	–	14,704	5,834	(411)	5,423
–	–	–	–	–	7,127	–	7,127
–	–	–	–	–	7,127	–	7,127
–	678	(380)	(6,000)	(761,941)	384,259	(7,287)	376,972

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000 (restated)
OPERATING ACTIVITIES			
(Loss) profit before income tax			
— from continuing operations		(27,350)	(140,188)
— from discontinued operations		45,620	(51,567)
		18,270	(191,755)
Adjustments for:			
Depreciation of property, plant and equipment		596	2,616
Amortisation of prepaid lease payments		27	169
Amortisation of other intangible assets		1,020	1,507
Impairment loss on loan receivables	7	21,583	—
Impairment loss on trade and other receivables		18,380	30,592
Impairment loss on available-for-sale financial asset	7	—	2,800
Impairment loss on interest in an associate		—	1,915
Impairment loss on goodwill		4,820	96,227
Reversal of impairment loss on trade receivables		—	(2,323)
Written off of trade receivables	7	4	101
Interest expenses on convertible bonds	8	21,588	8,922
Interest expenses on trust receipt loans and other borrowings		1	10
Gain on disposal of subsidiaries and an associate		(65,246)	—
Gain on disposal of available-for-sales financial asset	7	(2,800)	(547)
Fair value gains on financial assets at fair value through profit or loss and derivative financial asset		(15,952)	—
Bank interest income		(21)	(21)
Dividend income from investment in available-for-sale financial asset	6	(1,955)	—
Interest income from bond receivable	6	(1,731)	(842)
Interest income from other receivables	6	(2,215)	(921)
Share based payment expense		—	9,004
Fair value loss on promissory notes	7	323	—
Fair value loss on contingent consideration receivable	7	1,854	—
Share of (profit) loss of associates		(1,209)	111
(Gain)/loss on disposal of property, plant and equipment		(264)	45
Operating cash flows before changes in working capital		(2,927)	(42,390)
Decrease in inventories		853	2,746
Increase in loan receivables		(277,459)	(3,560)
Decrease/(increase) in trade and other receivables and prepayments		57,096	(6,633)
Purchase of financial assets at fair value through profit or loss		(92,162)	—
Proceeds from disposal of financial assets at fair value through profit or loss		72,720	—
Decrease in trade and other payables and accruals		(47,302)	(9,841)
Advance from (to) an associate		127	3,299
Cash used in operating activities		(289,054)	(56,379)
Income tax paid		(2,320)	(5,103)
NET CASH USED IN OPERATING ACTIVITIES		(291,374)	(61,482)

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000 (restated)
INVESTING ACTIVITIES			
Net cash outflow on acquisition of a subsidiary	45	–	(32,202)
Cash outflow on acquisition of interests in associates	20	(98,784)	–
Net cash inflow on disposal of subsidiaries and an associate	46	96,850	–
Net cash inflow on disposal of available-for-sale financial asset	21	159,000	2,497
Purchase of property, plant and equipment		(138)	(575)
Purchase of bond receivable		–	(10,000)
Deposit paid for potential acquisition of a subsidiary		(36,580)	–
Dividend income from available-for-sale financial asset		955	–
Decrease in pledged bank deposit		–	7,809
Proceeds from disposal of property, plant and equipment		280	121
Proceed from disposal of bond receivables		10,000	–
Interest received		4,809	942
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES		136,392	(31,408)
FINANCING ACTIVITIES			
Proceed from issue of open offer shares	34(i)	–	230,505
Issuance cost attributable to issue of open offer shares	34(i)	–	(11,079)
Proceed from exercise of share options	34(ii)	–	2,400
Proceed from issuance of convertible bonds	31	200,000	–
Repayment of convertible bonds	31	–	(100,000)
Trust receipt loan repaid		–	(752)
(Repayment to) advance from a related party		(6)	1,401
Interest paid		(6,270)	(31,272)
NET CASH GENERATED FROM FINANCING ACTIVITIES		193,724	91,203
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		38,742	(1,687)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		25,640	27,811
Effect of foreign exchange rate changes		2,631	(484)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		67,013	25,640
Analysis of cash and cash equivalents			
Bank balances and cash		67,013	25,636
Bank balances and cash classified as assets held for sale	29	–	4
		67,013	25,640

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

1. General Information

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law Chapter 22 (Laws of 1961, as consolidated and revised) of the Cayman Islands on 9 June 2010. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 13 January 2011. The registered office and principal place of business of the Company are disclosed in the Corporate Information section of the annual report.

The principal activities of the Group are (i) wholesale and retail of household consumables ("Household Consumables Business"); (ii) design and development of three-dimensional animations, augmented reality technology application and e-learning web application ("Digital Technology Business"); (iii) trading of coal products ("Coal Business"); (iv) provision of educational technology solutions through online education programs and provision of English language proficiency tests ("Education Business"); and (v) provision of money lending services ("Money Lending Business"). The Group was also engaged in (i) manufacture and trading of clinical and household hygienic disposables and trading of related raw materials ("Hygienic Disposables Business"); and (ii) sales and distribution of jewelries and watches ("Jewelries and Watches Business"), which were discontinued during the year, further details of which are set out in Note 12.

The consolidated financial statements have been presented in Hong Kong dollars ("HK$"), which is the Company's functional currency, and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for available-for-sale financial asset, contingent consideration receivable, derivative financial asset, financial assets at fair value through profit or loss ("FVTPL") and promissory notes which are measured at fair value as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Certain figures in the consolidated financial statements for the year ended 31 March 2017 related to discontinued operations have been reclassified and restated to conform with the current year presentations and accounting treatment.

2. Adoption of New and Revised HKFRSs

In the current year, the Group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA, which are relevant to and effective for the Group's consolidated financial statements for the annual period beginning on 1 April 2017.

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

None of the above revised standards had an impact on the accounting policies of the Group. However, additional disclosure has been included in Note 28(a) to satisfy the new disclosure requirements introduced by the amendments to HKAS 7 *Statement of Cash Flows: Disclosure Initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Comparative information for prior year has not been provided in accordance with the transitional provisions of the amendments.

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

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

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
* On 6 January 2016, the HKICPA issued "Effective Date of Amendments to HKFRS 10 and HKAS 28", following the International Accounting Standards Board's equivalent amendments. This update defers/removes the effective date of the amendments in "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" that the HKICPA issued on 7 October 2014. Early application of these amendments continues to be permitted.

2. Adoption of New and Revised HKFRSs *(Continued)*

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

HKFRS 9 (2014) *Financial Instruments*

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

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

With regard to the measurement of financial liabilities designated as at FVTPL, HKFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss. The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

With regard to impairment of financial assets, HKFRS 9 has adopted an expected credit loss model, as opposed to an incurred credit loss model required under HKAS 39. In general, the expected credit loss model requires an entity to assess the change in credit risk of the financial asset since initial recognition at each reporting date and to recognise the expected credit loss depending on the degree of the change in credit risk. This new impairment model may result in an earlier recognition of credit losses on the Group's trade receivables and other financial assets. The Group expects that the provision for impairment will increase upon the initial adoption of the standard.

With regard to the general hedge accounting requirements, HKFRS 9 retains the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced. The Group currently does not apply any hedge accounting and therefore this new requirement will not have any impact on the Group on adoption of HKFRS 9.

2. Adoption of New and Revised HKFRSs *(Continued)*

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

HKFRS 9 contains specific transitional provisions for (a) classification and measurement of financial assets; (b) impairment of financial assets; and (c) hedge accounting, which will be adopted by the Group when it applies HKFRS 9 in the year ending 31 March 2019.

The amendments to HKFRS 9 Prepayment Features with Negative Compensation mainly clarify and provide additional guidance as to when a debt instrument financial asset with a prepayment option would satisfy the "solely payment of principal and interest" test.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 replaces all existing HKFRSs' revenue requirements. This standard establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

(1) Identify the contract(s) with customer;

(2) Identify separate performance obligations in a contract;

(3) Determine the transaction price;

(4) Allocate transaction price to performance obligations; and

(5) Recognise revenue when a performance obligation is satisfied.

The core principle is that a company should recognise revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services.

The Directors have initially assessed the impact of the adoption of HKFRS 15 and based on its preliminarily assessment, this would result in the services income from Digital Technology Business and Education Business and the corresponding direct costs being recognised later than they would have been at present. Such an assessment is subject to change when the Directors perform a more detailed analysis.

HKFRS 16 *Leases*

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees. The new standard maintains substantially the lessor accounting requirements in the current standard.

A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of lease arrangement. Right-of-use asset includes the amount of initial measurement of lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. Lease liability represents the present value of the lease payments. Subsequently, depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 "Property, Plant and Equipment", while lease liability will be increased by the interest accrual, which will be charged to profit or loss, and deducted by lease payments.

2. Adoption of New and Revised HKFRSs *(Continued)*

HKFRS 16 *Leases* *(Continued)*

For lessees, HKFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties which are currently classified as operating leases. The application of the new accounting model is expected to lead an increase in both assets and liabilities and to impact on the timing of the expense recognition in the profit or loss over the period of the lease. The total operating lease commitments of the Group in respect of leased properties as at each of the reporting dates are set out in Note 40. The interest expense on the lease liability and the depreciation expense on the right-of-use asset under HKFRS 16 will replace the rental charge under HKAS 17. The operating lease commitments as shown in off-balance sheet item will be replaced by "right-of-use assets" and "lease liabilities" in the consolidated statement of financial position of the Group.

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

The standard is mandatorily effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted for entities that apply HKFRS 15 at or before the date of initial application of HKFRS 16.

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

3. Significant Accounting Policies

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries).

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein.

Allocation of total comprehensive income to non-controlling interests

Total comprehensive income of a subsidiary 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.

3. Significant Accounting Policies *(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, except that the deferred tax assets or liabilities are recognised and measured in accordance with HKAS 12 *Income Taxes*.

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

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

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

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement*, or HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is 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 Policies *(Continued)*

Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, interests in subsidiaries are stated at cost less impairment loss, if any. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Associates

An associate is an entity in which the Group has significant influence, which is the power to participate in the financial and operating policy decision of the investee, but is not control or joint control over those policies.

An interest in an associate is accounted for in the consolidated financial statements under the equity method, less any impairment losses, unless it is classified as held for sale. Adjustments are made to bring into line any dissimilar accounting policies that may exist. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the profit or loss, whereas the Group's share of the post-acquisition, post-tax items of the investees' other comprehensive income is recognised in the other comprehensive income.

When the Group's share of losses exceeds its investment in the associate, the Group's interest is reduced to zero and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the profit or loss. Goodwill arising from the acquisition of associate is included as part of the Group's interest in an associate.

If an investment in an associate becomes an investment in a joint venture, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in the profit or loss. Any interest retained in that former investee at the date when significant influence is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

3. Significant Accounting Policies *(Continued)*

Goodwill

Goodwill arising on an acquisition of a business is carried at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statement of financial position.

For the purposes of impairment testing, goodwill is allocated to each of the cash generating units ("CGUs") (or groups of CGUs) 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 whenever there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than the carrying amount of the unit, 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 pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. 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 amount of profit or loss on disposal.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Other service income are recognised when services are provided.

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

Dividend income is recognised when the right to receive the dividend is established.

3. Significant Accounting Policies *(Continued)*

Property, plant and equipment

Property, plant and equipment including building held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method, as follows:

Buildings	Over the term of the leases, or 20 years whichever is the shorter
Plant and machinery	10 years
Motor vehicles	5 years
Leasehold improvement	Over the term of the leases, or 10 years whichever is the shorter
Furniture, fixtures and equipment	5 years

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Leasing

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

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

3. Significant Accounting Policies *(Continued)*

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items 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 retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the group entities are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve (attributed to non-controlling interests as appropriate).

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

Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the year when the employees render the related service.

Retirement benefit plans

The Group operated a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme were held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees were each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of MPF Scheme was to make the required contributions under the scheme. No forfeited contribution was available to reduce the contribution payable in the future years.

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiary is required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

3. Significant Accounting Policies *(Continued)*

Retirement benefit plans *(Continued)*

The Group operates a defined contribution retirement benefit plan for all qualifying employees in Macau operated by the Macau government.

Payments to state-managed retirement benefit schemes, MPF Scheme and defined contribution retirement scheme in Macau are recognised as an expense when employees have rendered service entitling them to the contributions.

Share-based payments

The Group operates a share option scheme for remuneration of its employees (including the Directors).

All services received in exchange for the grant of any share options are measured at their fair value. These are indirectly determined by reference to the fair value of share options granted. Their value is appraised at the grant date and excludes the impact of any service and non-market performance vesting conditions (for example, profitability and sales growth targets).

All services received is ultimately recognised as an expense in profit or loss over the vesting period if vesting conditions apply, or recognised as an expense in full at the grant date when the share options granted vest immediately unless the expense qualifies for recognition as asset, with a corresponding increase in "Share option reserve" within equity. If service or non-market performance conditions apply, the expense is recognised over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market performance and service conditions are included in assumptions about the number of share options that are expected to vest. Estimates are subsequently revised, if there is any indication that the number of share options expected to vest differs from previous estimates. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share option reserve.

Where a grant of share options is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the grant is recognised immediately. This includes any grant where non-vesting conditions within the control of either the Group or the employee are not met.

At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share capital and share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained profits/accumulated losses.

Taxation

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

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

3. Significant Accounting Policies *(Continued)*

Taxation *(Continued)*

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

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

The carrying amount of deferred tax assets is reviewed at the end of the 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 rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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

Current and deferred tax is recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Other intangible assets

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

Subsequent to initial recognition, other intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for other intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives, as follows:

Customer Network	10 years
Exclusive License	15 years

3. Significant Accounting Policies *(Continued)*

Other intangible assets *(Continued)*

Other intangible assets with indefinite useful lives are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from being indefinite to finite is accounted for on a prospective basis (see the accounting policy in respect of impairment losses on non-financial assets below).

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Group's financial assets are classified as loans and receivables, available-for-sale financial assets and financial assets at FVTPL.

Financial assets at FVTPL

Financial assets at FVTPL include contingent consideration receivable, derivative financial asset, financial assets held for trading and those designated as at FVTPL upon 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 it is a part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL 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 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 FVTPL.

At the end of each reporting period, subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in the profit or loss in the period in which they arise. The net gain or loss recognised in the profit or loss excludes any dividend or interest earned on the financial assets.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Available-for-sale financial assets

These assets are non-derivative financial assets that are designated as available-for-sale or are not included in other categories of financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss.

Loans and receivables

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

Effective interest method

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

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

Impairment of financial assets

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets (Continued)

For loans and receivables

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days to 90 days, observable changes in national or local economic conditions that correlate with default on receivables.

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

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

For available-for-sale financial assets

Where a decline in the fair value constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognised in profit or loss.

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

For available-for-sale equity investment, any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

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

Equity instruments

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

Convertible bonds

The component parts of compound instruments (convertible bonds) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible bonds using the effective interest method.

Financial liabilities

The Group's financial liabilities i.e. trade and other payables and liability component of the convertible bonds are subsequently measured at amortised cost, using the effective interest method.

The Group's promissory notes is subsequently measured at FVTPL, showing the fair value changes on financial liability designed as such upon initial recognition.

3. Significant Accounting Policies *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments *(Continued)*

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

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

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

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

Impairment losses on non-financial assets

At the end of the reporting period, the Group reviews the carrying amounts of its non-financial assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

3. Significant Accounting Policies *(Continued)*

Impairment losses on non-financial assets *(Continued)*

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or a CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a CGU) 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 in profit or loss.

Related parties

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of key management personnel of the Group or the Company's parent.

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

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

3. Significant Accounting Policies *(Continued)*

Related parties *(Continued)*

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

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

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

(iii) dependents of that person or that person's spouse or domestic partner.

4. Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 3, the management are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Useful lives of other intangible assets

As at 31 March 2018, the carrying amount of the Group's other intangible assets excluding goodwill is approximately HK$49,432,000 (2017: HK$49,818,000). The estimated useful lives of the assets reflect the Directors' estimate of the periods over which the other intangible assets are expected to generate net cash flows for the Group based on certain assumptions including attrition of customers base and possibility of renewal of sales contracts.

Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in estimated useful lives and therefore amortisation expenses and impairment losses in the future years. Details of the other intangible assets are set out in Note 17.

Estimated impairment of non-financial assets

Determining whether non-financial assets is impaired requires an estimation of the recoverable amounts of the CGUs to which non-financial assets have been allocated. The recoverable amount calculation requires the Group to estimate the future cash flows expected to arise from the CGUs and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. Further details are set out in Notes 15 to 20.

