金榜集團控股有限公司

GOLDBOND GROUP HOLDINGS LIMITED

Annual Report 2017/18

(A company incorporated in Hong Kong with limited liability)

Stock Code: 00172

This annual report is printed on environmentally friendly paper

Contents

This annual report is printed on soy ink.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Wang Jun *(Chairman)*
Mr. Wong Yu Lung, Charles
(Deputy Chairman)
Mr. Ding Chung Keung, Vincent
(Chief Executive Officer)
Ms. Wong, Michelle Yatyee

Independent non-executive Directors

Mr. Ma Ho Fai GBS JP
Mr. Cheng Yuk Wo
Mr. Ng Chi Keung MH

AUDIT COMMITTEE

Mr. Cheng Yuk Wo *(Chairman)*
Mr. Ma Ho Fai GBS JP
Mr. Ng Chi Keung MH

REMUNERATION COMMITTEE

Mr. Cheng Yuk Wo (*Chairman)*
Mr. Ma Ho Fai GBS JP
Mr. Ding Chung Keung, Vincent

NOMINATION COMMITTEE

Mr. Ng Chi Keung MH *(Chairman)*
Mr. Cheng Yuk Wo
Mr. Ding Chung Keung, Vincent

SECRETARY

Ms. Li Yu Lian, Kelly

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

STOCK CODE

00172

REGISTERED OFFICE

Unit 3901, 39/F
Tower One, Lippo Centre
89 Queensway
Hong Kong

SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–16
17th Floor
Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISER

Iu, Lai & Li

PRINCIPAL BANKERS

Bank of Communications Co., Ltd., Hong Kong Branch
China Construction Bank (Asia) Corporation Limited
China CITIC Bank International Limited
China Everbright Bank Co., Ltd., Hong Kong Branch
Hang Seng Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited

WEBSITES

http://www.goldbondgroup.com
http://www.irasia.com/listco/hk/goldbondgroup/

As at 31 March 2018

Goldbond Group Holdings Limited

Core Business
- Financing Service
- Factoring Service
- Trading

Real Estate Fund
- Allied Golden Capital Fund I (Cayman) Company Limited

Investments
- China Rongzhong Financial Holdings Company Limited
  • Main Board (Stock code: 03963)
- Rongzhong Group Limited

The Group's principal subsidiaries are listed on page 118.

Five-year Financial Summary

RESULTS

	Year ended 31 March				
	2018 HK$ Million	2017 HK$ Million	2016 HK$ Million	2015 HK$ Million	2014 HK$ Million
Revenue	**263.1**	81.4	48.4	67.3	115.4
(Loss) profit before taxation	**(305.1)**	(1,409.4)	124.6	117.2	150.5
Taxation	**(2.5)**	(13.4)	(0.1)	1.0	(5.6)
(Loss) profit for the year	**(307.6)**	(1,422.8)	124.5	118.2	144.9
Other comprehensive income (expense)	**70.3**	(119.3)	(103.5)	–	43.6
Total comprehensive (expense) income for the year	**(237.3)**	(1,542.1)	21.0	118.2	188.5
(Loss) profit for the year attributable to:					
Owners of the Company	**(307.6)**	(1,422.8)	124.5	118.2	135.7
Non-controlling interests	**–**	–	–	–	9.2
	(307.6)	(1,422.8)	124.5	118.2	144.9
Total comprehensive (expense) income for the year attributable to:					
Owners of the Company	**(237.3)**	(1,542.1)	21.0	118.2	173.6
Non-controlling interests	**–**	–	–	–	14.9
	(237.3)	(1,542.1)	21.0	118.2	188.5
Dividend per share (HK cents)	**–**	–	1.5	1.5	1.5

ASSETS AND LIABILITIES

	As at 31 March				
	2018 HK$ Million	2017 HK$ Million	2016 HK$ Million	2015 HK$ Million	2014 HK$ Million
Total assets	**706.5**	790.7	2,668.9	2,742.1	2,610.5
Total liabilities	**(195.4)**	(45.4)	(344.3)	(408.8)	(358.2)
Equity attributable to owners of the Company	**511.1**	745.3	2,324.6	2,333.3	2,252.3
Net asset value per share (HK cents)	**18.5**	27.0	84.2	85.0	82.1

On behalf of the board of Directors (the "Board") of Goldbond Group Holdings Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2018 (the "Year").

For the year under review, the Group continued to principally engage in provision of financing services and trading of goods. The Group's revenue increased significantly by over 2.2 times to HK$263.1 million for the Year (2017: HK$81.4 million) that was largely due to the increase in income contributed by the trading operation.

The Group reported a loss attributable to owners of the Company of HK$307.6 million, a significant decrease as compared to the year ended 31 March 2017. The improvement in the loss position was mainly attributable to the net effect of a decrease in share of loss of a joint venture, a decrease in impairment, net of gain, on interest in the joint venture; and an increase in impairment losses on advances provided to customers.

Having gone through a challenging year, the business environment of the Group has shown signs of stabilisation in 2017. The Group's trading and factoring businesses have delivered encouraging results for the current year and contribute a stable and favorable income stream to the Group. The management will continue to develop the business under prudent credit management and to explore new opportunities to further improve the financial performance of the Group.

Looking ahead, the Group will focus on building an asset portfolio with good balance of recurring income streams and growth opportunities, and adopt measures to enhance operational efficiencies and financial performance of the Group.

Finally, on behalf of the Board and our management team, I would like to thank all shareholders, business partners and customers for their continued support.