4. Key Sources of Estimation Uncertainty *(Continued)*

Estimated write-down for inventories

The management estimates the net realisable values of inventories based primarily on the latest market prices and current market conditions. The Group carries out an inventory review at the end of the reporting period and determine the amount of write-down on obsolete and slow-moving inventories to their net realisable values. Where the expectation on the net realisable value is lower than the carrying amount, further write-down may arise. The carrying amounts of inventories as at 31 March 2018 is approximately HK$5,610,000 (2017: HK$12,423,000).

Estimated impairment of loan receivables, trade and other receivables and bond receivable

The Group determines impairment losses for bad and doubtful debts resulting from the inability of the customers/debtors to make the required payments. A considerable amount of estimate and judgement is required in assessing the ultimate realisation of these receivables which is based on the ageing of the receivable balance, customer credit-worthiness, and historical write-off experience. If the financial conditions of customers/debtors deteriorate, additional allowance for bad and doubtful debts may be required. Further details are set out in Notes 24 to 26.

Provision for income taxes

The Group is subject to income and other forms of taxes in different jurisdictions and significant judgement is required in determining the tax liabilities to be recognised. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises provisions for taxes based on estimates of the taxes that are likely to become due. The Group believes that its provisions for taxes is adequate for the reporting periods based on its assessment of many factors including past experience and interpretations of tax law. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred tax provisions in the period in which such determination is made.

Fair value of financial instruments

The best evidence of fair value is the published price quotations in an active market. In the absence of such information, the fair value is determined by an independent professional valuer. Such valuation is subject to limitations of the valuation models adopted and the uncertainty in estimates used by management in the assumptions. Should the estimates and the relevant parameters of the valuation models be changed, there would be material changes in the fair value of certain financial instruments without quoted prices.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

5. Revenue and Segment Information

Information reported to the Directors, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised.

The Group's operating and reportable segments under HKFRS 8 are as follows:

- Coal Business — Trading of coal products
- Household Consumables Business — Wholesale and retail of household consumables
- Digital Technology Business — Design and development of three-dimensional animations, augmented reality technology application and e-learning web application
- Education Business — Provision of educational technology solutions through online education programs and provision of English language proficiency tests
- Money Lending Business — Provision of money lending services
- Hygienic Disposables Business — Manufacture and trading of clinical and household hygienic disposables and trading of related raw materials[1] (discontinued operation)
- Jewelries and Watches Business — Sales and distribution of jewelries and watches[2] (discontinued operation)

1. The Group completed the disposal of Brighten Tree Limited on 25 May 2017, which held the manufacturing arm of Hygienic Disposables Business. Accordingly, the Hygienic Disposables Business segment was classified as a discontinued operation, details of which are set out in Note 12(b).

2. The Group completed the disposal of the entire equity interest of Tiger Global Group (as further defined in another section below), which carried out the whole Group's Jewelries and Watches Business on 30 June 2017. Accordingly, the Jewelries and Watches Business segment was classified as a discontinued operation. Details of which are set out in Note 12(a).

The segment information reported as below does not include any results for the discontinued operations.

5. Revenue and Segment Information *(Continued)*

Segment revenues and results

The following is an analysis of the Group's revenues and results from reportable and operating segments from continuing operations.

	Continuing operations					
For the year ended 31 March 2018	**Coal Business HK$'000**	**Household Consumables Business HK$'000**	**Digital Technology Business HK$'000**	**Education Business HK$'000**	**Money Lending Business HK$'000**	**Total HK$'000**
Revenue from external customers	–	52,147	6,194	25,054	32,330	115,725
Segment (loss) profit	(4,403)	3,957	880	(1,039)	8,826	8,221
Bank interest income						21
Exchange differences						83
Dividend income from investment in available-for-sale financial asset						1,995
Fair value gains on financial assets at FVTPL and derivative financial asset						15,952
Fair value loss on contingent consideration receivable						(1,854)
Fair value loss on promissory notes						(323)
Interest income from bond receivable						1,731
Interest income from other receivables						2,215
Amortisation of other intangible assets						(848)
Gain on disposal of property, plant and equipment						77
Gain on disposal of available-for-sale financial asset						2,800
Impairment loss on goodwill						(4,820)
Central administration costs						(52,600)
Loss before income tax from continuing operations						(27,350)

5. Revenue and Segment Information *(Continued)*

Segment revenues and results *(Continued)*

	Continuing operations					
For the year ended 31 March 2017	Coal Business HK$'000	Household Consumables Business HK$'000	Digital Technology Business HK$'000	Education Business HK$'000	Money Lending Business HK$'000	Total HK$'000 (restated)
Revenue from external customers	–	55,141	521	17,905	1,506	75,073
Segment (loss) profit	(28,817)	3,734	(6,321)	(3,457)	1,248	(33,613)
Bank interest income						12
Exchange differences						(130)
Interest income from bond receivable						842
Interest income from other receivables						921
Amortisation of other intangible assets						(821)
Gain on disposal of available-for-sale financial asset						547
Impairment loss on available-for-sale financial asset						(2,800)
Impairment loss on goodwill						(53,155)
Central administration costs						(51,991)
Loss before income tax from continuing operations						(140,188)

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit (loss) from continuing operations represents the profit earned by (loss incurred from) each segment without allocation of bank interest income, exchange differences, dividend income from investment in available-for-sale financial asset, fair value gains on financial assets at FVTPL and derivative financial asset, fair value loss on contingent consideration receivable, fair value loss on promissory notes, interest income from bond receivable and other receivables, amortisation of other intangible assets, gain on disposal of property, plant and equipment, gain on disposal of available-for-sale financial asset, impairment loss on available-for-sale financial asset and goodwill, central administration costs and income tax expense. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

5. Revenue and Segment Information *(Continued)*

Segment assets and liabilities

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

Segment assets

	2018 HK$'000	2017 HK$'000 (restated)
Continuing operations		
Coal Business	28,230	78,833
Household Consumables Business	14,570	13,783
Digital Technology Business	907	2,337
Education Business	3,033	3,575
Money Lending Business	283,955	27,853
Discontinued operations		
Hygienic Disposables Business	–	47,206
Jewelries and Watches Business	–	33,558
Total segment assets	330,695	207,145
Other intangible assets	49,432	49,818
Goodwill	79,465	84,285
Interests in associates	97,711	–
Available-for-sale financial asset	–	156,200
Deposit	36,580	–
Contingent consideration receivable	1,335	–
Amounts due from related companies	1,638	364
Bond receivable	–	10,842
Derivative financial asset	28,854	–
Financial assets at FVTPL	23,655	–
Bank balances and cash	67,013	25,636
Unallocated corporate assets	2,957	4,627
Consolidated total assets	719,335	538,917

5. Revenue and Segment Information *(Continued)*

Segment assets and liabilities *(Continued)*

Segment liabilities

	2018 HK$'000	2017 HK$'000 (restated)
Continuing operations		
Coal Business	85,173	134,783
Household Consumables Business	2,639	3,407
Digital Technology Business	1,907	301
Education Business	7,756	4,386
Money Lending Business	127	43
Discontinued operations		
Hygienic Disposables Business	–	9,675
Jewelries and Watches Business	–	3,558
Total segment liabilities	97,602	156,153
Tax payable	3,948	6,623
Convertible bonds	206,784	–
Promissory notes	18,118	–
Deferred tax liabilities	8,833	8,319
Unallocated corporate liabilities	7,078	3,400
Consolidated total liabilities	342,363	174,495

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

- All assets are allocated to operating segments other than other intangible assets, goodwill, interests in associates, available-for-sale financial asset, deposit, contingent consideration receivable, bond receivable, derivative financial asset, financial assets at FVTPL, amounts due from related companies, bank balances and cash and unallocated corporate assets.

- All liabilities are allocated to operating segments other than tax payable, convertible bonds, promissory notes, deferred tax liabilities and unallocated corporate liabilities.

5. Revenue and Segment Information *(Continued)*

Other segment information

The following is an analysis of other segment information from continuing operations:

	Continuing operations						
For the year ended 31 March 2018	**Coal Business HK$'000**	**Household Consumables Business HK$'000**	**Digital Technology Business HK$'000**	**Education Business HK$'000**	**Money Lending Business HK$'000**	**Unallocated Corporate Office HK$'000**	**Total HK$'000**
Capital additions	–	18	–	–	–	120	138
Depreciation of property, plant and equipment	–	183	–	37	–	203	423
Gain on disposal of property, plant and equipment	–	–	–	–	–	(77)	(77)
Impairment loss on trade receivables	3,591	92	381	59	–	–	4,123
Impairment loss on loan receivables	–	–	–	–	21,583	–	21,583
Impairment loss on goodwill	–	–	4,820	–	–	–	4,820
Written off of trade receivables	–	4	–	–	–	–	4

	Continuing operations						
For the year ended 31 March 2017	Coal Business HK$'000	Household Consumables Business HK$'000	Digital Technology Business HK$'000	Education Business HK$'000	Money Lending Business HK$'000	Unallocated Corporate Office HK$'000	Total HK$'000 (restated)
Capital additions	–	–	–	14	–	–	14
Depreciation of property, plant and equipment	–	186	–	26	–	1,342	1,554
Impairment loss on trade and other receivables	26,406	221	945	2,299	–	–	29,871
Impairment loss on goodwill	–	–	53,155	–	–	–	53,155
Written-off of trade receivables	–	101	–	–	–	–	101
Reversal of impairment loss on trade receivables	–	–	–	(23)	–	–	(23)

These segment information has been included in the measures of segment results or assets.

5. Revenue and Segment Information *(Continued)*

Revenue from major products and services

The following is an analysis of the Group's revenues from its major products and services from continuing operations:

	2018 HK$'000	2017 HK$'000 (restated)
Continuing operations		
Sales of goods from Household Consumables Business	52,147	55,141
Services income from		
— Digital Technology Business	6,194	521
— Education Business	25,054	17,905
Interest income from Money Lending Business	32,330	1,506
	115,725	75,073

Information about geographical areas

In determining the Group's information about geographical areas, revenue from continuing operations is analysed based on the locations of the customers.

The following table provides an analysis of the Group's revenue from continuing operations generated from external customers by geographical market, irrespective of the origin of the goods.

	Revenue by geographical market	
	2018 HK$'000	2017 HK$'000 (restated)
Continuing operations		
The People's Republic of China (the "PRC")	20,938	9,683
United Kingdom (the "UK")	52,147	55,141
Macau	38	282
Hong Kong	42,602	9,967
	115,725	75,073

5. Revenue and Segment Information *(Continued)*

Information about geographical areas *(Continued)*

As at 31 March 2018, approximately HK$97,794,000, HK$13,820,000 and HK$116,016,000 and HK$321,000 of the non-financial assets classified as non-current under continuing operations are located in the PRC, the UK, Hong Kong and Macau respectively.

As at 31 March 2017, approximately HK$44,000 (restated), HK$14,286,000 and HK$120,972,000 of the non-financial assets classified as non-current under continuing operations are located in the PRC, the UK and Hong Kong respectively.

Information about a major customer

Revenue from customer of the corresponding years contributing over 10% of the total revenue of the Group from continuing operations are as follows:

	2018 **HK$'000**	2017 HK$'000 (restated)
Customer A[1]	**12,990**	17,975

[1] Revenue is from Household Consumables Business.

6. Other Income

	2018 **HK$'000**	2017 HK$'000 (restated)
Continuing operations		
Bank interest income	**21**	12
Dividend income from investment in available-for-sale financial asset	**1,955**	–
Interest income from bond receivable	**1,731**	842
Interest income from other receivables	**2,215**	921
	5,922	1,775

7. Other Gains and Losses

	2018 HK$'000	2017 HK$'000 (restated)
Continuing operations		
Exchange differences	83	(130)
Gain on disposal of property, plant and equipment	77	—
Fair value loss on contingent consideration receivable (Note 22)	(1,854)	—
Fair value gains on financial assets at FVTPL and derivative financial asset (Note 27)	15,952	—
Fair value loss on promissory notes (Note 32)	(323)	—
Gain on disposal of available-for-sale financial asset (Note 21)	2,800	547
Impairment loss on trade receivables	(4,123)	(29,871)
Impairment loss on available-for-sale financial asset (Note 21)	—	(2,800)
Impairment loss on goodwill	(4,820)	(53,155)
Impairment loss on loan receivables (Note 24)	(21,583)	—
Reversal of impairment loss on trade receivables	—	23
Written off of trade receivables	(4)	(101)
Others	(103)	—
	(13,898)	(85,487)

8. Finance Costs

	2018 HK$'000	2017 HK$'000
Continuing operations		
Interests on bank and other borrowings:		
— Effective interest expenses on convertible bonds (Note 31)	21,588	8,922
— Interest expenses on other borrowings	1	—
	21,589	8,922

9. Income Tax Expense

	2018 HK$'000	2017 HK$'000
Continuing operations		
Current tax:		
— Hong Kong Profits Tax	**3,743**	206
— PRC Enterprise Income Tax ("PRC EIT")	**441**	790
— Other jurisdictions	**887**	790
	5,071	1,786
(Over) under-provision in respect of prior years:		
— Hong Kong Profits Tax	**—**	(41)
— Other jurisdictions	**(42)**	37
	(42)	(4)
Deferred taxation:		
— Current year	**(996)**	(143)
	(996)	(143)
	4,033	1,639

(i) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

For the year ended 31 March 2017, the Hong Kong Inland Revenue Department (the "HKIRD") was in the process of auditing the tax affairs of certain subsidiaries of the Group. In prior years, the HKIRD issued additional and estimated assessments on these subsidiaries for the year of assessments 2004/05, 2005/06, 2006/07, 2007/08, 2008/09 and 2009/10. The additional and estimated assessments were amounted to approximately HK$53,585,000. The Group lodged the relevant objections with the HKIRD against these additional and estimated assessments. The HKIRD granted holdover of the taxes being assessed in the additional and estimated assessments (conditionally and unconditionally) as a result of the objections. As at 31 March 2017, Mr. Chum Tung Hang, the then-shareholder, purchased tax reserve certificates of HK$4,287,000 on behalf of the Group. For 2009/10, Mr. Chum Tung Hang and the Group did not purchase any tax reserve certificate pursuant to the conditional holdover notice granted by the HKIRD. The purchased tax reserve certificates were accounted for as taxes recoverable included in trade and other receivables and prepayments of the Group as at 31 March 2017.

In the opinion of the Directors, after considering the latest communications between the Group and the HKIRD, no provision for Hong Kong Profits Tax in respect of these assessments was considered necessary for the year ended 31 March 2017 as the possibility of payment for these assessments was not probable. In addition, upon the listing of the Company on the Stock Exchange, Mr. Chum Tung Hang, the then-shareholder, gave indemnities, in connection with any income tax liabilities which might be incurred by any member of the Group on or before 13 January 2011, to the Group.

On 13 November 2017, revised notice of assessment for the above mentioned years of assessments have been finalised in which no additional Hong Kong Profits Tax is charged over the subsidiaries of the Group by the HKIRD. All the tax reserve certificates purchased by the Group was transferred to Mr. Chum Tung Hang, the then-shareholder, accordingly.

9. Income Tax Expense *(Continued)*

(ii) PRC EIT

PRC EIT is calculated at 25% (2017: 25%) of the estimated assessable profits of subsidiaries operating in the PRC except for a subsidiary of the Company as mentioned below. On 24 November 2015, one of the subsidiaries was recognised as a high and new technology enterprise ("HNTE") with a validity period of three years. In accordance with relevant laws and regulations in the PRC, the subsidiary is entitled to the preferential tax rate of 15% corporate income tax rate for HNTE from 1 January 2015 to 31 December 2017. As at 31 March 2018, the subsidiary is under renewal of the qualification of HNTE.

(iii) Macau

As stated in the Decree Law No. 58/59/M, Chapter 2, Article 12, dated 18 October 1999 of Macau, Two-Two-Free is exempted from Macao Complementary Tax.

(iv) Other jurisdictions

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Income tax expense for the year from continuing operations can be reconciled to loss before income tax from continuing operations per the consolidated statement of comprehensive income as follows:

	2018 HK$'000	2017 HK$'000 (restated)
Loss before income tax from continuing operations	**(27,350)**	(140,188)
Tax at statutory tax rates	**(5,387)**	(22,779)
Tax effect of share of result of associates	**(237)**	—
Tax effect of expenses not deductible for tax purpose	**5,271**	15,762
Tax effect of income not taxable for tax purpose	**(1,245)**	(2)
Tax effect on temporary differences not recognised	**164**	(334)
Tax effect of tax losses not recognised	**5,509**	8,996
Over-provision in respect of prior years	**(42)**	(4)
Income tax expense for the year from continuing operations	**4,033**	1,639

10% withholding income tax is imposed on dividends declared in respect of profits earned from 1 January 2008 onwards to non-PRC tax resident investors for the companies established in the PRC. For qualified investors incorporated in Hong Kong, a treaty rate of 5% will be applicable. The PRC subsidiaries of the Group had no undistributed earnings at the end of the reporting periods.

Save as the Group's unrecognised tax losses as set out in Note 33, there was no other significant unprovided deferred taxation for both years at the end of respective reporting periods.

10. Profit (Loss) for the Year

	2018 HK$'000	2017 HK$'000 (restated)
Continuing operations		
The Group's profit (loss) for the year has been arrived at after charging:		
Directors' remuneration (Note 11)	8,984	16,119
Other staff costs	22,774	21,248
Retirement benefit scheme contributions[1]	1,883	1,657
Equity-settled share-based payment expenses — Other staff	—	2,867
Total staff costs	33,641	41,891
Auditor's remuneration	2,682	1,433
Cost of inventories sold	41,172	43,730
Depreciation of property, plant and equipment	423	1,554
Amortisation of other intangible assets (included in cost of sales)	848	821

[1] No forfeited contributions available for offset against existing contributions during the year (2017: Nil).

11. Directors' and Employees' Emoluments

Directors

Details of the emoluments paid to the Directors for the years are as follows:

Year ended 31 March 2018

	Fees HK$'000	Salaries and other allowances HK$'000	Discretionary bonus (Note (v)) HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Executive directors:					
Mr. Wong Wai Sing (Note (i))	4,105	–	–	18	4,123
Mr. Chum Hon Sing (Note (ii))	–	–	–	–	–
Ms. Yick Mi Ching, Dawnibilly (Note (iii))	126	978	–	12	1,116
Mr. Lee Chi Shing, Caesar	600	–	–	18	618
Mr. Chan Kin Lung	120	840	–	18	978
Mr. Wong Jeffrey	130	1,038	225	18	1,411
Non-executive director:					
Ms. Lin Fang (Note (iv))	94	–	–	–	94
Independent non-executive directors:					
Mr. Kwok Kam Tim	234	–	–	–	234
Dr. Hui Chik Kwan	195	–	–	–	195
Mr. Tso Ping Cheong, Brian	215	–	–	–	215
	5,819	2,856	225	84	8,984

11. Directors' and Employees' Emoluments *(Continued)*

Directors *(Continued)*

Year ended 31 March 2017

	Fees HK$'000	Salaries and other allowances HK$'000	Retirement benefit scheme contributions HK$'000	Equity-settled share-based payment expenses HK$'000	Total HK$'000
Executive directors:					
Mr. Wong Wai Sing (Note (i))	4,105	—	18	—	4,123
Mr. Chum Hon Sing (Note (ii))	—	1,200	—	—	1,200
Ms. Yick Mi Ching, Dawnibilly (Note (iii))	205	1,589	18	1,641	3,453
Mr. Lee Chi Shing, Caesar	240	—	9	821	1,070
Mr. Chan Kin Lung	120	840	18	1,641	2,619
Mr. Wong Jeffrey	130	878	18	1,641	2,667
Independent non-executive directors:					
Mr. Kwok Kam Tim	216	—	—	131	347
Dr. Hui Chik Kwan	180	—	—	131	311
Mr. Tso Ping Cheong, Brian	198	—	—	131	329
	5,394	4,507	81	6,137	16,119

Notes:

(i) Mr. Wong Wai Sing is also the chief executive of the Company.

(ii) Mr. Chum Hon Sing was resigned as an executive director with effect from 18 April 2017.

(iii) Ms. Yick Mi Ching, Dawnibilly resigned as an executive director with effect from 1 December 2017.

(iv) Ms. Lin Fang was appointed as a non-executive director with effect from 18 April 2017. She resigned as a non-executive director with effect from 1 February 2018.

(v) The discretionary bonuses were determined by the contributions of the individual of the Directors in the business development of the Group and approved by the Remuneration Committee.

Fees, salaries, allowances and benefits in kind paid to or for the executive directors are generally emoluments paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

11. Directors' and Employees' Emoluments *(Continued)*

Employees

Of the five individuals with the highest emoluments in the Group, two (2017: four) were Directors and whose emoluments are set out in the above details of the Directors' emoluments. The emolument of the remaining three (2017: one) non-director individuals was as follows:

	2018 HK$'000	2017 HK$'000
Salaries and other allowances	5,285	1,590
Retirement benefit scheme contributions	36	18
Equity-settled share-based payment expenses	—	1,398
	5,321	3,006

The emoluments paid or payable to the remaining three (2017: one) non-director individuals were within the following bands:

	2018 Number of individuals	2017 Number of individuals
HK$1,000,001 to HK$1,500,000	1	—
HK$2,000,001 to HK$2,500,000	2	—
HK$3,000,001 to HK$3,500,000	—	1

During both years, no emolument was paid by the Group to any of the Directors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. During both years, no arrangement under which Directors waived or agreed to waive any emoluments.

Senior Management

The emoluments paid or payable to members of senior management (excluding the Directors) were within the following bands:

	2018 Number of individuals	2017 Number of individuals
HK$Nil to HK$1,000,000	—	1
HK$1,000,001 to HK$1,500,000	—	—
HK$2,000,001 to HK$2,500,000	2	—
HK$3,000,001 to HK$3,500,000	—	1

For one of the senior management, the emoluments shown above also included the salaries and other allowances and retirement benefit scheme contributions when she was Director during the year. She resigned as Director during the year but remained as a key management personnel of the Group.

12. Discontinued Operations

(a) Jewelries and Watches Business

On 28 March 2017, the Group had through its indirectly wholly-owned subsidiary, Star Guardian Holdings Limited ("Star Guardian") entered into a disposal agreement with an independent third party in relation to the disposal of entire equity interest in the Tiger Global Group Limited ("Tiger Global", together with its subsidiary and associate are referred to as the "Tiger Global Group"), at a total consideration of HK$30,000,000 (the "Tiger Global Disposal"). The Tiger Global Disposal was entered into by the Group in view of the unsatisfactory performance of Tiger Global Group over the past years which had been affected by intensified competition in the market. The Directors considered that the Tiger Global Disposal would allow the Group to realise its investment in Tiger Global Group, eliminate from the Group the uncertainty of future performance of the sales and distribution of jewelries and watches, reallocate its resources to other business segments and strengthen the capital base of the Group. Details of the Tiger Global Disposal are set out in the announcements of the Company dated 28 March 2017, 29 March 2017 and 30 June 2017.

Tiger Global Group represents the whole Jewelries and Watches Business segment of the Group in the business of sales and distribution of jewelries and watches, a separate major line of business which was classified as discontinued operation. As a result, as at 31 March 2017, all assets and liabilities under the Tiger Global Group were classified as assets held for sale and liabilities directly associated with assets held for sale (see Note 29).

The Tiger Global Disposal was completed on 30 June 2017. Details of assets and liabilities disposed of, and the calculation of the gain on disposal are disclosed in Note 46(a).

The financial performance and cash flows of Jewelries and Watch Business for the year ended 31 March 2017 and for the period from 1 April 2017 up to 30 June 2017 are classified and included as part of discontinued operations for the years ended 31 March 2017 and 2018 respectively.

(b) Hygienic Disposables Business

On 5 May 2017, the Group had, through its indirectly wholly-owned subsidiaries, Tary Limited ("Tary") and Ramber Industrial Limited ("Ramber"), entered into a disposal agreement with independent third parties to dispose of its entire equity interest in Brighten Tree Limited, together with its subsidiary (the "Brighten Tree Group") and the aggregate advance owned by the Brighten Tree Group (the "Brighten Tree Group Shareholders' Loan"), at a cash consideration of HK$85,000,000 (the "Brighten Tree Disposal"). Brighten Tree Group held the manufacturing arm of Hygienic Disposables Business of the Group. Upon completion of the Brighten Tree Disposal, the Group ceased to be engaged in Hygienic Disposables Business was discontinued. The Brighten Tree Disposal was completed on 25 May 2017.

The Brighten Tree Disposal enabled the Group to free up the resources, terminate the loss-making business and redirect it to other businesses segment which may have higher growth potential to maximise the benefit of the shareholders of the Company. Details of the Brighten Tree Disposal are set out in the announcements of the Company dated 5 May 2017 and 25 May 2017.

Details of asset and liabilities disposed of, and the calculation of the gain on disposal are disclosed in Note 46(b).

The comparative financial performance and cash flows of Hygienic Disposables Business have been re-presented as part of discontinued operations for the year ended 31 March 2017. The financial performance and cash flows of Hygienic Disposables Business for the year ended 31 March 2017 and for the period from 1 April 2017 up to 25 May 2017 are classified and included as part of discontinued operations for the years ended 31 March 2017 and 2018 respectively.

12. Discontinued Operations *(Continued)*

The results of Jewelries and Watches Business and Hygienic Disposables Business for the period from 1 April 2017 up to their respective dates of disposal and the year ended 31 March 2017 have been presented separately as a single line item in the consolidated statement of comprehensive income, details of which are as follows:

	2018			2017		
	Jewelries and Watches Business HK$'000	Hygienic Disposables Business HK$'000	Total HK$'000	Jewelries and Watches Business HK$'000	Hygienic Disposables Business HK$'000	Total HK$'000 (restated)
Revenue	1	12,069	12,070	365	47,027	47,392
Cost of sales	(172)	(11,940)	(12,112)	(937)	(42,048)	(42,985)
Gross (loss) profit	(171)	129	(42)	(572)	4,979	4,407
Other income	–	–	–	532	71	603
Other gains and losses	–	(14,358)	(14,358)	(3)	1,492	1,489
Selling and distribution expenses	–	(261)	(261)	(9)	(1,957)	(1,966)
Administrative expenses	(155)	(4,583)	(4,738)	(1,208)	(9,784)	(10,992)
Finance costs	–	–	–	–	(10)	(10)
Share of loss of an associate	(227)	–	(227)	(111)	–	(111)
Loss before income tax from discontinued operations	(553)	(19,073)	(19,626)	(1,371)	(5,209)	(6,580)
Income tax credit	28	–	28	113	–	113
Loss after income tax from discontinued operations	(525)	(19,073)	(19,598)	(1,258)	(5,209)	(6,467)
Loss recognised on the measurement to fair value less costs of disposal of the disposal group	–	–	–	(44,987)	–	(44,987)
Gain on disposal of subsidiaries and an associate (including reclassification of exchange reserve from equity to profit or loss on disposal of subsidiaries)	525	64,721	65,246	–	–	–
Profit (loss) for the year from discontinued operations	–	45,648	45,648	(46,245)	(5,209)	(51,454)
Profit (loss) from discontinued operations attributable to:						
– Owners of the Company	–	45,648	45,648	(46,245)	(5,209)	(51,454)
Cash flows from discontinued operations						
Net cash generated from (used in) operating activities	15	3,876	3,891	(15)	(2,095)	(2,110)
Net cash generated from financing activities	–	–	–	7	–	7
Net increase (decrease) in bank balances and cash	15	3,876	3,891	(8)	(2,095)	(2,103)

13. Dividends

No dividend has been paid or declared by the Company during the year (2017: Nil). The Directors do not recommend the payment of a final dividend for the year (2017: Nil).

14. Earnings (Loss) per Share

The calculations of basic earnings (loss) per share from (i) continuing and discontinued operations; (ii) continuing operations; and (iii) discontinued operations are based on the profit (loss) for the year attributable to the owners of the Company and the weighted average number of respective ordinary shares in issue during the year.

The calculations of diluted earnings (loss) per share from (i) continuing and discontinued operations; (ii) continuing operations; and (iii) discontinued operations are based on the respective adjusted profit (loss) for the years attributable to the owners of the Company and the adjusted weighted average number of ordinary shares outstanding both of which are adjusted to assume exercise or conversion of all dilutive potential ordinary shares.

As at 31 March 2018, the Company has outstanding share options and convertible bonds (31 March 2017: outstanding share options). For the outstanding share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share. The convertible bonds were assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect.

As the Company's outstanding share options and convertible bonds (2017: share options) had an anti-dilutive effect to the basic loss per share from continuing operations calculation for the year ended 31 March 2017 and 2018, the exercise or conversion of the above potential ordinary shares is not assumed in the computation of diluted earnings (loss) per share.

(i) From continuing and discontinued operations

The calculations of basic and diluted earnings (loss) per share attributable to owners of the Company for the years are based on the following data:

	2018 **HK$'000**	2017 HK$'000
Profit (loss) for the year attributable to owners of the Company	**14,704**	(190,400)
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	**2,378,783,201**	1,927,781,130

14. Earnings (Loss) per Share *(Continued)*

(ii) Continuing operations

The calculation of the basic and diluted loss per share attributable to owners of the Company for the years are based on the following data:

	2018 HK$'000	2017 HK$'000 (restated)
Loss for the year from continuing operations attributable to owners of the Company	(30,944)	(138,946)
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	2,378,783,201	1,927,781,130

(iii) Discontinued operations

The calculation of the basic and diluted earnings (loss) per share attributable to owners of the Company for the years are based on the following data:

	2018 HK$'000	2017 HK$'000 (restated)
Profit (loss) for the year from discontinued operations attributable to owners of the Company	45,648	(51,454)
Weighted average number of ordinary shares for the purposes of basic and diluted earnings (loss) per share	2,378,783,201	1,927,781,130

15. Property, Plant and Equipment

	Buildings	Plant and machinery	Motor vehicles	Leasehold improvement	Furniture, fixtures, and equipment	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST						
At 1 April 2016	34,108	41,751	1,541	8,223	3,785	89,408
Additions	—	—	116	445	14	575
Disposals	—	—	(517)	(2,699)	(359)	(3,575)
Exchange realignment	(1,772)	(2,232)	(72)	(350)	(100)	(4,526)
At 31 March 2017	32,336	39,519	1,068	5,619	3,340	81,882
Additions	—	18	—	—	120	138
Disposal of subsidiaries (Note 46(b))	(32,210)	(39,434)	(101)	(4,991)	(1,521)	(78,257)
Disposals	—	—	(876)	—	(12)	(888)
Exchange realignment	255	364	17	127	37	800
At 31 March 2018	381	467	108	755	1,964	3,675
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 April 2016	25,042	41,525	1,500	6,505	2,660	77,232
Charge for the year	954	42	17	1,216	387	2,616
Elimination on disposals	—	—	(517)	(2,699)	(192)	(3,408)
Exchange realignment	(1,336)	(2,208)	(63)	(266)	(93)	(3,966)
At 31 March 2017	24,660	39,359	937	4,756	2,762	72,474
Charge for the year	162	38	9	147	240	596
Disposal of subsidiaries (Note 46(b))	(24,912)	(39,434)	(10)	(4,633)	(1,521)	(70,510)
Elimination on disposals	—	—	(860)	—	(12)	(872)
Exchange realignment	196	344	13	68	23	644
At 31 March 2018	106	307	89	338	1,492	2,332
NET CARRYING VALUES						
At 31 March 2018	275	160	19	417	472	1,343
At 31 March 2017	7,676	160	131	863	578	9,408

As at 31 March 2017, the Group has pledged certain buildings to secure general banking facilities granted to the Group. Further details are set out in Note 38.

16. Prepaid Lease Payments

	2018 HK$'000	2017 HK$'000
Analysed for reporting purposes as:		
Non-current assets	–	5,049
Current assets	–	164
	–	5,213

Prepaid lease payments are amortised over the term of the rights on a straight-line basis of 25 to 50 years. The Group had pledged certain prepaid lease payments on land use rights to secure general banking facilities granted to the Group as at 31 March 2017. Further details are set out in Note 38.

The prepaid lease payments was disposed on 25 May 2017 under the Brighten Tree Disposal.

17. Other Intangible Assets

	Coal Sales Contract HK$'000	**Customer Network** HK$'000	**Exclusive License** HK$'000	**License Agreements** HK$'000	**Total** HK$'000
COST					
At 1 April 2016	57,346	9,061	9,800	55,006	131,213
Reclassification to assets held for sale (Note 29)	–	–	(9,800)	–	(9,800)
Exchange realignment	–	(1,183)	–	–	(1,183)
At 31 March 2017	57,346	7,878	–	55,006	120,230
Exchange realignment	–	1,049	–	–	1,049
At 31 March 2018	57,346	8,927	–	55,006	121,279
ACCUMULATED AMORTISATION AND IMPAIRMENT					
At 1 April 2016	57,346	3,775	1,040	8,996	71,157
Charge for the year	–	821	686	–	1,507
Reclassification to assets held for sale (Note 29)	–	–	(1,726)	–	(1,726)
Exchange realignment	–	(526)	–	–	(526)
At 31 March 2017	57,346	4,070	–	8,996	70,412
Charge for the year	–	848	–	–	848
Exchange realignment	–	587	–	–	587
At 31 March 2018	57,346	5,505	–	8,996	71,847
NET CARRYING VALUES					
At 31 March 2018	–	3,422	–	46,010	49,432
At 31 March 2017	–	3,808	–	46,010	49,818

17. Other Intangible Assets *(Continued)*

The Coal Sales Contract represented a legally binding sales contract of coal products entered into between the Group and a customer, which was acquired as part of the Group's acquisition of China Indonesia Alliances Coal Investment Company Limited ("China Coal") and its 90%-owned subsidiary (collectively the "China Coal Group") in prior year. The Coal Sales Contract was fully impaired in prior years.