Wong Yu Lung, Charles
Deputy Chairman

Hong Kong, 27 June 2018

Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 31 March 2018, the Group continued to principally engage in the provision of financing services and trading of goods in Hong Kong and the People's Republic of China ("China") and holds interests in a joint venture and associates. The Group, headquartered in Hong Kong, has office in Shanghai, Nanjing and Yancheng, forming a good client service network.

Core Business

Factoring

The Group's factoring business is conducted through Jiangsu Goldbond Factoring Co., Ltd., a wholly-owned subsidiary of the Company.

The Group provides customers with funds secured by, amongst others, their accounts receivable, and offers them accounts receivable management services, which include review of documents relating to the accounts receivable, collection of the accounts receivable, and reports regularly to customers on matters concerning their accounts receivable. In return, the Group receives interest income as well as professional fees for the services rendered.

The factoring business has recorded satisfactory results since its commencement of business, with a focus on account receivables due by large state-owned enterprises or listed companies. Before granting loans to potential customers, the Group assesses the potential borrower's credit quality and defines the credit limits granted to the borrowers. The credit limits attributed to the borrowers are reviewed by the management regularly. During the year under review, there was no default in repayments from borrowers and no impairment loss was recognised against advances provided to customers.

During the year ended 31 March 2018, the factoring service segment realised revenue of HK$13.6 million (2017: HK$15.4 million). The segment result for the factoring service amounted to HK$9.4 million (2017: HK$12.5 million). For details of operating segment information, please refer to Note 6 to the consolidated financial statements.

Trading

The Group's trading business is conducted through Shanghai Goldbond Trading Company Limited ("Shanghai Goldbond"), a wholly-owned subsidiary of the Company.

The Group's products traded are mainly chemical products which are essential to the manufacturing of polyester fibers and antifreeze formulations. The operation recorded a remarkable growth in revenue by over 4.3 times to HK$245.5 million (2017: HK$56.7 million), and a profit of HK$3.7 million in contrast to the loss of HK$0.3 million reported in the prior year. The significant increases in revenue and profit of the operation were principally due to the increase in volume of chemical products transacted during the year, which was in turn resulting from the improvement of sentiments of chemical markets in general, as well as the management's successful efforts in business expansion and securing more banking facilities. The Group also seeks to minimise credit risk by assigning a maximum credit limit for the customer and maintain strict control over its outstanding receivables.

Shanghai Goldbond normally settles payables for its purchase by bank acceptance bills in six months, while it generally allows credit period of 60 days for its customers. During the Year, Shanghai Goldbond subscribed several principal-protected and floating income structured deposits by utilising settlement time gap to earn extra interest income.

The Group will continue to develop the trading business of the Company, and will look for potential suppliers and/or customers for trading of other products and commodities in the context of diversification. The Board expects that the trading business will enable the Group to expand its business network and market reach which may bring synergy effect to the Group's other businesses e.g. factoring.

BUSINESS REVIEW (continued)

Core Business (continued)

Financing

Small loan financing

The Group engages in small loan financing business through Yancheng Goldbond Technology Small Loan Company Limited ("Yancheng Goldbond"), established in Yancheng, Jiangsu Province, China. Yancheng Goldbond offers short-term loan financing services, loan guarantee services, direct investment and other services approved by the provincial government, to small and medium-sized enterprises ("SMEs") and individuals in Yancheng.

In view of the slow-down of the economy in third-tier cities like Yancheng, the Group adjusted its operating strategy. Over the last couple of years, the Group prudently promoted the small loan financing business among high quality customers to ensure that the newly released loans were more effectively safeguarded. The revenue from the small loan financing business further dropped as no new small loan agreements have been concluded during the Year. The Group decided to reduce the investment in the small loan financing and has been implementing capital reduction of Yancheng Goldbond. As at 31 March 2018, capital reduction of US$14.7 million has been completed. Financial resources have been diverted to other businesses with better growth potential, such as factoring and trading.

Loan to Yong Hua International Ltd. ("Yong Hua")

Pursuant to the ("Loan Agreement") dated 18 April 2016 made between Solomon Glory Limited, a wholly-owned subsidiary of the Company ("Solomon Glory"), as lender and Yong Hua, as borrower, Solomon Glory has granted a term loan facility in the principal amount of HK$128.8 million to Yong Hua. Mr. Xie Xiaoqing ("Mr. Xie"), who is the sole beneficial owner of the entire issued shares of Yong Hua, has executed a personal guarantee dated 18 April 2016 (the "Guarantee") in favour of Solomon Glory to guarantee the due observance and performance of the obligations of Yong Hua under the Loan Agreement. The maturity date for full repayment of the loan and all interest accrued thereon under the Loan Agreement is 28 April 2019. Details of the Loan Agreement were disclosed in the announcement of the Company dated 18 April 2016.

It has recently come to the attention of the Group that a creditor of Yong Hua has commenced legal action in the Court of First Instance of the High Court of Hong Kong (case no. HCA645/2018) against Yong Hua and Mr. Xie for the recovery of a debt due and owing under a term loan granted to Yong Hua. The Group also noted that a corporation had commenced legal action in the court of China against, *inter alia*, Mr. Xie regarding disputes over loan agreement(s). The aforesaid constitute events of default under the Loan Agreement.

On 3 May 2018, in accordance with the terms of the Loan Agreement and the Guarantee, Solomon Glory gave respective written notice to: (i) Yong Hua, declaring that the loan, the accrued interest and all sums payable under the Loan Agreement are immediately due and payable, and demanding its immediate repayment/payment of the outstanding sum, failing which Solomon Glory would enforce the security of the Loan Agreement; and (ii) Mr. Xie, demanding his immediate payment of the outstanding sum as guarantor of Yong Hua under the Guarantee.

As Yong Hua and Mr. Xie failed to respond to Solomon Glory's written notice of demand for repayment of the outstanding sum on the due date, Solomon Glory has commenced legal proceedings against them in The Court of First Instance of The High Court of Hong Kong on 28 May 2018 for the recovery of all outstanding amounts (including but not limited to the principal amount and interest accrued thereon) under the Loan Agreement.

The Board, after taking into account (i) currently available information on the financial status of Yong Hua and Mr. Xie, including but not limited to the above-mentioned legal actions in Hong Kong and China, and (ii) search result on the website: http://zxgk.court.gov.cn/ on 27 June 2018 that Mr. Xie was regarded as Dishonest Persons Subject to Enforcement (失信被執行人), considers that the chance of recovering the debt due and owing by them is low. Accordingly, an impairment loss on advances provided to customers of HK$137.3 million was recognised for the Year.

BUSINESS REVIEW (continued)

Investments

Interest in a joint venture: Rongzhong Group Limited ("Rongzhong Group")

Rongzhong Group and its subsidiaries ("Rongzhong Group Companies") are principally engaged in the provision of non-bank financial services, comprising small loan financing, loan guarantee, bill financing and financial consulting services to SMEs and individuals in various cities in China.

With the slowdown in economic growth in China, Rongzhong Group Companies, like many corporations in the industry, experience a significant increase in interest or principal payment defaults and extension applications by their customers. The quality of loan portfolio of Rongzhong Group Companies significantly declined. The impairment loss on accounts receivable and advances provided to customers of Rongzhong Group Companies amounted to HK$411.7 million for the Year (2017: HK$2,910.3 million). As a result of the above, Rongzhong Group incurred net loss attributable to the owners of the company of HK$169.6 million for the Year (2017: HK$2,494.8 million). The Group's share of loss of a joint venture was HK$67.8 million (2017: HK$999.5 million) of which HK$2.9 million (2017: HK$999.5 million) was recognised in the consolidated statement of profit or loss for the year. Share of loss of joint venture amounting to HK$64.9 million (2017: nil) was not recognised by the Group as such loss exceeded the Group's interest in the joint venture. The carrying amount of the Group's interest in Rongzhong Group Companies was zero as at 31 March 2018.

The Board considered that the operating environment for Rongzhong Group Companies is expected to remain extremely difficult as the liquidity pressure on Rongzhong Group Companies will relieve only upon the successful recovery of outstanding loans.

Interest in an associate: China Rongzhong Financial Holdings Company Limited ("China Rongzhong") (Stock code: 03963)

China Rongzhong and its subsidiaries ("China Rongzhong Group"), primarily engages in finance leasing business through Rongzhong International Financial Leasing Co., Ltd., which provides finance lease services to customers in various key industries mainly in Hubei Province. On 28 January 2016, the shares of China Rongzhong were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Listing"). Upon Listing, the Group's interest in China Rongzhong has been diluted from 47.94% to 34.86% and China Rongzhong became an associate (previously a joint venture) of the Group.

The revenue of China Rongzhong Group for the Year was HK$128.5 million (2017: HK$183.7 million), which decreased by HK$55.2 million or 30% compared to previous year. This was mainly the result of the decrease in interest-earning finance lease portfolio.

China Rongzhong Group experienced higher level of impairment loss on its finance lease receivables in the amount of HK$398.9 million for the Year (2017: HK$333.6 million) as the quality of its finance lease portfolio declined and the majority of its finance lease receivables were past due. As a result, China Rongzhong Group reported a net loss attributable to the owners of the company of HK$352.5 million (2017: HK$277.2 million). The Group's share of loss of China Rongzhong Group for the Year was HK$122.9 million (2017: HK$96.6 million).

The annual report of China Rongzhong Group is available for viewing and downloading from the website of the Stock Exchange at http://www.hkexnews.hk and the website of China Rongzhong at http://www.chinarzfh.com.

BUSINESS REVIEW (continued)

Investments (continued)

Interest in an associate: China Rongzhong Financial Holdings Company Limited ("China Rongzhong") (Stock code: 03963) (continued)

The Board considered that the operating environment for China Rongzhong Group is expected to remain challenging. The Board carried out impairment reviews on the carrying amount of the investment in China Rongzhong as at 30 September 2017 and 31 March 2018 by comparing the recoverable amount estimated using higher of fair value less costs of disposal and value in use with the carrying amount of the investment in China Rongzhong. Fair value less costs of disposal, measured using the quoted price for China Rongzhong listed shares on Hong Kong Exchanges and Clearing Limited as at 29 September 2017 and 29 March 2018, was approximately HK$123.7 million and HK$138.1 million, respectively (31 March 2017: HK$185.5 million). In determining the value in use of the investment as at 30 September 2017 and 31 March 2018, the Group estimated its share of the present value of the estimated future cash flows expected to be generated by the associate, including cash flows from the operations of the associate and the estimated terminal value at a discount rate of 20.7% and 23.4%, respectively (31 March 2017: 19.0%). Based on the assessment, as at 30 September 2017, the recoverable amount of China Rongzhong based on fair value less costs of disposal amounted to HK$123.7 million is lower than its carrying amount. Hence, an impairment loss of HK$7.2 million on the interest in China Rongzhong was recognised in profit or loss in the consolidated statement of profit or loss and other comprehensive income. As at 31 March 2018, the recoverable amount of China Rongzhong based on fair value less costs of disposal amounted to HK$138.1 million (2017: HK$185.5 million) is higher than its carrying amount. However, given that the indications of impairment loss recognised in prior years still existed as at 31 March 2018, no reversal of impairment had been recognised.

As at 27 June 2018, market value of the Group's listed investments in China Rongzhong, based on quoted market price was approximately HK$105.0 million.