The Customer Network represents a long and close business relationship with customers of S&J Distribution Limited ("S&J"), which was acquired as part of the Group's acquisition of S&J in prior year and has been allocated to the Household Consumables Business CGU.

The Exclusive License represented the right to design, distribute and sell "Cosi Moda" branded products in the Asia Pacific region (other than the PRC) granted to the Group from an associate, which was acquired as part of the Group's acquisition of Tiger Global Group in prior year and has been allocated to the Jewelries and Watches Business CGU. A disposal agreement for the disposal of the entire equity interest in Tiger Global Group was entered on 28 March 2017 and the Exclusive License was reclassified to assets held for sale as at 31 March 2017. The Exclusive License was disposed of upon the completion of the disposal of Tiger Global Group. Further details are set out in Notes 29 and 46(a).

The Customer Network and Exclusive License are amortised on straight-line basis over 10 years and 15 years respectively.

License Agreements represent the authorisation to be an official representative of (i) TOEIC (the Test of English for International Communication) in Hong Kong and Macau; (ii) TOEFL Junior tests (a general assessment of middle school-level English-language proficiency of the Test of English as a Foreign Language) in Hong Kong and Macau; (iii) TOEFL ITP (the Institutional Testing Program of the Test of English as a Foreign Language) in Hong Kong, Macau and the Southern China; and (iv) TOEIC (the Test of English for International Communication) (the tests of listening and reading only) in 8 provinces of the PRC. The License Agreements were acquired as part of the Group's acquisition of DigiSmart (Group) Limited ("DigiSmart") and its subsidiaries (collectively the "DigiSmart Group") in prior year and has been allocated to the Education Business CGU.

The Group also assessed the useful lives of the License Agreements as indefinite because the Group considered the License Agreements are renewable at no additional cost and that the business relationship with the license owner becomes probable to continue indefinitely in the foreseeable future. Based on historical records, the Group is able to renew the License Agreements with the license owner without any additional cost.

Particulars regarding impairment testing on other intangible assets are set out in Note 19.

18. Goodwill

	Household Consumables Business CGU HK$'000	Jewelries and Watches Business CGU HK$'000	Digital Technology Business CGU HK$'000	Education Business CGU HK$'000	Money Lending Business CGU HK$'000	Total HK$'000
COST						
At 1 April 2016	9,774	43,072	113,633	61,319	–	227,798
Acquisition of a subsidiary (Note 45)	–	–	–	–	21,795	21,795
Reclassification to assets held for sale (Note 29)	–	(43,072)	–	–	–	(43,072)
At 31 March 2017 and 2018	9,774	–	113,633	61,319	21,795	206,521
ACCUMULATED IMPAIRMENT LOSSES						
At 1 April 2016	–	–	7,762	61,319	–	69,081
Impairment (Note 19)	–	43,072	53,155	–	–	96,227
Reclassification to assets held for sale (Note 29)	–	(43,072)	–	–	–	(43,072)
At 31 March 2017	–	–	60,917	61,319	–	122,236
Impairment (Note 19)	–	–	4,820	–	–	4,820
At 31 March 2018	–	–	65,737	61,319	–	127,056
NET CARRYING VALUES						
At 31 March 2018	9,774	–	47,896	–	21,795	79,465
At 31 March 2017	9,774	–	52,716	–	21,795	84,285

Goodwill arising in prior years related to (i) the acquisition of S&J and has been allocated to the Household Consumables Business CGU; (ii) the acquisition of Tiger Global Group and has been allocated to the Jewelries and Watches Business CGU; (iii) the acquisition of DigiSmart Group and has been allocated to the Digital Technology Business CGU and Education Business CGU in proportion to the estimated fair value of the respective CGUs as at the date of completion of the acquisition; and (iv) the acquisition of Chengxin Finance and has been allocated to the Money Lending Business CGU.

A disposal agreement for the disposal of the entire equity interest in Tiger Global Group was entered on 28 March 2017 and goodwill allocated to the Jewelries and Watches Business was reclassified to assets held for sale as at 31 March 2017. Further details are set out in Note 29.

None of the goodwill of the CGUs recognised is expected to be deductible for income tax purposes.

Particulars regarding impairment testing on goodwill are set out in Note 19.

19. Impairment Testing on Other Intangible Assets and Goodwill

For the purpose of impairment testing as at 31 March 2018, other intangible assets and goodwill set out in Notes 17 and 18 respectively have been allocated to four individual CGUs, comprising a subsidiary in Household Consumables Business, subsidiaries in Digital Technology Business, subsidiaries in Education Business and a subsidiary in Money Lending Business. Other intangible assets and goodwill had been allocated to five individual CGUs for the purpose of impairment testing as at 31 March 2017, comprising the above four CGUs, and a subsidiary in Jewelries and Watches Business. Goodwill and other intangible assets allocated to Jewelries and Watches Business were reclassified under assets held for sale as at 31 March 2017 after the impairment testing. The carrying amounts of other intangible assets and goodwill as at 31 March 2018 allocated to these units are as follows:

	Customer Network with finite useful life		Exclusive License with finite useful life		License Agreements with indefinite useful lives		Goodwill	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Household Consumables Business CGU (Unit A)	**3,422**	3,808	**–**	–	**–**	–	**9,774**	9,774
Jewelries and Watches Business CGU (Unit B)	**–**	–	**–**	–	**–**	–	**–**	–
Digital Technology Business CGU (Unit C)	**–**	–	**–**	–	**–**	–	**47,896**	52,716
Education Business CGU (Unit D)	**–**	–	**–**	–	**46,010**	46,010	**–**	–
Money Lending Business CGU (Unit E)	**–**	–	**–**	–	**–**	–	**21,795**	21,795
	3,422	3,808	**–**	–	**46,010**	46,010	**79,465**	84,285

During the year ended 31 March 2018, the Group determines that there is no impairment of other intangible assets in respect of the Household Consumables Business CGU and Education Business CGU. There is no impairment of goodwill in respect of the Household Consumable Business CGU and Money Lending Business CGU as at 31 March 2018.

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Unit A

The recoverable amount of this unit has been determined based on a fair value less cost of disposal calculation with reference to a professional valuation performed by Greater China Appraisal Limited, an independent firm of professionally qualified valuers for both years. That calculation covered an indefinite period as estimated by the Group as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period (2017: a five-year period). Cash flows beyond the projection period are extrapolated using an estimated growth rate of 3% (2017: 3%). The post-tax rate used to discount the forecast cash flows is 14.00% (2017: 15.07%).

19. Impairment Testing on Other Intangible Assets and Goodwill *(Continued)*

Unit B

The recoverable amount of this unit as at 31 March 2017 had been determined based on its fair value less cost of disposal of approximately HK$30,000,000 which was the consideration for the Tiger Global Disposal. As a result, the goodwill allocated to Jewelries and Watches Business CGU was fully impaired by approximately HK$43,072,000 which is charged to profit or loss and presented as discontinued operations in the year ended 31 March 2017.

As disclosed in these consolidated financial statements, the Jewelries and Watches Business was classified as discontinued operations for the year ended 31 March 2017 and the respective goodwill and other intangible assets, the Exclusive License under the Jewelries and Watches Business CGU was reclassified to the assets held for sale as at 31 March 2017.

Unit C

The recoverable amount of this unit as at 31 March 2018 has been determined to be approximately HK$49,300,000 (2017: HK$53,000,000) based on a value-in-use calculation (2017: value-in-use calculation) with reference to a professional valuation performed by Asset Appraisal Limited ("AAL"), an independent firm of professionally qualified valuers. That calculation covered an indefinite period as estimated by the Group as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period (2017: five-year period). Cash flows beyond the projection period are extrapolated using an estimated growth rate of 3% (2017: 3%). The pre-tax rate used to discount the forecast cash flows is 16.43% (2017: 14.82%).

Based on the impairment assessment of the Digital Technology Business CGU, the goodwill allocated to Digital Technology Business CGU was determined to be impaired. An impairment loss of approximately HK$4,820,000 (2017: HK$53,155,000) was recognised in consolidated profit or loss under other gains and losses in the current year. The impairment loss recognised during the year ended 31 March 2018 was mainly attributable to the unfavorable changes in estimated discount rate and a fall in annual growth rate over the five-year forecast period due to the increase in competition among other market participants, loss of digital competitiveness and the change in customers' needs.

Unit D

The recoverable amount of this unit as at 31 March 2018 has been determined based on a value-in-use calculation (2017: value-in-use calculation) with reference to a professional valuation performed by AAL. That calculation covered an indefinite period as estimated by the Group as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period (2017: five-year period). Cash flows beyond the projection period are extrapolated using an estimated growth rate of 3% (2017: 3%). The pre-tax rate used to discount the forecast cash flows is 20.84% (2017: 15.46%).

19. Impairment Testing on Other Intangible Assets and Goodwill *(Continued)*

Unit E

The recoverable amount of this unit as at 31 March 2018 has been determined based on a value-in-use calculation (2017: value-in-use calculation) with reference to a professional valuation performed by AAL. That calculation covered an indefinite period as estimated by the Group as there is no foreseeable limitation on the period of time over which the CGU is expected to generate economic benefits to the Group. The calculation uses cash flow projections based on financial budgets approved by management covering a five-year period (2017: five-year period). Cash flows beyond the projection period are extrapolated using zero (2017: zero) growth rate. The pre-tax rate used to discount the forecast cash flows is 16.13% (2017: 14.38%).

The basis used to determine the value assigned to the growth in revenue and the budgeted gross margins is the management's expectation of market development and future performance of the respective CGUs. The discount rate used reflects specific risks relating to industries in relation to the respective CGUs.

The recoverable amounts of Unit A were based on the fair value less costs of disposal calculation determined by income approach using discounted cash flow projections for both years ended 31 March 2018 and 2017. The recoverable amount of Unit B as at 31 March 2017 was based on the fair value less costs of disposal calculation determined by the consideration for the Tiger Global Disposal for the year ended 31 March 2017. The fair value of the recoverable amounts of Unit A and Unit B are classified as a level 3 fair value measurement.

For Unit A, Unit D and Unit E, for which no impairment loss was recognised during the year, reasonably possible changes in key assumptions on which the management had based its determination of the units' recoverable amounts would not cause the units' carrying amounts to exceed their respective recoverable amounts.

20. Interests in Associates

	2018 HK$'000	2017 HK$'000
Share of net assets	50,217	7,742
Goodwill	46,058	17,755
Share of post-tax gain of associates	1,436	163
Impairment loss on interest in an associate (Note)	—	(13,286)
Reclassification to assets held for sale (Note 29)	—	(12,374)
	97,711	—

Note: As at 31 March 2017, the recoverable amount of 40% equity interest in Kwan Lun Precision Jewelry Limited ("Kwan Lun") has been determined to be approximately HK$12,374,000 based on a fair value less cost of disposal from the consideration for the Tiger Global Disposal of HK$30,000,000 less the carrying amount of other assets and liabilities of the Jewelries and Watches Business. As a result, interest in Kwan Lun was further impaired by approximately HK$1,915,000, which is charged to profit or loss and presented as discontinued operations in the year ended 31 March 2017 and the impairment of interest in Kwan Lun was accumulated impaired by approximately HK$13,286,000. The fair value less costs of disposal was classified as a level 3 fair value measurement.

20. Interests in Associates *(Continued)*

Particulars of the associates as at 31 March 2018 are set out below, of which are unlisted corporate entities whose quoted market price is not available.

Name of associate	Place and date of incorporation/ establishment	Issued and fully paid share capital/ paid up capital	Attributable equity interest held by the Group as at 31 March 2018 %	2017 %	Principal activities and place of operation
Kwan Lun (Note (i))	Hong Kong 10 December 2003	HK$1,000,000	–	40	Trading of jewelries and watches in the PRC
Alpha Youth Limited (Note (ii))	The British Virgin Islands (the "BVI") 10 May 2016	United States Dollar ("USD") 200	20	–	Investment holding
Grace Wisdom Holdings Limited (Note (ii))	Hong Kong 12 April 2016	HK$100	20	–	Investment holding
Hainan Huasheng Concrete Company Limited* (海南華盛混凝土有限公司) ("Hainan Huasheng") (Note (ii))	The PRC 23 May 2006	Renminbi ("RMB") 20,000,000	20	–	Production and sales of concrete in the PRC

* The English name of Hainan Huasheng represent management's best effort at translating the Chinese name of Hainan Huasheng as no English name has been registered.

Notes:

(i) On 25 September 2014, Kwan Lun was acquired through business combination of Tiger Global Group. On 28 March 2017, a disposal agreement was entered by the Group in relation to the disposal of the entire equity interest in Tiger Global. Accordingly, the interest in an associate under Tiger Global Group was classified under the assets held for sale as at 31 March 2017.

(ii) On 15 February 2018, the Group acquired 20% equity interest in Alpha Youth Limited and its subsidiaries ("Alpha Youth Group") with at an agreed consideration of HK$119,000,000. The consideration was settled by cash of HK$95,000,000 and promissory notes with principal amount of HK$24,000,000. Alpha Youth Group is principally engaged in the production and sales of concrete in Hainan providence, the PRC.

As part of the acquisition, if the actual audited consolidated net profit after tax and before all items which are one-off, non-operating in nature and not incur in the ordinary and usual courses of business of Hainan Huasheng for the periods from 1 January 2017 to 31 December 2017 and from 1 January 2018 to 31 December 2018 (the "Hainan Huasheng Actual Profit"), is less than RMB42,000,000 and RMB47,000,000 (the "Alpha Youth Profit Guarantee") respectively, the vendor will compensate the Group for the shortfall on a dollar for dollar basis for an amount equivalent to the difference between the Alpha Youth Profit Guarantee and the Hainan Huasheng Actual Profit multiplied by 12 times and 20% of the equity sharing of the Group. Pursuant to the acquisition agreement, the compensation shall not exceed the nominal consideration. The possible range of face value of this contingent consideration receivable is between nil to HK$119,000,000.

As a security for the contingent consideration receivable as describe above, the promissory notes with principal amount of HK$24,000,000 were held in escrow by an escrow agent jointly appointed by the Group and the vendor (the "Escrow Agent") upon the completion of the acquisition of the Alpha Youth Group. In the event that the vendor needs to pay the compensation to the Group, the Group has the right to set off such compensation amount against the face value of the promissory notes on a dollar for dollar basis. The Group will cancel the original promissory notes and issue new promissory notes with the balance after the set-off (if any) to the vendor. If the face value of the promissory notes is not sufficient to cover the compensation amount, the vendor shall pay the remaining balance in cash to the Group within 14 days after confirming the amount of the Hainan Huasheng Actual Profit.

20. Interests in Associates *(Continued)*

Notes: *(Continued)*

(ii) *(Continued)*

If the Hainan Huasheng Actual Profit is equal to or more than the Alpha Youth Profit Guarantee for the periods from 1 January 2017 to 31 December 2017 and from 1 January 2018 to 31 December 2018 respectively, the Group and the vendor shall procure the Escrow Agent to release the promissory notes in the principal amount of HK$8,500,000 and HK$15,500,000 respectively, within 10 days after confirming the amount of the Hainan Huasheng Actual Profit for the periods from 1 January 2017 to 31 December 2017 and from 1 January 2018 to 31 December 2018, respectively.

In addition, as part of the acquisition, the Group and the vendor entered into an option deed, pursuant to which the vendor granted the Group the right to acquire all of the remaining 80% equity interest in Alpha Youth Group at the sole discretion of the Group within two years from the completion date (the "Call Option"). The exercise price of the Call Option is determined with reference to 80% of the valuation of Alpha Youth Group at the time of exercise of the Call Option and is capped to RMB481,066,000. If the exercise price is below RMB320,710,000, the vendor has the right to refuse the exercise of the Call Option by the Group.

Further details are set out in the Company's circular dated 25 January 2018 and announcements dated 21 September 2017, 6 October 2017, 7 November 2017, 7 December 2017, 14 February 2018 and 15 February 2018 respectively.