Interests in associates: Goldbond Capital Investments Limited and Allied Golden Capital Fund I (Cayman) Company Limited

In order to capture and benefit from the opportunities in the real estate markets in the developed countries and leverage on the Board's expertise, the Group participates in a real estate fund and holds a significant interest in the manager of such fund (details as disclosed in the circular of the Company dated 23 June 2015). The manager successfully completed the first real estate investment in California of the United States in June 2017. It is expected that the income source of the Group will become more diversified and the Group has stronger capability to resist fluctuation in single product market.

Future Development of Business

A discussion on the Group's future business development is set out in "Chairman's Statement" on page 5 of the annual report.

FINANCIAL REVIEW

Revenue

The Group realised revenue for the Year of HK$263.1 million, representing an increase of HK$181.7 million as compared to previous Year. The increase was mainly contributed by the revenue derived from the trading business of the Group of HK$245.5 million (2017: HK$56.7 million).

Staff costs

Staff costs of the Group amounted to HK$19.3 million, which decreased by HK$1.0 million or 5% compared to previous year. Such decrease is mainly attributable to the decrease in share option expenses.

Other operating expenses

Other operating expenses were HK$42.1 million, which increased by HK$29.0 million compared to previous year. The increase was mainly attributable to the increase in net exchange loss by HK$27.3 million as a result of the depreciation of Hong Kong dollar against Renminbi (“RMB”).

Impairment losses on advances provided to customers

Impairment losses on advances provided to customers amounted to HK$137.3 million, which increased by HK$126.2 million compared to previous year. Such increase is mainly attributable to the provision made for loan to Yong Hua of HK$136.2 million.

Impairment loss on interest in an associate

An impairment loss on the interest in China Rongzhong of HK$7.2 million (2017: HK$20.7 million) was recognized in profit or loss in the consolidated statement of profit or loss and other comprehensive income for the Year.

Share of loss of a joint venture

The Group shared loss of a joint venture, Rongzhong Group, of HK$2.9 million for the Year (2017: HK$999.5 million).

Share of loss of associates

Share of loss of associates mainly composed of the share of loss of China Rongzhong of HK$122.9 million (2017: HK$96.6 million) and the share of loss of a manager of real estate fund of HK$0.5 million (2017: HK$0.7 million).

Loss for the Year attributable to the owners of the Company

As a result of the foregoing, loss for the Year attributable to the owners of the Company was HK$307.6 million (2017: HK$1,422.8 million).

Other comprehensive income (expenses) for the Year

Other comprehensive income for the Year represented exchange differences arising on translation to presentation currency of HK$70.3 million (2017: other comprehensive expenses of HK$119.3 million).

Liquidity, financial resources and capital structure

The Group always seeks to maintain healthy liquid position and sufficient capital for business development. The Group generally finances its operations through its internal resources. As at 31 March 2018, the aggregate sum of cash, bank balances and short term bank deposits amounted to HK$296.7 million (2017: HK$274.3 million) and there was no bank borrowing. The working capital (current assets less current liabilities) and the total equity of the Group were HK$422.0 million (2017: HK$410.2 million) and HK$511.1 million (2017: HK$745.3 million) respectively. No gearing ratio was calculated as the Group had no debt as at 31 March 2018.

KEY FINANCIAL RATIO

Net asset value per share

	2018	2017
Net asset value per share (HK cents)	**18.5**	27.0

The decrease in the net asset value per share in the Year was mainly contributed by share of loss of China Rongzhong and impairment loss on advances provided to customers, partially offset by other comprehensive income (exchange differences arising from translation to presentation currency).

Charges on group assets

As at 31 March 2018, structured deposits of HK$89.1 million and short term bank deposits with original maturity more than three months of HK$72.2 million were pledged to bank to comply with the deposit requirement for the issuance of bills payable by the Group.

Contingent liabilities

As at 31 March 2018, there was no contingent liability.

Employees and remuneration policy

As at 31 March 2018, the Group had 32 staff located in both Hong Kong and China. The Group remunerates these employees based on their performance, experience and prevailing industry practices. Other benefits include contributions to the statutory mandatory provident fund scheme for employees in Hong Kong and to social insurance and housing provident funds for employees in China. In addition, the Group has set up a share option scheme for the purpose of providing incentives to the eligible directors and employees.

In Hong Kong, the Group participates in the Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance (Cap 485 of the Laws of Hong Kong). The assets of the MPF Scheme are held separately from those of the Group and administered by an independent trustee. Under the MPF Scheme, the Group and its employees are each required to make a contribution to the MPF Scheme at 5% of the employees' relevant monthly income subject to a cap, which is currently set at HK$1,500.

The employees employed by the subsidiaries in China are members of the state-managed retirement benefit schemes operated by the China government. The China subsidiaries are required to contribute a certain percentage of payroll cost to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make specified contributions.

Dividend

The Board did not recommend the payment of dividend for the Year (2017: nil).

Information on Directors

Mr. Wang Jun, aged 77, is the Chairman and executive Director of the Company since April 2007. He was the former Chairman of CITIC Group in Beijing. Mr. Wang graduated from Harbin Engineering Institute in China.

Mr. Wong Yu Lung, Charles, aged 68, is the Deputy Chairman of the Company. He joined the Company in January 2003 and is responsible for corporate strategic planning of the Group. Mr. Wong has over thirty-three years of worldwide experience in the procurement and logistics of consumer products. He is an international entrepreneur of repute and was the president of Pacific Resources Export Limited ("Pacific Resources"). Pacific Resources had been the worldwide exclusive procurement agent for Wal-mart for twelve years until 2002, with annual turnover reaching approximately US$6.5 billion. Throughout his years in operating Pacific Resources and twenty-nine branch offices spreading over the world including the United States of America ("U.S.A."), South America, Central America, Indian Subcontinent, Middle East, Asia and Europe, Mr. Wong has accumulated valuable experience and profound knowledge, in particular, market mechanism and demand, manufacturing industry, financial market, capital investment and asset management.