The following table summarises the consideration paid for the acquisition of Alpha Youth Group, and the fair value of assets recognised at the acquisition date:

	HK$'000
Cash consideration	95,000
Promissory notes at fair value (Note 32)	17,795
Add: legal and professional fee directly attributable to the acquisition	3,784
Less: contingent consideration receivable (Note 22)	(3,189)
Total	113,390
Group's share of net provisional fair value of identifiable assets and liabilities of Alpha Youth Group	50,217
Derivative financial asset — call option (Note 27)	17,115
Goodwill attributable to interests in associates	46,058
Total	113,390

Reconciliation of the Group's share of net provisional fair value of identifiable assets and liabilities of Alpha Youth Group at the acquisition date:

	HK$'000
Net assets of Alpha Youth Group, at carrying amounts	212,082
Provisional fair value adjustments	39,002
Net provisional fair value of identifiable assets and liabilities	251,084
Group's effective interest	20%
Group's share of net provisional fair value of identifiable assets and liabilities	50,217

20. Interests in Associates *(Continued)*

Summarised financial information of Kwan Lun

	2017 HK$'000
As at 31 March Non-current assets	16,067
Current assets	21,010
Current liabilities	14,705
Non-current liabilities	2,610
For the year ended 31 March Revenue	14,959
Loss from operation	(278)
Other comprehensive income	–
Total comprehensive income	(278)

Reconciliation of the summarised financial information presented to the carrying amount of its interest in Kwan Lun:

	2017 HK$'000
Net assets of Kwan Lun	19,762
Group's effective interest	40%
Group's share of net assets of Kwan Lun	7,905
Goodwill	17,755
Less: provision for impairment	(13,286)
Less: reclassification to assets held for sale (Note 29)	(12,374)
Carrying value	–

20. Interests in Associates *(Continued)*

Summarised financial information of Alpha Youth Group

	2018 HK$'000
As at 31 March	
Non-current assets	197,192
Bank balances and cash	8,389
Other current assets	661,748
Current assets	670,137
Trade and other payables and accruals	586,019
Other current liabilities	23,045
Current liabilities	609,064
For the period from 15 February 2018 to 31 March 2018	
Revenue	47,044
Depreciation of property, plant and equipment	(1,230)
Interest income	26
Income tax expense	(2,404)
Profit for the year	7,181
Other comprehensive income	–
Total comprehensive income	7,181

Reconciliation of the summarised financial information presented to the carrying amount of its interest in Alpha Youth Group:

	2018 HK$'000
Net assets of Alpha Youth Group, including the fair value adjustments on the date of acquisition	258,265
Group's effective interest	20%
Group's share of net assets of Alpha Youth Group	51,653
Goodwill	46,058
Carrying value	97,711

21. Available-for-sale Financial Asset

As at 31 March 2017, available-for-sale financial asset represented investment in unlisted equity securities issued by Goldbell Holdings Limited ("Goldbell"), a company incorporated in the BVI with limited liabilities, and the investment represents approximately 10% of the entire issued share capital of Goldbell ("10% of Goldbell"). It is measured at fair value.

As at 1 April 2016, other than 10% of Goldbell, available-for-sale financial assets also represented investments in unlisted equity securities issued by China Energy Trading Company Limited ("China Energy"), which was fully impaired as at that date. The investments in China Energy, together with the shareholder's loan of HK$1,950,000 were disposed of at a cash consideration of HK$2,500,000 on 27 January 2017. After deducting the transaction cost attributable to the disposal, gain on disposal of available-for-sale financial asset of approximately HK$547,000 was recognised in other gains and losses during the year ended 31 March 2017 (Note 7).

21. Available-for-sale Financial Asset *(Continued)*

Available-for-sale financial asset is measured at fair value as at 31 March 2017.

	2018 **HK$'000**	2017 HK$'000
Unlisted equity securities	**–**	156,200

	10% of Goldbell HK$'000
Net carrying value at 1 April 2016	154,000
Change in fair value	2,200
Net carrying value at 31 March 2017	156,200
Disposal	(156,200)
Net carrying value at 31 March 2018	–

On 10 July 2014, the Group entered into a conditional acquisition agreement (the "Acquisition Agreement") with two independent vendors (the "Vendors") relating to the acquisition of 1,066 shares of Goldbell (the "Sales Shares"), representing approximately 10% equity interest in Goldbell at the consideration of HK$159,000,000 (the "Consideration"). Goldbell, through its subsidiaries, is principally engaged in the exploration and exploitation of gold mines, and processing, smelting, refining and sales of gold in the PRC. The acquisition was completed on 16 July 2014.

Pursuant to the Acquisition Agreement, the Group should be entitled to serve a notice on the Vendors to require the Vendors to purchase the Sales Shares from the Group at the Consideration or adjusted consideration commencing from 42 months after the completion date (the "Put Option").

The Directors were in the opinion that the value of the Put Option to require the Vendors to purchase the Sales Shares from the Group was insignificant as at the date of the acquisition.

As at 31 March 2017, the 10% equity interest in Goldbell was determined to be impaired on the basis of the prolonged decline in its fair value below cost for several years which indicated that the investment cost may not be fully recovered. During the year ended 31 March 2017, a fair value gain of approximately HK$2,200,000 on the investment was recognised in available-for-sale investment reserve whereas an impairment loss of approximately HK$2,800,000 was then recognised in profit or loss under other gains and losses (Note 7).

For details of the fair value measurement as at 31 March 2017 are set out in Note 44.

On 17 January 2018, the Group by serving the Put Option notice on the Vendors in accordance with the Acquisition Agreement stating its intention to exercise the Put Option and required the Vendors to purchase the Sales Shares from the Group at the Consideration. After serving the Put Option notice, the Group and the Vendors entered into a deed of installment, pursuant to which the Vendors agreed to settle the Consideration by 12 monthly installments, with an interest rate of 15% per annum.

21. Available-for-sale Financial Asset *(Continued)*

On 16 March 2018, the Vendors have paid the entire amount of the Consideration of HK$159,000,000 and the interest of approximately HK$2,215,000 accrued thereon ahead of the payment schedule as set out in the deed of installment. Accordingly, completion of the Put Option took place on 16 March 2018 and the Group ceased to have any interest in Goldbell. Gain on disposal of available-for-sale financial asset of approximately HK$2,800,000 was recognised in other gains and losses during the year (Note 7).

Further details are set out in the Company's announcements dated 17 January 2018 and 16 March 2018.

22. Contingent Consideration Receivable

As at 31 March 2018, the balance represents the Alpha Youth Profit Guarantee in relation to the acquisition of Alpha Youth Group. Contingent consideration receivable is classified as financial assets at FVTPL and measured at fair value.

	HK$'000
At 1 April 2016 and 31 March 2017	—
Acquisition of interests in associates (Note 20)	3,189
Fair value loss recognised in profit or loss (Note 7)	(1,854)
At 31 March 2018	1,335

Details of the Alpha Youth Profit Guarantee are disclosed in Note 20.

The fair value of the Alpha Youth Profit Guarantee at 15 February 2018 (i.e. the acquisition date) and 31 March 2018 was calculated using the Monte-Carlo Simulator Analysis evaluated by GW Financial Advisory Services Limited, an independent qualified professional valuer not connected to the Group. The inputs into the valuation were as follows:

Assumptions	**As at 15 February 2018**	**As at 31 March 2018**
Alpha Youth Profit Guarantee for the period from 1 January 2017 to 31 December 2017 (RMB) (Note a)	42,000,000	42,000,000
Alpha Youth Profit Guarantee for the period from 1 January 2018 to 31 December 2018 (RMB) (Note a)	47,000,000	47,000,000
Normalised net profit of Hainan Huasheng (RMB)	46,583,000	49,452,000
Risk-free rate (Note b)	3.54%	3.41%
Expected volatility of Hainan Huasheng (Note c)	11.54%	11.54%

The fair value of the Alpha Youth Profit Guarantee was approximately HK$1,335,000 and HK$3,189,000 as at 31 March 2018 and 15 February 2018 respectively. Hence, the change in fair value of approximately HK$1,854,000 was recognised in the profit or loss under other gains and losses during the year ended 31 March 2018.

Notes:

(a) Information is according to the terms and conditions of the acquisition agreement.

(b) The risk-free rate adopted was the yield rate of the PRC government bond as at the date of valuation.

(c) Expected volatility of Hainan Huasheng is based on the average volatility of revenue and net profit of Hainan Huasheng from the year of 2014 to 2022.

22. Contingent Consideration Receivable *(Continued)*

The fair value of the Alpha Youth Profit Guarantee classified as Level 3, was determined using Monte-Carlo Simulator Analysis. Valuation and significant unobservable inputs are as follows:

Valuation Technique	Significant unobservable inputs	Relating of unobservable inputs to fair value
Monte-Carlo Simulator Analysis	Expected volatility and normalised net profits of Hainan Huasheng	The higher expected volatility of Hainan Huasheng, the higher fair value of the Alpha Youth Profit Guarantee, and vice versa. The higher normalised net profit of Hainan Huasheng, the lower fair value of the Alpha Youth Profit Guarantee, and vice versa.

For details of the fair value measurement are set out in Note 44.

23. Inventories

	2018 HK$'000	2017 HK$'000
At cost:		
Raw materials	–	4,864
Work-in-progress	–	635
Finished goods	5,610	6,924
	5,610	12,423

24. Loan Receivables

	2018 HK$'000	2017 HK$'000
Loan receivables		
— Collateralised	115,830	3,000
— Non-collateralised	165,718	24,200
	281,548	27,200
Accrued interest receivables	23,171	60
	304,719	27,260
Less: impairment loss recognised	(21,583)	—
	283,136	27,260
Analysed for reporting purposes as:		
Non-current assets	–	8,000
Current assets	283,136	19,260
	283,136	27,260

The loan receivables in the Group's Money Lending Business are all denominated in HK$. The loan periods granted to customers are mainly ranging from one year to two years.

24. Loan Receivables *(Continued)*

The loans provided to customers bore fixed monthly interest rate ranging from 8% to 39% per annum (2017: 12% to 36% per annum). The effective interest rates of the above loan receivables ranging from 8% to 44% per annum (2017: 13% to 36% per annum).

Ageing analysis of loan receivables (net of allowance of doubtful debt) prepared based on initial loan commencement date as set out in the relevant contracts is as follows:

	2018 HK$'000	2017 HK$'000
0–90 days	**50,298**	3,500
91–180 days	**15,000**	15,000
181–365 days	**186,827**	8,000
Over 365 days	**7,840**	700
	259,965	27,200

There are loans receivables, amounting to approximately HK$35,800,000 and HK$99,719,000, have been renewed before and subsequent to the reporting date, respectively (the "Balances"). The Balances were renewed without the settlement of the outstanding principals and/or interests upon their original expiries.

Ageing analysis and credit quality analysis of loan receivables (net of allowance of doubtful debts) prepared based on contractual due date is as follows:

	2018 HK$'000	2017 HK$'000
Not yet past due	**43,174**	26,500
0–90 days	**23,544**	–
91–180 days	**23,500**	–
181–365 days	**169,747**	–
Over 365 days	**–**	700
	259,965	27,200

Loan receivables that were neither past due nor impaired related to a wide range of customers for whom there is no recent history of default.

Loan receivables that were past due but not impaired related to customers that have make regular interests payments to the Group. Based on past experience, the management is of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality of the customers and the balances are still considered fully recoverable.

The movement of allowance for doubtful debts in respect of loan receivables were as follows:

	2018 HK$'000	2017 HK$'000
At the beginning of the year or the acquisition date of Chengxin Finance	**–**	–
Impairment loss during the year	**(21,583)**	–
At the end of the year	**(21,583)**	–

24. Loan Receivables *(Continued)*

Impairment provisions are recognised for financial reporting purposes only for losses that have incurred at the end of reporting period based on objective evidence of impairment.

The management of the Company reviews and assesses for impairment individually based on customers' repayment history and the fair values of the collaterals, if any. As at 31 March 2018, the Group has provided impairment loss of approximately HK$21,583,000 (2017: Nil) on loan receivables with the aggregate gross carrying amount of approximately HK$153,700,000 (2017: Nil) on an individual assessment basis. No impairment loss was provided on a collective assessment basis (2017: Nil). Certain loan receivables amounting to HK$10,084,000 are guaranteed by a related party.

25. Trade and Other Receivables and Prepayments, and Deposit

	2018 HK$'000	2017 HK$'000
Non-current assets		
Deposit for acquisition of a subsidiary	36,580	–
Current assets		
Trade receivables	200,809	264,172
Less: impairment loss recognised	(163,361)	(159,284)
	37,448	104,888
Bills receivables	–	2,227
Prepayments and deposits	5,131	7,344
Other receivables	896	2,709
Taxes recoverable	–	4,760
Amount due from a non-controlling owner of a subsidiary (Note (i))	88	88
Amounts due from related companies (Note (ii))	1,638	2,128
Amounts due from related parties (Note (iii))	–	130
Trade and other receivables and prepayments	45,201	124,274

Notes:

(i) The amount due from a non-controlling owner of a subsidiary is unsecured, interest-free and repayable on demand.

(ii) As at 31 March 2018, the amounts are due from companies which directors of certain subsidiaries have direct equity interest. The amounts are unsecured, interest-free and repayable on demand.

(iii) The balance represents amounts due from the directors of certain subsidiaries, which are unsecured, interest-free and repayable on demand.

(iv) The trade and other receivables are denominated in the functional currencies of the relevant group entities.

The Group generally allows an average credit period of 30 to 90 days (2017: 30 to 90 days) to its trade customers. All bills receivables of the Group were aged within 90 days at 31 March 2017.

25. Trade and Other Receivables and Prepayments, and Deposit *(Continued)*

The ageing analysis of the Group's trade receivables (net of impairment) and bills receivables based on the invoice date at the end of the reporting period is as follows:

	2018 HK$'000	2017 HK$'000
Trade and bills receivables:		
0–30 days	5,459	9,229
31–60 days	1,664	2,266
61–90 days	1,948	426
Over 90 days	28,377	95,194
	37,448	107,115

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits based on historical credit records of these customers.

Included in the Group's trade receivables are debtors with aggregate carrying amount of approximately HK$31,989,000 (2017: HK$97,887,000) which are past due as at the reporting date for which the Group has not provided for impairment loss because the Group believes that the amounts are still recoverable as there has not been a significant deterioration in credit quality of these customers and there are continuing subsequent settlements. The Group does not hold any material collateral over these balances. Subsequent to 31 March 2018, the Group entered into an arrangement with an independent third party in respect of disposing certain trade receivables attributable to a customer of Coal Business of principal amount of approximately HK$35,906,000 and the corresponding trade payables to a supplier of principal amount of approximately HK$34,336,000 at a service charge of approximately HK$3,591,000. The amount of approximately HK$35,906,000 represented the gross carrying amount of the trade receivables, of which provision for impairment amounting to HK$7,764,000 has been provided as at 31 March 2018.

Including those trade debtors which their trade receivable balances were partially impaired with carrying amount of HK$28,249,000 (2017: HK$78,251,000), ageing analysis of trade receivables which are past due but not impaired, is as follows:

	2018 HK$'000	2017 HK$'000
0–30 days	2,226	2,578
31–60 days	1,386	498
61–90 days	34	1,056
Over 90 days	28,343	93,755
	31,989	97,887

25. Trade and Other Receivables and Prepayments, and Deposit *(Continued)*

The movement of allowance for doubtful debts in respect of trade receivables were as follows:

	2018 HK$'000	2017 HK$'000
At the beginning of the year	**159,284**	131,129
Impairment loss during the year	**4,123**	30,592
Amount written back	**–**	(2,323)
Bad debts written off	**–**	(80)
Exchange realignment	**(46)**	(34)
At the end of the year	**163,361**	159,284

Trade receivables that were neither past due nor impaired related to customers for whom were no recently history of default.

Included in the impairment loss of trade receivables as at 31 March 2018 were individually fully/partially impaired trade receivables mainly due from customers with an aggregate carrying amount before allowance of approximately HK$191,610,000 (2017: HK$237,535,000). The balances were long outstanding and the management of the Group considered the recoverability of the balance is remote as the related customers were in financial difficulties or have prolonged delay in repayment, and therefore only a portion of the receivables is expected to be recovered. The Group did not hold any material collateral over those balances.

Impaired receivables mainly related to balances due from the sole customer of the Group in its Coal Business amounting to gross carrying amount of approximately HK$110,599,000 (2017: HK$156,878,000) as at 31 March 2018 and net carrying amount of approximately HK$28,142,000 (2017: HK$77,992,000) as at 31 March 2018. In 2013, the Group had entered into a master agreement with the sole customer, a State-Owned Enterprise in the PRC. Due to prolonged delay in repayment of receivables from this customer casts doubts on the recoverability, the Group temporarily suspended the trading transactions with this customer. No sales were recorded during the years ended 31 March 2018 and 2017. Based on impairment assessment of the trade receivables due by the sole customer, taking into account the historical settlement record during the year, latest negotiations with the customer of the outstanding amounts, continuing subsequent settlements and subsequent factoring without recourse of certain of the receivables, further impairment loss of HK$3,591,000 (2017: HK$26,405,000) was recognised for this customer during the year ended 31 March 2018.

Other receivables

Other receivables as at 31 March 2018 included trade receivable balance assigned to an independent third party by a customer in the Group's Hygienic Disposable Business amounting to gross carrying amount of approximately HK$14,257,000 (2017: Nil) as at 31 March 2018. Based on impairment assessment of the other receivable due by this debtor, taking into account there was no settlement record during the year after the assignment and latest negotiation with the debtor, full impairment loss of approximately HK$14,257,000 was recognised for this debtor in profit or loss and presented as part of result of discontinued operations during the year ended 31 March 2018.

25. Trade and Other Receivables and Prepayments, and Deposit *(Continued)*

Other receivables *(Continued)*

The movements of allowance for doubtful debts in respect of other receivables were as follows:

	2018 HK$'000	2017 HK$'000
At the beginning of the year	–	–
Impairment loss during the year	14,257	–
At the end of the year	14,257	–

Deposit for acquisition of a subsidiary

On 27 March 2018, the Group entered into a sale and purchase agreement (the "Agreement") with an independent third party vendor for the purpose of acquisition of entire equity interest in Treasure Profit Limited with an aggregate cash consideration of HK$146,320,000. Treasure Profit Limited is principally engaged in property investment and is the sole owner of a property in Hong Kong.

As at 31 March 2018, a deposit amounting to HK$36,580,000 has been paid to the vendor. The deposit is refundable upon the event the conditions attached in the Agreement are not fulfilled by the vendor on or before 28 September 2018. As at 31 March 2018 and the date when these consolidated financial statements are authorised for issue, the acquisition has not yet completed. The remaining cash consideration of HK$109,740,000 will be paid on the date of completion of the acquisition.

Further details are set out in the Company's announcement dated 27 March 2018.

26. Bond Receivable

	2018 HK$'000	2017 HK$'000
Unlisted debt instruments, at amortised cost, issued by a listed company	–	10,000
Accrued interest receivables	–	842
	–	10,842

On 24 November 2016, the Company subscribed a bond with an aggregate principal amount of HK$10,000,000 (the "Bond"). The Bond bears monthly interest at 2% and matures one year from the date of subscription. It can be redeemed by the bond issuer at any time before maturity at 100% of the outstanding principal amount. The entire bond receivable and accrued interest receivables were settled to the Group during the year ended 31 March 2018.

27. Financial Assets at FVTPL and, Derivative Financial Asset

	2018 HK$'000	2017 HK$'000
Listed investments		
— Equity securities listed in Hong Kong (Note (i))	**23,655**	—
Derivative financial instrument (Note (ii))	**28,854**	—
	52,509	—

Notes:

(i) The fair value of all equity securities is based on their current bid prices in an active market.

(ii) As at 31 March 2018, the balance represents the Call Option in relation to the acquisition of Alpha Youth Group. For details of the Call Option are set out in Note 20.

For details of the fair value measurement are set out in Note 44.

Changes in fair values of financial assets at FVTPL are recognised in other gains and losses in the consolidated statement of comprehensive income. These financial assets at FVTPL are classified as held for trading.

	Listed investments HK$'000	**Derivative financial instrument** HK$'000	**Total** HK$'000
At 1 April 2016 and 31 March 2017	—	—	—
Call Option in the acquisition of Alpha Youth Group (Note 20)	—	17,115	17,115
Purchase	92,162	—	92,162
Changes in fair value (Note 7)	4,213	11,739	15,952
Disposal	(72,720)	—	(72,720)
At 31 March 2018	23,655	28,854	52,509

Key terms and conditions of the Call Option are set out as follows:

Condition:	To obtain or satisfy any all necessary relevant statutory and regulatory requirements, approvals and consents in relation to the transaction contemplated hereof.
Exercise period:	Any time within 2 years from 15 February 2018
Option shares:	160 shares of Alpha Youth Group (80% equity interest in Alpha Youth Group)
Option price:	The exercise price of the call option is determined with reference to 80% of the valuation of Alpha Youth Group at the time of exercise of the Call Option and is capped to RMB481,066,000. If the exercise price is below RMB320,710,000, the vendor has the right to refuse the exercise of the Call Option by the Group.

27. Financial Assets at FVTPL and, Derivative Financial Asset *(Continued)*

The fair value of the Call Option at 15 February 2018 (i.e. the acquisition date) and 31 March 2018 was calculated using the Monte-Carlo Simulator Analysis evaluated by GW Financial Advisory Services Limited, an independent qualified professional valuer not connected to the Group. The inputs into the valuation were as follows:

Assumptions	**As at 15 February 2018**	**As at 31 March 2018**
Years remaining (Note a)	2.00	1.88
Equity interest (Note a)	80.00%	80.00%
Valuation cap (Note a)	120.00%	120.00%
100% equity value of the Alpha Youth Group as contained in the Company's circular dated 25 January 2018 (RMB) (Note a)	501,110,000	501,110,000
Strike price (RMB) (Note a)	481,066,000	481,066,000
Normalised net profit of Hainan Huasheng (RMB)	46,583,000	49,452,000
Risk-free rate (Note b)	3.54%	3.41%
Expected volatility of Hainan Huasheng (Note c)	11.54%	11.54%

The fair value of the Call Option was approximately HK$28,854,000 and HK$17,115,000 as at 31 March 2018 and 15 February 2018 respectively. Hence, the change in fair value of approximately HK$11,739,000 was recognised in the profit or loss under other gains and losses during the year ended 31 March 2018.

Notes:

(a) Information is according to the terms and conditions of the option deed.

(b) The risk-free rate adopted was the yield rate of the PRC government bond as at the date of valuation.

(c) Expected volatility of Hainan Huasheng is based on the average volatility of revenue and net profit of Hainan Huasheng from the year of 2014 to 2022.

The fair value of the Call Option classified as Level 3, was determined using Monte-Carlo Simulator Analysis. Valuation and significant unobservable inputs are as follows:

Valuation Technique	**Significant unobservable inputs**	**Relating of unobservable inputs to fair value**
Monte-Carlo Simulator Analysis	Expected volatility and normalised net profits of Hainan Huasheng	The higher expected volatility and normalised net profit of Hainan Huasheng, the higher fair value of the Call Option, and vice versa.

28. Bank Balances and Cash

Bank balances and cash comprise cash held by the Group with the original maturity of three months or less.

The Group's bank balances carry interests at market rate ranging as follows per annum:

	2018	2017
Bank balances	0.00% to 0.30%	0.00% to 0.30%

The Group's bank balances and cash that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	RMB HK$'000	USD HK$'000	Macau Pataca ("MOP") HK$'000
As at 31 March 2018			
Bank balances and cash	7,735	82	43
As at 31 March 2017			
Bank balances and cash	744	24	79

(a) Reconciliation of liabilities from financing activities

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

	Amount due to a related party HK$'000 (Note 30)	Convertible bonds HK$'000 (Note 31)	Promissory notes HK$'000 (Note 32)	Total HK$'000
At 1 April 2017	4,295	–	–	4,295
Changes from financing cash flows:				
Repayment to a related party	(6)	–	–	(6)
Proceeds from issuance of convertible bonds	–	200,000	–	200,000
Interest paid	–	(6,269)	–	(6,269)
Total changes from financing cash flows	4,289	193,731	–	198,020
Other changes:				
Interest expenses (Note 8)	–	21,588	–	21,588
Equity component of convertible bonds (Note 31)	–	(7,127)	–	(7,127)
Acquisition of interests in associates (Note 20)	–	–	17,795	17,795
Provision for deferred tax (Note 31)	–	(1,408)	–	(1,408)
Fair value loss recognised in profit or loss (Note 32)	–	–	323	323
Other charges	(4,289)	–	–	(4,289)
Total other changes	(4,289)	13,053	18,118	26,882
At 31 March 2018	–	206,784	18,118	224,902

Comparative figures are not required as this is the first year of disclosure.

29. Assets Held for Sale and Liabilities Directly Associated with Assets Held for Sale

	2017 HK$'000
Assets	
Other intangible asset (Note 17)	8,074
Goodwill (Note 18)	—
Interest in an associate (Note 20)	12,374
Inventories	3,576
Trade and other receivables and prepayments	9,530
Bank balances and cash	4
Total assets held for sale	33,558
Liabilities	
Trade and other payables and accruals	71
Tax payable	2,155
Deferred tax liabilities (Note 33)	1,332
Total liabilities directly associated with assets held for sale	3,558
Total net assets classified as assets held for sale	30,000

On 28 March 2017, the Group had through its wholly-owned subsidiary, Star Guardian entered into a disposal agreement with an independent third party to dispose of its entire equity interest in Tiger Global, at a cash consideration of HK$30,000,000. Impairment loss was recognised on reclassification of the assets and liabilities as held for sale together as at 31 March 2017.

Details of the discontinued operations are set out in Note 12.

30. Trade and Other Payables and Accruals

	2018 **HK$'000**	2017 HK$'000
Trade payables (Note (i))	**89,375**	141,711
Customer deposits	**1,764**	1,081
Other payables and accruals	**13,541**	8,908
Amount due to a related party (Note (ii))	**—**	4,295
	104,680	155,995

Notes:

(i) Certain trade payables were sold to an independent third party as detailed in Note 25.

(ii) The related party is a close family member of a director of the Company who resigned during the year. The amount due to a related party was unsecured, interest-free and repayable on demand.

30. Trade and Other Payables and Accruals *(Continued)*

The ageing analysis of the Group's trade payables based on the invoice date at the end of the reporting period is as follows:

	2018 HK$'000	2017 HK$'000
0–30 days	3,215	3,919
31–60 days	211	2,271
61–90 days	–	325
Over 90 days	85,949	135,196
	89,375	141,711

The above trade and other payables of the Group are denominated in the functional currencies of the relevant group entities.

31. Convertible Bonds

(a) Convertible Bonds due on 2019

On 11 August 2017, the Company issued HK$200,000,000 8% guaranteed convertible bonds with an aggregate principal amount of HK$200,000,000 (the "Convertible Bonds 2019").

The Convertible Bonds 2019 mature two years from the date of issue at 116% of its principal amount; or can be early redeemed by the Company or the holder at amount equal to all outstanding Convertible Bonds 2019 at 100% of the principal amount plus a premium of 8% per annum after the first anniversary of the date of issue (i.e. 11 August 2018); or can be converted into shares of the Company on and after 11 August 2017 to 10 August 2019 at the holder's option at the conversion price of HK$0.46 per share, which is subject to certain adjustments prescribed in the convertible bonds subscription agreement. Interest of 8% per annum is payable per repayment schedule and is paid on 30 June and 31 December until the bonds are converted or redeemed.

The fair value of the liability component and the equity conversion component were determined at date of issuance of the Convertible Bonds 2019 with reference to a professional valuation performed by AAL.

The fair value of the liability component, included in current liabilities, as the holders had an early redemption option effective on 11 August 2018, was calculated using a market interest rate for an equivalent non-convertible bond and subsequently measured at amortised cost. The residual amount of approximately HK$7,127,000, representing the value of the equity conversion component, was included in convertible bonds equity reserve.

There was no conversion of Convertible Bonds 2019 during the year.

(b) Convertible Bonds due on 2016

On 19 June 2014, the Company issued HK$100,000,000 8% guaranteed convertible bonds with an aggregate principal amount of HK$100,000,000 (the "Convertible Bonds 2016").

31. Convertible Bonds *(Continued)*

(b) Convertible Bonds due on 2016 *(Continued)*

The Convertible Bonds 2016 mature two years from the date of issue at 124% of its principal amount; or can be early redeemed by the Company or the holder at amount equal to all outstanding Convertible Bonds 2016 at 100% of the principal amount plus a premium of 12% per annum after the first anniversary of the date of issue; or can be converted into shares of the Company on and after 19 June 2014 to 18 June 2016 at the holder's option at the conversion price of HK$3.20 per share. Interest of 8% per annum are payable semi-annually until the bonds are converted or redeemed.

On 17 May 2016, the Company and the bondholders entered into a deed of amendments which both parties agreed to amend certain terms and conditions of the Convertible Bonds 2016, among others (i) to extend the maturity date of the Convertible Bonds 2016 to 31 August 2016; and (ii) unless previously redeemed, converted or purchased and cancelled under the terms of the Convertible Bonds 2016, the Company will redeem all the outstanding Convertible Bonds 2016 at 100% of the outstanding principal amount of the Convertible Bonds 2016 plus a premium of 12% per annum on 31 August 2016. The amendments became effective on the same date.

On 16 August 2016, all the Convertible Bonds 2016 were redeemed in full by the Company. Upon the settlement of the Convertible Bonds 2016, the remaining value of the convertible bonds equity reserve of approximately HK$5,947,000 was released to accumulated losses during the year ended 31 March 2017.

The Convertible Bonds 2019 and the Convertible Bonds 2016 recognised at the end of the year were calculated as follows:

	2018 **HK$'000**	2017 HK$'000
Equity component		
Proceeds at the date of issuance	**200,000**	100,000
Liability component, at the date of issuance	**(191,465)**	(94,053)
Provision for deferred tax	**(1,408)**	–
Equity component, at the date of issuance	**7,127**	5,947
Transfer to accumulated losses upon redemption	**–**	(5,947)
At the end of the year	**7,127**	–
Liability component		
At the beginning of the year	**–**	122,340
Issuance during the year	**191,465**	–
Effective interest expenses (Note 8)	**21,588**	8,922
Interest paid	**(6,269)**	(31,262)
Redemption	**–**	(100,000)
At the end of the year	**206,784**	–

The effective interest rate of the liability component on initial recognition and the subsequent recognition of interest expense on the Convertible Bonds 2019 and the Convertible Bonds 2016 were calculated using effective interest rate of 17.67% per annum and 23.24% per annum respectively.

31. Convertible Bonds *(Continued)*

The Convertible Bonds 2019 and the Convertible Bonds 2016 were guaranteed by Mr. Wong Wai Sing, an executive Director, (the "Guarantor"), who unconditionally and irrevocably guaranteed that if the Company does not pay any sum payable by it under the subscription agreement or Convertible Bonds 2019 and the Convertible Bonds 2016 by the time and on the date specified for such payment, the Guarantor would pay that sum to or to the order of the Convertible Bonds 2019 holder and the Convertible Bonds 2016 holder respectively. Upon the settlement of the Convertible Bonds 2016, the guarantee in relation to the Convertible Bonds 2016 was released.

32. Promissory Notes

	2018 **HK$'000**	2017 HK$'000
At the beginning of the year	**–**	–
Fair value of promissory notes issued for acquisition of interests in associates (Note 20)	**17,795**	–
Fair value loss recognised in profit or loss (Note 7)	**323**	–
At the end of the year	**18,118**	–

On 15 February 2018, the Group completed the acquisition of 20% equity interest in Alpha Youth Group, for a nominal consideration of HK$119,000,000. Part of the consideration was satisfied by the Company's issue of promissory notes in principal amount of HK$8,500,000 (the "Promissory Note 1") and HK$15,500,000 in favour of Mr. Zhou Fengtang, the ultimate controlling shareholder of Alpha Youth Group.

The promissory notes are unsecured, interest-free and repayable on the date falling two years after the date of issue. The promissory notes can be early redeemed by the Company at all or part of the outstanding principal amount of the promissory notes.

The promissory notes are measured at fair value. For details of the fair value measurement are set out in Note 44.

The fair value of the promissory notes are determined at date of issuance with reference to a professional valuation performed by GW Financial Advisory Services Limited. The effective interest rate of the promissory notes on initial recognition and the subsequent measurement of interest expense on the promissory notes are calculated using effective interest rate of 16.13% per annum.

The Promissory Note 1 was early redeemed by the Company in full subsequent to the end of reporting period.

33. Deferred Tax Liabilities

The following is the deferred tax liabilities recognised and movements thereon during the current year:

	Issuance of convertible bonds HK$'000	Depreciation allowance on property, plant and equipment HK$'000	Fair value adjustments on other intangible assets HK$'000	Total HK$'000
At 1 April 2016	–	72	9,959	10,031
Credited to profit or loss	–	–	(256)	(256)
Reclassification to liabilities directly associated with assets held for sale (Note 29)	–	–	(1,332)	(1,332)
Exchange realignment	–	(9)	(115)	(124)
At 31 March 2017	–	63	8,256	8,319
Issuance of convertible bonds	1,408	–	–	1,408
Credited to profit or loss	(835)	–	(161)	(996)
Exchange realignment	–	(41)	143	102
At 31 March 2018	573	22	8,238	8,833

As at 31 March 2018, the Group had unused tax losses of approximately HK$339,728,000 (2017: approximately HK$304,229,000) which are available to set off against future profits. No deferred tax asset has been recognised in respect of these unused tax losses due to the unpredictability of future profit streams.