Mr. Wong is the father of Ms. Wong, Michelle Yatyee, an executive Director of the Company.

As at the date of this report, Mr. Wong is also a director of Ace Solomon Investments Limited, Aceyork Investment Limited, Allied Golden Investment Limited and Allied Luck Trading Limited, all being companies which had interests in the shares of the Company which would fall to be disclosed to the Company under the provisions of the Securities and Futures Ordinance ("substantial shareholders' discloseable interests").

Mr. Ding Chung Keung, Vincent, aged 48, is the Chief Executive Officer of the Company. He joined the Company in January 2004 and oversees all business operations of the Group. He is also a member of the Company's nomination committee. Mr. Ding is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. He has been in the investment, audit and finance industries for more than twenty years. Mr. Ding holds a bachelor degree in business administration from The Chinese University of Hong Kong.

Prior to joining the Company, Mr. Ding was the managing director of Cheung Tai Hong Holdings Limited (now known as ITC Properties Group Limited) and Capital Estate Limited. The issued shares of all the aforesaid companies are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Ms. Wong, Michelle Yatyee, aged 37, an executive Director since February 2007. She graduated from University of Southern California, California, the United States of America with a bachelor degree of arts in political science and holds a juris doctorate in law from Whittier Law School, California, the U.S.A.

Ms. Wong is the daughter of Mr. Wong, the Deputy Chairman of the Company.

As at the date of this report, Ms. Wong is also a director of Ace Solomon Investments Limited, Aceyork Investment Limited, Allied Golden Investment Limited and Allied Luck Trading Limited, all being companies which had substantial shareholders' discloseable interests.

Mr. Ma Ho Fai GBS JP, aged 66, joined the Company as an independent non-executive Director in February 2003. He is a member of both the Company's audit committee and the remuneration committee. Mr. Ma is a partner of Woo, Kwan, Lee & Lo and was admitted as a solicitor in Hong Kong, England and Wales, Australian Capital Territory and Singapore. He is also a China-Appointed Attesting Officer in Hong Kong. In addition, he is a Deputy to the National People's Congress of China and a member of the Yunnan Provincial Committee of the Chinese People Political Consultative Conference. Mr. Ma was appointed as a non-executive director of the Independent Insurance Authority and the Chairman of the Protection of Wages on Insolvency Fund Board. He is currently an independent non-executive director of Asiaray Media Group Limited, a company listed on the Stock Exchange.

Mr. Cheng Yuk Wo, aged 57, joined the Company as an independent non-executive Director in November 2007. He is also the Chairman of both the Company's audit committee and the remuneration committee and a member of the Company's nomination committee. Mr. Cheng is a fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Professional Accountants of Canada. Mr. Cheng holds a Master of Science (Economics) degree in Accounting and Finance and a Bachelor of Arts (Honour) degree in Accounting.

Mr. Cheng is currently an independent non-executive director of Chia Tai Enterprises International Limited, Chong Hing Bank Limited, C.P. Lotus Corporation, CPMC Holdings Limited, CSI Properties Limited, DTXS Silk Road Investment Holdings Company Limited, HKC (Holdings) Limited, Kidsland International Holdings Limited, Liu Chong Hing Investment Limited, Miricor Enterprises Holdings Limited, Somerley Capital Holdings Limited and Top Spring International Holdings Limited, all being companies listed on the Stock Exchange.

Mr. Ng Chi Keung MH, aged 55, was appointed as an independent non-executive Director on 2 December 2011. He is the Chairman of the Company's nomination committee and a member of the Company's audit committee. Mr. Ng holds a Bachelor Degree in Social Sciences from The University of Hong Kong and an Executive Master Degree in Business Administration from The Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

Prior to joining the Company, Mr. Ng had been working in an international accounting firm for 26 years, during which he was admitted as a partner and was in the position of acting as the deputy managing partner for the National Audit function of their practice in China prior to his retirement. Mr. Ng was a past president of the Association of Chartered Certified Accountants and is currently serving as a director of Nano and Advanced Materials Institute Limited, a member of the Innovation and Technology Venture Fund Advisory Committee and a member of Enterprise Support Scheme Assessment Panel under the Innovation and Technology Fund.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders. Save as disclosed below, the Company has applied the principles and complied with all code provisions of the Corporate Governance Code ("CG Code") during the Year as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). In respect of code provision E.1.2 of the CG Code, the Company's Chairman was unable to attend the annual general meeting of the Company held on 15 September 2017 (the "2017 AGM") due to health reason.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

– **Composition of the Board**

Executive Directors	:	Mr. Wang Jun *(Chairman)* Mr. Wong Yu Lung, Charles *(Deputy Chairman)* Mr. Ding Chung Keung, Vincent *(Chief Executive Officer)* Ms. Wong, Michelle Yatyee
Independent Non-executive Directors	:	Mr. Ma Ho Fai GBS JP Mr. Cheng Yuk Wo Mr. Ng Chi Keung MH

Mr. Wong Yu Lung, Charles ("Mr. Wong") is the father of Ms. Wong, Michelle Yatyee ("Ms. Michelle Wong"). Save as disclosed, there is no relationship (including financial, business, family or other material relationship) among members of the Board.