34. Share Capital

	Number of shares	Nominal value HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 April 2016, 31 March 2017 and 2018	10,000,000,000	100,000
Issued and fully paid:		
At 1 April 2016	937,013,281	9,370
Issue of shares pursuant to the Open Offer (as defined below) (Note (i))	1,405,519,920	14,055
Issue of shares upon exercise of share options (Note (ii))	5,000,000	50
Shares issued in consideration for the acquisition of a subsidiary (Note (iii))	31,250,000	313
At 31 March 2017 and 2018	2,378,783,201	23,788

34. Share Capital *(Continued)*

Notes:

(i) Pursuant to the Underwriting Agreement entered between the Company and Cheong Lee Securities Limited on 17 May 2016, the Company had issued 1,405,519,920 new ordinary shares at a subscription price of HK$0.164 per offer share to the shareholders of the Company on the basis of three offer shares for every two shares held on the record date (the "Open Offer") on 22 July 2016. The net proceeds from the Open Offer, after deducting the related Open Offer commission, professional fees and all related expenses, was approximately HK$219,426,000, out of which approximately HK$14,055,000 and HK$205,371,000 were recorded in share capital and share premium account respectively. Further details are set out in the circular of the Company dated 24 June 2016, prospectus of the Company dated 25 July 2016 and announcements of the Company dated 17 May 2016, 24 June 2016, 15 July 2016 and 15 August 2016 respectively.

(ii) During the year ended 31 March 2017, 5,000,000 share options were exercised at the exercise price of HK$0.48 per share. The total cash consideration received from the issuance 5,000,000 shares was approximately HK$2,400,000, of which HK$50,000 was credited to issued share capital and the remaining balance of HK$2,350,000 was credited to the share premium account. In addition and amount attributable to the related share option of approximately HK$821,000 has been transferred from share option reserve to the share premium account.

(iii) Pursuant to the sales and purchase agreement dated 15 December 2016 in relation to the acquisition of the entire equity interest in Chengxin Finance, the Company had issued 31,250,000 new shares at a market price of HK$0.45 at the date of issuance for settlement of the partial of the consideration. The fair value of issued shares of HK$14,063,000 over the nominal value of HK$313,000 was credited to the share premium account. Further details are set out in the announcements of the Company dated 15 December 2016 and 29 December 2016.

All the shares issued during the year ended 31 March 2017 rank pari passu with the then existing shares in all respects.

35. Financial Guarantee Contract

As at 31 March 2017, a subsidiary of the Tiger Global Group issued corporate financial guarantees of an aggregate amount of HK$9,100,000 to a bank in respect of banking facilities granted to an associate of Tiger Global Group. The Group has not recognised any fair value in respect of the guarantees at initial recognition as the Directors considered that it was not probable that the repayments of the borrowings from the associate would be in default. The Group no longer has the corporate financial guarantee upon the completion of the disposal of Tiger Global Group (Note 12).

36. Interests in Subsidiaries and Amounts with Subsidiaries

As at 31 March 2018, the Company has direct/indirect interests in the following principal subsidiaries, all of which are private companies. Particulars of the subsidiaries as at 31 March 2018 and 2017 are set out below:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ paid up capital	Attributable equity interest held by the Group as at 31 March		Principal activities and place of operation
			2018	2017	
			%	%	
Greenstar Enviro-Tech Investments Company Limited*	BVI 12 January 2010	USD40,000	100	100	Investment holding
Two-Two-Free	Macau 5 February 2004	MOP$100,000	100	100	Trading of hygienic disposable products in Macau
Ramber (Note (i))	Hong Kong 16 June 1989	HK$2	–	100	Investment holding
Tary (Note (i))	Hong Kong 14 March 1986	HK$1,000,000	–	100	Investment holding
Nupoly Medical Supply Development Co. Limited	Hong Kong 25 March 2010	HK$1	100	100	Investment holding
惠州市駿洋塑膠有限公司# Huizhou Junyang**# (Note (i))	The PRC 24 October 2000	USD5,000,000	–	100	Manufacturing of hygienic disposables products in the PRC
S&J	United Kingdom 19 January 2006	GBP100	100	100	Wholesale and retail of household consumables in United Kingdom
Bright Rising Holdings Limited*	BVI 3 May 2012	USD1	100	100	Investment holding
Bright Rising Enterprise Limited	Hong Kong 15 May 2012	HK$10,000	100	100	Provision of management services in Hong Kong
Star Fantasy International Limited*	BVI 2 January 2013	USD1	100	100	Investment holding
Golden Star Group Holdings Limited*	BVI 26 April 2013	USD1	100	100	Investment holding

36. Interests in Subsidiaries and Amounts with Subsidiaries *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ paid up capital	Attributable equity interest held by the Group as at 31 March		Principal activities and place of operation
			2018	2017	
			%	%	
China Coal	BVI 14 December 2012	USD1	100	100	Investment holding
China Coal Alliances Trading Company Limited	Hong Kong 24 December 2012	HK$1,000,000	90	90	Trading of coal products in Hong Kong
Star World International Holdings Limited*	BVI 19 December 2014	USD1	100	100	Investment holding
Star Guardian Holdings Limited*	BVI 29 August 2014	USD1	100	100	Investment holding
Tiger Global (Note (i))	BVI 15 July 2014	USD150	–	100	Investment holding
Cosi Moda International Limited (Note (i))	Hong Kong 29 June 2011	HK$100,000	–	100	Retail of jewelries and watches in Hong Kong
Virtual Garden Investments Limited*	BVI 28 July 2014	USD1	100	100	Investment holding
DigiSmart (Group) Limited	BVI 10 December 2012	USD11,000	100	100	Investment holding
Sino Digital Media (Overseas) Limited	BVI 28 November 2008	USD200	100	100	Provision of digital technology services in Macau
i-Craftsmen Limited	Hong Kong 30 September 2008	HK$1,000,000	100	100	Provision of digital technology services in Hong Kong
博穎創意（北京）科技有限公司# DigiSmart Creations (Beijing) Technology Limited**#	The PRC 2 May 2013	HK$1,001,000	100	100	Provision of digital technology services in the PRC
Start Bright Limited	BVI 30 August 2007	USD200	100	100	Investment holding
Huge Step Management Limited	BVI 16 July 2007	USD100	100	100	Investment holding

36. Interests in Subsidiaries and Amounts with Subsidiaries *(Continued)*

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ paid up capital	Attributable equity interest held by the Group as at 31 March		Principal activities and place of operation
			2018 %	2017 %	
Smart Education Company Limited	Hong Kong 9 October 2007	HK$100	100	100	Provision of education services in Hong Kong
聰穎教育諮詢服務（深圳）有限公司# Smart Education Consulting Services (Shenzhen) Company Limited**#	The PRC 5 June 2014	USD50,000	100	100	Provision of education services in the PRC
STAR GRACE INC LIMITED	Hong Kong 19 October 2016	HK$1	100	100	Investment holding
Bright World Group Holdings Limited*	BVI 9 January 2015	USD1	100	100	Investment holding
Chengxin Finance	Hong Kong 19 September 2007	HK$17,858,240	100	100	Provision of money lending services in Hong Kong
Bright Tree Holdings Limited* ##	BVI 9 January 2015	USD1	100	100	Investment holding

* The subsidiary is directly owned by the Company.

** English translated name is for identification purpose only.

\# The subsidiaries are wholly-owned foreign enterprise.

\## The subsidiary is applying striking-off during the year. Up to the approval of these consolidated financial statements, the striking-off process has not yet completed.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had any debt security outstanding at the end of the reporting period or at any time during the year.

37. Share-Based Payment Transactions

The Company operates an equity-settled, share-based compensation plan for the purpose of providing incentives and rewards to eligible participants for their contribution to the success of the Group's operations.

Pursuant to this objective, an ordinary resolution was passed at the annual general meeting of the Company held on 26 February 2015 for approval of adoption of a share option scheme (the "Share Option Scheme"). The life of the Share Option Scheme is 10 years from the date of adoption, after which no further options will be granted but the provisions of the Share Option Scheme shall remain in force with respect to options granted. The exercise price, vesting period, the exercisable period and the number of shares subject to each option will be determined by the Board at the time of grant.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 30% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the 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 or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director 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 and 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.

The offer of a grant of share options may be accepted within the date specified in the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors of the Company, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of the grant of the share options or the expiry date of the Share Option Scheme, if earlier.

Under the Scheme, on 29 August 2016, a total of 57,900,000 shares options were granted, of which 37,400,000 shares options and 20,500,000 shares options were granted to the directors and certain employees of the Group respectively, at a cash consideration of HK$1 per grantee which entitle the grantees to subscribe for new ordinary shares of the Company at an exercise price of HK$0.48 per share. The vesting period for the option is immediate from the date of grant.

37. Share-Based Payment Transactions *(Continued)*

(a) The terms and conditions of the share options that existed as at 31 March 2018 are as follows:

Date of grant	Vesting period	Exercise period	Contractual exercise price	Contractual life of option	Number of outstanding options At 31 March 2018	At 31 March 2017
Option granted to Directors						
29 August 2016	Immediately from the date of grant	29 August 2016 to 28 August 2019	HK$0.48	3 years	**22,400,000 (Note)**	32,400,000
Option granted to employees						
29 August 2016	Immediately from the date of grant	29 August 2016 to 28 August 2019	HK$0.48	3 years	**30,100,000 (Note)**	20,100,000

Note: Ms. Yick Mi Ching, Dawnibilly, resigned as an executive director with effect from 1 December 2017 and remains as an employee of the Group. Her outstanding options of 10,000,000 options were reallocated from option granted to Directors to option granted to employees.

As at 31 March 2018, the Company had 52,500,000 (2017: 52,500,000) share options outstanding under the Scheme, which represented approximately 2.21% (2017: 2.21%) of the Company's shares in issue as at that date.

The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 52,500,000 (2017: 52,500,000) additional ordinary shares of the Company and additional share capital of HK$525,000 (2017: HK$525,000) and share premium of HK$24,675,000 (2017: HK$24,675,000) (before deducting any issue expenses).

(b) The number and weighted average exercise price of share options are as follows:

	31 March 2018		31 March 2017	
	Weighted average exercise price per share option HK$	**Outstanding options**	Weighted average exercise price per share option HK$	Outstanding options
At the beginning of the year	**0.48**	**52,500,000**	N/A	–
Granted (Note (i))	**–**	**–**	0.48	57,900,000
Lapsed (Note (ii))	**–**	**–**	0.48	(400,000)
Exercised	**–**	**–**	0.48	(5,000,000)
At the end of the year	**0.48**	**52,500,000**	0.48	52,500,000

37. Share-Based Payment Transactions *(Continued)*

(b) *(Continued)*

Notes:

(i) The closing price of the Shares as stated in Stock Exchange's daily quotations sheets immediate before 29 August 2016 is HK$0.48 per Share.

(ii) Share options lapsed during the year ended 31 March 2017 was due to resignation of the grantee.

(iii) The fair value of the share options of approximately HK$9,004,000 was calculated using the Binomial Model by Roma Appraisals Limited. The following assumptions were used to calculate the fair value of share options granted at grant date:

Grant date	29 August 2016
Valuation date	29 August 2016
Share price (HK$)	0.48
Exercise price (HK$)	0.48
Exercise volatility	62.537%
Risk-free rate	0.52%
Early exercise multiple	220%–280%
Post vesting exit rate	19.617%–37.710%
Dividend yield	0%
Vesting period	Immediate

The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years.

Yield to maturity in continuous compounding Hong Kong sovereign note with the time to maturity similar to those of the share options is adopted as the risk-free rate.

The options were expected to be exercised when the share price of the underlying security of the options rises to the range of 220% to 280% of the exercise price.

For the past 5 years to the valuation date, no dividend has been declared and paid for the shareholders of the Company. Dividend yield is assumed to be zero in the Binomial Model.

The Group recognised the total expenses of approximately HK$9,004,000 for the year ended 31 March 2017, in relation to the options granted by the Company to Directors and certain employees of the Group in the profit or loss.

(iv) The exercise price of the share options is determinable by the Directors, but may not be less than the highest of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of the offer of grant, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of the grant; and (iii) the nominal value of the Company's shares. The options outstanding at 31 March 2018 have a weighted average remaining contractual life of approximately 1.4 years (2017: 2.4 years).

38. Pledge of Assets

Save for those disclosed elsewhere in these financial statements, details of pledge of assets of the Group are disclosed below. At the end of the reporting period, the Group's credit facilities from financial institutions were secured by the following:

	2018 HK$'000	2017 HK$'000
Property, plant and equipment	–	6,954
Prepaid lease payments	–	3,247
	–	10,201

39. Capital Commitments

At the end of the reporting period, capital commitments outstanding not provided for in the consolidated financial statements are as follows:

	2018 HK$'000	2017 HK$'000
Equity interest in Treasure Profit Limited (Note 25)	109,740	–

40. Operating Lease Commitments

The Group as lessee:

The Group made minimum lease payments of approximately HK$5,099,000 (2017: HK$8,267,000) under operating leases in respect of office premises, director's quarter, car-parking space and warehouse during the year. No contingent rents recognised in profit or loss during the year ended 31 March 2018 (2017: Nil).

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

	2018 HK$'000	2017 HK$'000
Within one year	2,759	4,391
In the second to fifth years, inclusive	3,272	4,076
	6,031	8,467

The Group leases properties under non-cancellable operating lease agreement. The lease terms are between 19 months to 5 years (2017: 19 months to 5 years). The agreements do not include an extension option.

41. Related Party Disclosures

Save for those disclosed elsewhere in these consolidated financial statements, details of transactions between the Group and other related parties are disclosed below.

(I) Related party transactions

During the year, the Group entered into following transactions with related parties:

Name of related parties	Nature of transactions	2018 HK$'000	2017 HK$'000
廣州帝琴錶帶有限公司 (Note (a))	Purchase of goods	–	512
	Purchase return	–	6,017
Kwan Lun (Note (b))	License fee	–	76
	Purchase of goods	–	6,612
	Financial guarantee income	–	455
北京啟元榮華廣告有限公司 (Note (c))	Services fee	71	1,736

Notes:

(a) The goods are purchased from and purchase returned to a company held by a family member of the director and shareholder of the Group's associate.

(b) The license fee is paid to, financial guarantee income is received from and goods are purchased from the Group's associate.

(c) Services fee paid to a company which director of a subsidiary has direct equity interest.

The Directors are of the opinion that the above related parties transactions were conducted on normal commercial terms and in the ordinary course of business.

(II) Compensation of key management personnel

The remuneration of Directors and other members of key management during the year ended 31 March 2018 was as follows:

	2018 HK$'000	2017 HK$'000
Fees, salaries and other allowances	11,881	11,491
Retirement benefit scheme contributions	108	99
Equity-settled share-based payment expenses	–	7,535
	11,989	19,125

(III) Guarantees provided to a related party

At 31 March 2017, the Group issued corporate financial guarantees of an aggregate amount of HK$9,100,000 to a bank in respect of banking facilities granted to an associate of the Group, Kwan Lun.

At 31 March 2018, such corporate financial guarantees were all released after the completion of Tiger Global Disposal during the year ended 31 March 2018 (Note 12).

42. Capital Risk Management

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

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

The management of the Group reviews the capital structure regularly. As part of this review, the management considers the cost and the risks associated with each class of the capital. Based on recommendations of the management, the Group will balance the overall capital structure through the payment of dividends and raising of new capital as well as the issue of debt.

43. Financial Instruments

(a) Categories of financial instruments

	2018 HK$'000	2017 HK$'000
Financial assets		
Loans and receivables (including bank balances and cash), measured at amortised cost	390,219	175,908
Available-for-sale financial assets, measured at fair value	–	156,200
Financial assets at FVTPL, measured at fair value	53,844	–
	444,063	332,108
Financial liabilities		
Financial liabilities, measured at amortised cost	300,368	146,341
Financial liabilities at FVTPL, measured at fair value	18,118	–
	318,486	146,341

(b) Financial risk management objectives and policies

The Group's major financial instruments include loan receivables, contingent consideration receivable, trade and other receivables, bond receivable, financial assets at FVTPL, bank balances and cash, available-for-sale financial asset, trade and other payables, convertible bonds and promissory notes. Details of these financial instruments are disclosed in respective notes. The risks associated with certain of these financial instruments include market risk, credit risk and liquidity risk and the policies on how to mitigate these risks are set out below.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

43. Financial Instruments *(Continued)*

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

Market risk

There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk.

(i) Currency risk

Certain sales transactions of the Group are denominated in foreign currencies, which exposes the Group to foreign currency risk. The Group does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Certain of pledged bank deposit and bank balances and cash are denominated in foreign currencies at the end of the reporting period. The exposure in exchange rate risks mainly arises from fluctuations of USD, RMB and MOP.

As the Group does not have significant exposure to currency risk, the Group's income and operating cash flows are substantially independent of changes in foreign currency rates.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances due to the fluctuation of the prevailing market interest rate. The Directors consider the Group's exposure of the bank balances to cash flow interest rate risk is not significant as the interest rate fluctuation on bank balances is minimal. The Group currently does not have any interest rate hedging policy in relation to interest rate risks. The Directors monitor the Group's exposure on an ongoing basis and will consider hedging interest rate risk should the need arise.

As the Group does not have significant exposure to interest rate risk, the Group's income and operating cash flows are substantially independent of changes in interest rates.

43. Financial Instruments *(Continued)*

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

Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to perform an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

Bank balances are placed in various authorised financial institutions and the Directors consider the credit risk of such authorised financial institutions is low.

The Group has certain concentration risk on loan receivables as it has five (2017: five) customers with outstanding balances of approximately HK$112,091,000 (2017: HK$19,004,000), representing approximately 40% (2017: 70%) of total loan receivables as at 31 March 2018. These top five loan receivables include project investors in the PRC or Hong Kong. The management also performs periodic evaluations and customer visits to ensure the Group's exposure to bad debts is not significant and adequate impairment losses are made for irrecoverable amount. In this regard, the Directors consider that the Group's credit risk associated with loan receivables is significantly reduced.

The Group has concentration of credit risk on top five trade receivables which accounted for 87% (2017: 96%) of the Group's total trade receivables as at 31 March 2018. These top five trade receivables include a state-owned enterprise in the PRC and household consumables products or information technology services companies with good past credit records with the Group. In order to minimise the credit risk, the management has delegated staff responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure follow-up action is taken to recover overdue debts. The management also performs periodic evaluations and customer visits to ensure the Group's exposure to bad debts is not significant and adequate impairment losses are made for irrecoverable amount. In addition, the management aims at broadening the customer base by developing the PRC markets for degradable hygienic disposables and medical products. In this regard, the Directors consider that the Group's credit risk associated with trade receivables is significantly reduced.

43. Financial Instruments *(Continued)*

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the aged repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, for the Convertible Bonds 2019 which contain an early redemption option which can be exercised at the bond holder's sole discretion after the first anniversary of the date of issue (i.e. 11 August 2018), the analysis shows the cash outflow based on the earliest period in which the Group can be required to pay, that is if the bond holder was to exercise the early redemption option.

Liquidity and interest risk table

	Weighted average of contractual interest rate per annum %	Less than 90 days or on demand HK$'000	Over 90 days but within 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2018						
Trade and other payables	–	93,584	–	–	93,584	93,584
Convertible bonds	8	7,934	201,841	–	209,775	206,784
Promissory notes	–	–	–	24,000	24,000	18,118
As at 31 March 2017						
Trade and other payables	–	146,341	–	–	146,341	146,341
Financial guarantee issued						
— Maximum amount guaranteed (Note 47)	–	8,855	–	–	8,855	8,855

The table below summarises the maturity analysis as at 31 March 2018 of the Convertible Bonds 2019 with early redemption option based on the agreed scheduled repayments set out in the convertible bonds agreement. The amounts included interest payments computed using contractual rates. Also, the below analysis shows the undiscounted cash flows with an assumption that the bond holder does not exercise the early redemption option and the conversion option.

	Less than 90 days HK$'000	Over 90 days but within 1 year HK$'000	Over 1 year HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
As at 31 March 2018					
Convertible bonds	7,934	8,066	241,732	257,732	206,784

43. Financial Instruments *(Continued)*

(c) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

44. Fair Value Measurement of Financial Instruments

The table below analyses financial instrument carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
At 31 March 2018				
Assets				
Financial assets at FVTPL				
— Contingent consideration receivable	—	—	1,335	1,335
— Listed equity securities	23,655	—	—	23,655
— Derivative financial instrument	—	—	28,854	28,854
	23,655	—	30,189	53,844
Liabilities				
Financial liabilities at FVTPL				
— Promissory notes	—	—	(18,118)	(18,118)
	23,655	**—**	**12,071**	**35,726**
At 31 March 2017				
Assets				
Available-for-sale financial assets				
— Unlisted equity securities	—	—	156,200	156,200

Fair value estimation

Financial assets at FVTPL — Contingent consideration receivable

The fair value of the contingent consideration receivable was estimated by applying Monte-Carlo Simulator Analysis. The expected volatility and normalised net profit of Hainan Huasheng applied to estimate the fair value is 11.54% and RMB49,452,000 respectively. Should the expected volatility increase or decrease by 3%, the fair value of contingent consideration receivable would be increased by approximately HK$95,000 or decreased by approximately HK$134,000. Should the normalised net profit increase or decrease by 3%, the fair value of contingent consideration receivable would be decreased by approximately HK$542,000 or increased by approximately HK$784,000.

44. Fair Value Measurement of Financial Instruments *(Continued)*

Fair value estimation *(Continued)*

Financial assets at FVTPL — Listed equity securities

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of each reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

Financial assets at FVTPL — Derivative financial instrument

The fair value of the derivative financial instrument was estimated by applying Monte-Carlo Simulator Analysis. The expected volatility and normalised net profit of Hainan Huasheng applied to estimate the fair value is 11.54% and RMB49,452,000 respectively. Should the expected volatility increase or decrease by 3%, the fair value of derivative financial instrument would be increased by approximately HK$358,000 or decreased by approximately HK$385,000. Should the normalised net profit increase or decrease by 3%, the fair value of derivative financial instrument would be increased by approximately HK$8,889,000 or decreased by approximately HK$7,689,000.

Financial liabilities at FVTPL — Promissory notes

The fair value of the promissory notes was estimated by discounting the principal amount of HK$24,000,000 by effective interest rate of 16.13% per annum. Should the effective interest rate increase or decrease by 1%, the fair value of the promissory notes would be decreased by approximately HK$289,000 or increased by approximately HK$298,000.

Available-for-sale financial assets — 10% equity interest in Goldbell

The fair value of the available-for-sale financial assets — 10% equity interest in Goldbell, unlisted equity securities, was determined based on income approach using a cash flow projection according to the financial budgets approved by the management for next 5 years, and adjusted for the lack of control and lack of marketability. The post-tax discount rate applied to discount the forecast cash flow was 12.86%. The discounts for lack of control and lack of marketability were 22.00% and zero respectively. Should the discount rate increase or decrease by 1%, the fair value of 10% equity interest in Goldbell would be decreased or increased by approximately HK$4,600,000 to HK$4,900,000. Should the discounts for lack of control and lack of marketability increase or decrease by 10% respectively, the fair value of 10% equity interest in Goldbell would be decreased or increased by approximately HK$20,000,000 to HK$20,100,000.

44. Fair Value Measurement of Financial Instruments *(Continued)*

The movements during the year in the balance of Level 3 fair value measurement is as follows:

	Available-for-sale financial asset HK$'000	Contingent consideration receivable HK$'000	Derivative financial instrument HK$'000	Promissory notes HK$'000	Total HK$'000
At 1 April 2016	154,000	–	–	–	154,000
Total gains					
– included in other comprehensive income	2,200	–	–	–	2,200
At 31 March 2017	156,200	–	–	–	156,200
Disposal of available-for-sale financial asset during the year	(156,200)	–	–	–	(156,200)
Arising from acquisition of interests in associates (Note 20)	–	3,189	17,115	(17,795)	2,509
Total (losses) gains					
– included in profit or loss (included in other gains and losses)	–	(1,854)	11,739	(323)	9,562
At 31 March 2018	–	1,335	28,854	(18,118)	12,071

During the year ended 31 March 2018, there was no transfer between Level 1 and Level 2, or transfer into or out of Level 3 (2017: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

45. Acquisition of a Subsidiary

On 29 December 2016, the Group acquired the entire equity interest of Chengxin Finance, with a nominal consideration of HK$50,000,000 of which HK$35,000,000 was settled in cash and HK$15,000,000 was settled by the Company's issue of 31,250,000 new shares of the Company credited as fully paid (the "Consideration Shares"). The acquisition provides an excellent platform for the Group to expand, to explore and to capitalise in the new market of the money lending business services.

In addition, as part of the acquisition, if the actual audited net profit before taxation of Chengxin Finance for the period from 1 January 2017 to 31 December 2017 and for the period from 1 January 2018 to 31 December 2018 (the "Actual Profit"), is less than HK$5,000,000 for each of the two years ending 31 December 2017 and 2018 (the "Profit Guarantee"), the vendor will compensate the Group for the shortfall on a dollar for dollar basis for an amount equivalent to the difference between the Profit Guarantee and the Actual Profit multiplied by 10 times. The possible range of face value of this contingent consideration receivable is between nil to HK$50,000,000. The Directors are in the opinion that the value of the Profit Guarantee was insignificant at the acquisition date and 31 March 2017 and 2018.

Further details are set out in the Company's announcements dated 15 December 2016 and 29 December 2016.

45. Acquisition of a Subsidiary *(Continued)*

The following table summarises the consideration paid for the acquisition of Chengxin Finance, and the fair value of assets and liabilities recognised at the acquisition date:

	HK$'000
Consideration	
Cash paid	35,000
Fair value of Consideration Shares	14,063
Total	49,063

	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Loan receivables	23,700
Other receivables and prepayments	799
Bank balances and cash	2,798
Other payables and accruals	(29)
	27,268
Goodwill (Note 18)	21,795
	49,063
Acquisition-related costs (included in administrative expenses)	152
Cash consideration	35,000
Bank balances and cash in subsidiary acquired	(2,798)
Net cash outflow on acquisition	32,202

The acquired business contributed revenue of HK$1,506,000 and net profit of HK$1,042,000 for the period from 29 December 2016 to 31 March 2017. If the acquisition had occurred on 1 April 2016, consolidated revenue and consolidated loss for the year from continuing operations for the year ended 31 March 2017 would have been HK$126,480,000 and HK$143,184,000 respectively.

46. Disposal of subsidiaries

(a) Disposal of Tiger Global Group on 30 June 2017

The disposal of Tiger Global Group was completed on 30 June 2017 (Note 12(a)). Upon completion, Tiger Global ceased to be a subsidiary of the Company and consolidated results, assets and liabilities of Tiger Global Group were ceased to be consolidated with those of the Group.

46. Disposal of subsidiaries *(Continued)*

(a) Disposal of Tiger Global Group on 30 June 2017 *(Continued)*

The net assets of Tiger Global Group as at the date of disposal were as follows:

	HK$'000
Other intangible asset	7,902
Interest in an associate	12,147
Inventories	3,576
Trade and other receivables and prepayments	9,404
Bank balances and cash	19
Other payables and accruals	(127)
Tax payable	(2,142)
Deferred tax liabilities	(1,304)
Net assets disposal of	29,475
Gain on disposal of subsidiaries and an associate	525
Total cash consideration received	30,000
Net cash inflow arising on disposal:	
Cash consideration	30,000
Bank balances and cash disposed of	(19)
	29,981

The gain on the disposal of Tiger Global Group was included in the profit for the year from discontinued operations (Note 12) in the consolidated statement of comprehensive income.

(b) Disposal of Brighten Tree Group on 25 May 2017

The disposal of Brighten Tree Group was completed on 25 May 2017 (Note 12(b)). Upon completion, Brighten Tree Limited ceased to be a subsidiary of the Company and consolidated results, assets and liabilities of Brighten Tree Group were ceased to be consolidated with those of the Group.

46. Disposal of subsidiaries *(Continued)*

(b) Disposal of Brighten Tree Group on 25 May 2017 *(Continued)*

The net assets of Brighten Tree Group as at the date of disposal were as follows:

	HK$'000
Property, plant and equipment (Note 15)	7,747
Prepaid lease payments	5,228
Inventories	6,649
Other receivables and prepayments	13,351
Bank balances and cash	5,668
Trade and other payables and accruals	(743)
Tax payable	(4,928)
Brighten Tree Group Shareholders' Loan	(39,165)
Net liabilities disposal of	(6,193)
Assignment of the Brighten Tree Group Shareholders' Loan	39,165
Reclassification adjustment of exchange reserve on disposal of Brighten Tree Limited	(12,693)
Gain on disposal of subsidiaries	64,721
Total cash consideration received	85,000
Net cash inflow arising on disposal:	
Cash consideration	85,000
Cost directly attributable to the disposal	(12,463)
Bank balances and cash disposed of	(5,668)
	66,869

The gain on the disposal of Brighten Tree Group was included in the profit for the year from discontinued operations (Note 12) in the consolidated statement of comprehensive income.

(c) Disposal of Ramber and Tary Limited

During the year, the Group disposed entire equity interest in Tary Limited and Ramber, dormant companies at the date of disposal, to Mr. Chum Hon Sing, the then executive Director with an aggregate cash consideration of HK$3,000, which approximate the aggregate net asset value of Tary Limited and Ramber. There are no gain or loss on the disposal of these subsidiaries.

47. Contingent liabilities

Financial guarantee issued

As at 31 March 2017, the Group has issued the guarantee to a bank in respect of borrowings made by Kwan Lun, an associate of the Group. Under the guarantee, the Group is liable for a maximum of HK$9,100,000 borrowings of Kwan Lun from the bank. As at 31 March 2017, the Directors do not consider it is probable that a claim will be made against the Group under any of the guarantees. The maximum liability of the Group at 31 March 2017 under the guarantee issued represents the amount drawn down by the associate of approximately HK$8,855,000.

At 31 March 2018, such corporate financial guarantees are all released after the completion of Tiger Global Disposal during the year ended 31 March 2018.

48. Statement of Financial Position of the Company

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

	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS		
Property, plant and equipment	214	401
Interests in subsidiaries	515,859	418,722
	516,073	419,123
CURRENT ASSETS		
Prepayments	848	2,869
Bank balances and cash	40,821	9,248
	41,669	12,117
CURRENT LIABILITIES		
Other payables and accruals	2,247	2,074
Amounts due to subsidiaries	—	77,748
Convertible bonds	206,784	—
	209,031	79,822
NET CURRENT LIABILITIES	(167,362)	(67,705)
TOTAL ASSETS LESS CURRENT LIABILITIES	348,711	351,418
NON-CURRENT LIABILITIES		
Promissory notes	18,118	—
Deferred tax liabilities	573	—
	18,691	—
NET ASSETS	330,020	351,418
CAPITAL AND RESERVES		
Share capital	23,788	23,788
Reserves	306,232	327,630
TOTAL EQUITY	330,020	351,418

The financial statements of the Company were approved and authorised for issue by the Board of Directors on 29 June 2018 and are signed on its behalf by:

Mr. Wong Wai Sing
DIRECTOR

Mr. Jeffrey Wong
DIRECTOR

48. Statement of Financial Position of the Company *(Continued)*

Details of the changes in Company's individual components of reserves between the beginning and the end of the year and set as below:

	Share premium HK$'000	Contributed surplus HK$'000	Convertible bonds equity reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2016	890,519	654	5,947	—	(611,687)	285,433
Loss and total comprehensive income for the year	—	—	—	—	(188,278)	(188,278)
Issue of shares pursuant to open offer (Note 34(i))	216,450	—	—	—	—	216,450
Transaction cost attributable to issue of open offer shares (Note 34(i))	(11,079)	—	—	—	—	(11,079)
Acquisition of a subsidiary (Note 34(iii))	13,750	—	—	—	—	13,750
Recognition to equity-settled share-based payments (Note 37)	—	—	—	9,004	—	9,004
Issue of shares upon exercise of share options (Note 34(ii))	3,171	—	—	(821)	—	2,350
Lapse of share options (Note 37)	—	—	—	(56)	56	—
Transfer to accumulated losses upon redemption of convertible bonds (Note 31)	—	—	(5,947)	—	5,947	—
Transactions with owners	222,292	—	(5,947)	8,127	6,003	230,475
At 31 March 2017	1,112,811	654	—	8,127	(793,962)	327,630
Loss and total comprehensive income for the year	—	—	—	—	(28,525)	(28,525)
Issue of convertible bonds (Note 31)	—	—	7,127	—	—	7,127
Transaction with owners	—	—	7,127	—	—	7,127
At 31 March 2018	1,112,811	654	7,127	8,127	(822,487)	306,232

Financial Summary

Results

	Year ended 31 March				
	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Continuing and discontinued operations					
Revenue	**127,795**	122,465	249,629	550,237	581,271
Profit (loss) for the year	**14,265**	(193,281)	(292,725)	(259,125)	(137,428)
Total comprehensive income for the year attributable to owners of the Company	**5,834**	(189,169)	(300,941)	(252,409)	(134,399)

Assets and Liabilities

	As at 31 March				
	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000	2014 HK$'000
Total assets	**719,335**	538,917	623,711	1,161,296	627,135
Total liabilities	**(342,363)**	(174,495)	(312,132)	(553,004)	(237,189)
Net assets	**376,972**	364,422	311,579	608,292	389,946