– **Responsibilities of the Board**

The Board is responsible for leadership and control of the Group and be collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. The Board delegates the day-to-day management, administration and operation of the Group to management. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

BOARD OF DIRECTORS (continued)

– **Attendance at Board and General Meeting**

During the Year, a total of four Board meetings and one annual general meeting (i.e. the 2017 AGM) were held and the attendance of each director is set out as follows:

	Number of meetings attended/ held during the Year	
Name of Director during the Year	**Regular Board meetings**	**2017 AGM**
Mr. Wang Jun *(Chairman)*	0/4	0/1
Mr. Wong *(Deputy Chairman)*	4/4	1/1
Mr. Ding Chung Keung, Vincent *(Chief Executive Officer)*	4/4	1/1
Ms. Michelle Wong	4/4	1/1
Mr. Ma Ho Fai GBS JP	4/4	1/1
Mr. Cheng Yuk Wo	4/4	1/1
Mr. Ng Chi Keung MH	4/4	1/1

Though the Chairman was unable to attend the 2017 AGM due to health reason, the Deputy Chairman, the Chief Executive Officer and the auditor had attended the meeting to answer questions at the meeting.

– **Continuing Professional Development**

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has continuously provided relevant materials to the Directors. Directors participated in courses or seminars or read relevant materials relating to roles, functions and duties of a listed company director or further enhancement of their professional development. All Directors had provided the Company their records/confirmations of training for the year under review.

The individual training record of the directors received for the Year is summarized below:

Name of Director during the Year	Attending seminar(s)/ programme(s)/conference(s)/ reading materials relevant to the business or directors' duties
Mr. Wang Jun *(Chairman)*	✓
Mr. Wong *(Deputy Chairman)*	✓
Mr. Ding Chung Keung, Vincent *(Chief Executive Officer)*	✓
Ms. Michelle Wong	✓
Mr. Ma Ho Fai GBS JP	✓
Mr. Cheng Yuk Wo	✓
Mr. Ng Chi Keung MH	✓

BOARD OF DIRECTORS (continued)

– **Continuing Professional Development (continued)**

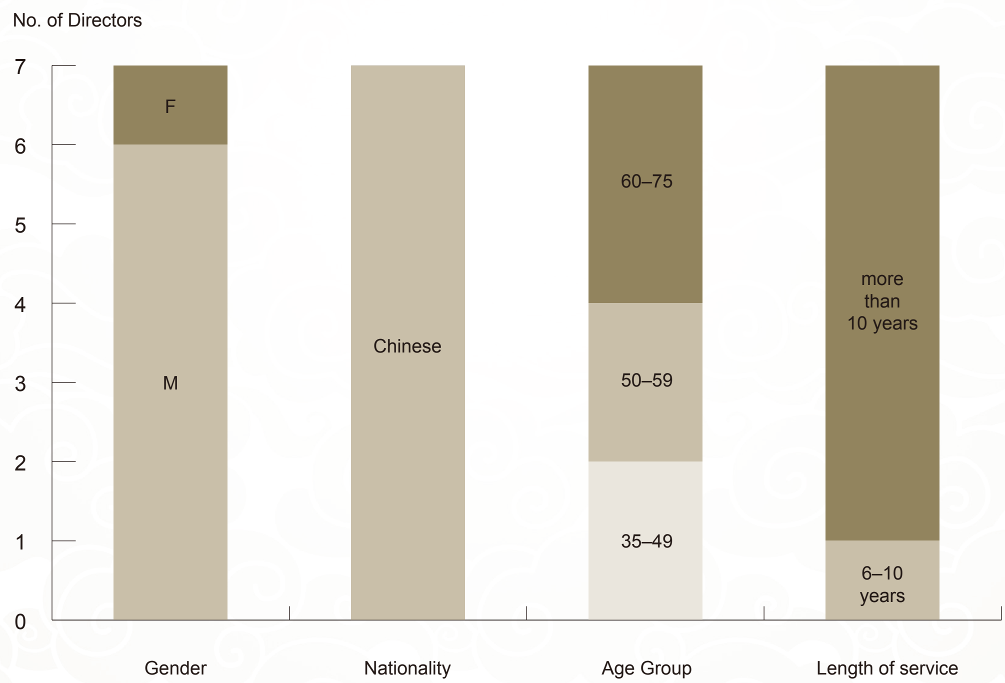
All the Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

The directors and officers are indemnified under a directors' and officers' liability insurance against any liability incurred by them in discharge of their duties while holding office as the directors and officers of the Company. The directors and officers shall not be indemnified where there is any fraud, breach of duty or breach of trust proven against them.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy on 1 September 2013 which sets out the approach to achieve a sustainable and balanced development of the Company and also to enhance the quality of performance of the Company.

The Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.



CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Wang Jun ("Mr. Wang") is the Chairman of the Company and Mr. Ding Chung Keung, Vincent is the Chief Executive Officer of the Company. There is segregation of duties between Chairman and Chief Executive Officer. The segregation of duties ensures balance of power between the Board and the Group's management as well as their independence and accountability.

The Chairman is the leader of the Board and he oversees the Board so that it acts in the best interests of the Group. The Chairman is responsible for deciding the agenda of each Board meeting, taking into account, where appropriate, matters proposed by other directors for inclusion in the agenda. The Chairman has overall responsibility for providing leadership, vision and direction in the development of the business of the Company. During the Year, Mr. Wang was ill. In the absence of the Chairman, the Deputy Chairman, Mr. Wong performed his role and presided at the meetings of the Directors.

The Chief Executive Officer is responsible for the day-to-day management of the business of the Group, attends to formulation and successful implementation of policies, and assumes full accountability to the Board for all operations of the Group. Working with the Chairman and the executive management team of each core business division, he ensures smooth operations and development of the Group. He maintains continuing dialogue with the Chairman and all directors to keep them fully informed of all major business developments and issues. He is also responsible for building and maintaining an effective executive team to support him in his role.

NON-EXECUTIVE DIRECTORS

All independent non-executive Directors are appointed for a specific term which may be extended as each and the Company may agree.

The current articles of association of the Company (the "Articles") provide that at each annual general meeting, one-third of the directors for the time being, or if their number is not a multiple of three then the nearest number to but not less than one-third of the directors, shall retire from office. A retiring director shall be eligible for re-election.

BOARD COMMITTEES

– **Audit Committee**

The audit committee comprises three independent non-executive Directors, namely Mr. Cheng Yuk Wo, Mr. Ma Ho Fai GBS JP and Mr. Ng Chi Keung MH.

The primary duties of the audit committee are to review the interim and annual financial information of the Company and to provide supervision over the financial reporting system and internal control procedure of the Company.

The audit committee convened two meetings during the Year and reviewed the financial results and statements, financial reporting and compliance procedures, review and processes of risk management. The following table sets out the attendance of each member of the audit committee at the audit committee meetings held during the Year:

Name of Director	Attendance/No. of times of audit committee meetings held
Mr. Cheng Yuk Wo *(Chairman)*	2/2
Mr. Ma Ho Fai GBS JP	2/2
Mr. Ng Chi Keung MH	2/2

The audit committee has reviewed the audited results of the Group of the Year and proposed adoption of the same by the Directors.

BOARD COMMITTEES (continued)

– **Remuneration Committee**

The remuneration committee comprises two independent non-executive Directors, namely Mr. Cheng Yuk Wo and Mr. Ma Ho Fai GBS JP and one executive Director, namely Mr. Ding Chung Keung, Vincent.

The primary objectives of the remuneration committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the directors. The remuneration committee is also responsible for establishing formal and transparent procedures for developing such remuneration policy and structure.

The remuneration committee convened one meeting during the Year and reviewed the remuneration package of the Board. The following table sets out the attendance of each member of the remuneration committee at the remuneration committee meetings held during the Year:

Name of Director	Attendance/No. of times of remuneration committee meeting held
Mr. Cheng Yuk Wo *(Chairman)*	1/1
Mr. Ma Ho Fai GBS JP	1/1
Mr. Ding Chung Keung, Vincent	1/1

The remuneration committee made recommendations to the Board on the remuneration packages of individual executive Directors.

– **Nomination Committee**

The nomination committee comprises two independent non-executive Directors, namely Mr. Ng Chi Keung MH and Mr. Cheng Yuk Wo and one executive Director, namely Mr. Ding Chung Keung, Vincent.

The primary objectives of the nomination committee are to review the size, structure and composition of the Board, identify suitably qualified individual for appointment to the Board, assess the independence of independent non-executive Directors and to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

The nomination committee convened one meeting during the Year and reviewed structure, size and composition of the Board. The following table sets out the attendance of each member of the nomination committee at the nomination committee meeting held during the Year:

Name of Director	Attendance/No. of times of nomination committee meeting held
Mr. Ng Chi Keung MH *(Chairman)*	1/1
Mr. Cheng Yuk Wo	1/1
Mr. Ding Chung Keung, Vincent	1/1

BOARD COMMITTEES (continued)

– Corporate Governance Functions

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of directors, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

The Board held meetings from time to time whenever necessary. At least 14 days notice of regular Board meetings is given to all directors and they can include matters for discussion in the agenda as they think fit. The agenda accompanying Board papers are sent to all directors at least 3 days before the date of every Board meeting in order to allow sufficient time for the directors to review the documents.

Minutes of every Board meeting are circulated to all directors for their perusal and comments prior to confirmation of the minutes. The Board also ensures that it is supplied in a timely manner with all necessary information in a form and of a quality appropriate to enable it to discharge its duties.

Every Board member has full access to the advice and services of the company secretary of the Company (the "Company Secretary") with a view to ensuring that Board procedures, and all applicable rules and regulations are followed and they are also entitled to have full access to Board papers and related materials so that they are able to make an informed decision and to discharge their duties and responsibilities.

AUDITOR'S REMUNERATION

During the Year, the Company has appointed Deloitte Touche Tohmatsu ("DTT") as the Company's external auditor. During the Year, the remuneration paid to DTT in relation to the audit and non-audit services are as follows:

	Fee paid HK$'000
Audit services	625
Non-audit services	515

– Director's Responsibilities in Respect of Financial Statements

The directors are responsible for overseeing the preparation of financial statements for each financial period with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. The Company's financial statements are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The directors are responsible for ensuring that appropriate accounting policies are selected and applied consistently; and that the judgment and estimates made are prudent and reasonable.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

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

The Board at least annually conducts a review of the effectiveness of the Company and its subsidiaries' internal control systems. Such review covers all material controls, including financial, operational and compliance controls and risk management functions.

The Company takes the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission of Hong Kong as the Company's basis of identification of inside information, to ensure the timely report of inside information to the executive directors and maintain communication with the Board. Meanwhile, the Company handle and disseminate the inside information according to the related policy to ensure that the inside information is kept confidential before being approved for dissemination and the relevant information will be released effectively and conformably.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 March 2018.

The Group is committed to maintaining and upholding a good internal control system. During the Year, the Company has an internal audit function by engaging an external consultants, CT Partners Consultants Limited, to review the effectiveness of the Group's internal control system on human resources and factoring business. It has reported to the audit committee and the Board and made recommendations for improvement and strengthening of the internal control system. In respect of the reporting year, a review of the effectiveness of the risk management and internal control systems have been conducted and the Board considered them effective and adequate. No significant areas of concern which might affect shareholders were identified.

COMPANY SECRETARY

The Company Secretary, Ms. Li Yu Lian, Kelly has taken no less than 15 hours of relevant professional training during the Year.

COMMUNICATION WITH SHAREHOLDERS

The objective of shareholder communication is to provide our shareholders with detailed information about the Company so that they can exercise their rights as shareholders in an informed manner.

The Company uses a range of communication tools to ensure its shareholders are kept well informed of key business imperatives. These include annual general meeting, annual report, various notices, announcements and circulars.

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its shareholders. The Company shall provide shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Articles and the Listing Rules. The information provided shall be reasonably necessary to enable shareholders to make an informed decision on the proposed resolution(s). At the 2017 AGM, separate resolution was proposed by the chairman of the meeting in respect of each separate issue, including re-election of directors.

SHAREHOLDER’S RIGHTS

– **Procedures for shareholders to convene a general meeting**

Pursuant to Section 566 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “Companies Ordinance”), shareholder(s) representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings of the Company can make a request to call a general meeting.

The request:

(i) must state the general nature of the business to be dealt with at the general meeting;

(ii) may include the text of a resolution that may properly be moved and is intended to be moved at the general meeting;

(iii) may consist of several documents in like form;

(iv) may be sent in hard copy form (to the Company’s registered office, which is situated at Unit 3901, 39/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong for the attention of the Company Secretary) or in electronic form (via email at contact@goldbondgroup.com); and

(v) must be authenticated by the person or persons making it.

SHAREHOLDER'S RIGHTS (continued)

– **Procedures for shareholders to convene a general meeting (continued)**

Pursuant to Section 567 of the Companies Ordinance, Directors must call a general meeting within 21 days after the date on which they become subject to the requirement and the general meeting so called must be held on a date not more than 28 days after the date of the notice convening the general meeting.

Pursuant to Section 568 of the Companies Ordinance, if the Directors do not do so, the shareholders who requested the general meeting, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a general meeting. The general meeting must be called for a date not more than 3 months after the date on which the Directors become subject to the requirement to call a general meeting. The Company must reimburse any reasonable expenses incurred by the shareholders requesting the general meeting by reason of the failure of the Directors duly to call the general meeting.

– **Procedures for shareholders to request circulation of resolution for annual general meeting ("AGM")**

Pursuant to Section 615 of the Companies Ordinance, shareholder(s) can make a request to circulate a notice of a resolution that may properly be moved and is intended to be moved at an AGM. The request must be made by:

(i) shareholder(s) representing at least 2.5% of the total voting rights of all shareholders who have a right to vote on the resolution at the AGM to which the request relates; or

(ii) at least 50 shareholders who have a right to vote on the resolution at the AGM to which the request relates.

The request:

(i) may be sent in hard copy form (to the Company's registered office, which is situated at Unit 3901, 39/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong for the attention of the Company Secretary) or in electronic form (via email at contact@goldbondgroup.com);

(ii) must identify the resolution of which notice is to be given;

(iii) must be authenticated by the person or persons making it; and

(iv) must be received by the Company not later than 6 weeks before the AGM to which the request relates or if later, the time at which notice is given of that AGM.

SHAREHOLDER'S RIGHTS (continued)

– **Procedures to Propose a Person for Election as a Director of the Company**

Pursuant to Article 119 of the Articles, no person other than a Director retiring at the meeting shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose such person for election as a Director, signed by a shareholder (other than the person to be proposed for election as a Director) duly qualified to attend and vote at the meeting for which such notice is given, and a notice in writing signed by such person of his willingness to be elected shall have been lodged at the registered office of the Company. The minimum length of the period during which such notices are given shall be at least seven (7) days and the period for lodgement of such notices shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.

– **Procedures for Sending Enquiries to the Board**

Shareholders may send written enquiries to the Company, for the attention of the Company Secretary, by email: contact@goldbondgroup.com, fax: (852) 2826 9289, or mail to the registered office of the Company.

Shareholders may also make enquiries with the Board at the general meetings of the Company.

INVESTOR RELATIONS

The Company maintains a website at http://www.irasia.com/listco/hk/goldbondgroup/ where information and updates on the list of directors and their roles and functions, constitutional documents, terms of reference of the Board committees, procedures for nomination of directors for election, announcements, circulars and reports released to the Stock Exchange and other information are posted. Information on the Company's designated website will be updated from time to time.

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

SCOPE AND REPORTING PERIOD

This is the second Environmental, Social and Governance ("ESG") report by Goldbond Group Holdings Limited ("the Group"), highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 27 of the Listing Rules.

The principal activities of the Group are (i) provision of factoring services (including the collection and management of account receivables and other related advisory services to small and medium-sized enterprises) in Jiangsu Goldbond Factoring Company Limited, (ii) small loan and micro-financing services in Yancheng Goldbond Technology Small Loan Co., Limited, and (iii) trading of chemical products essential to manufacturing of polyester fibers and anti-freeze formulations in Shanghai Goldbond Trading Company Limited.

This ESG report covers the Group's overall environmental and social performances of the business operations of its offices in (i) Admiralty, Hong Kong, (ii) Nanjing, Jiangsu province of China, (iii) Yancheng, Jiangsu province of China, and (iv) Shanghai of China, from 1 April 2017 to 31 March 2018, unless otherwise stated.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

The Group values input and feedback of its stakeholders as they bring potential impacts to the Group's business. Shareholders, management and employees of the Group have been involved in annual general meetings, staff meetings, stakeholder surveys, daily email and telephone communications to share views regarding the Group's operations and performances. The Group has specifically engaged internal stakeholders to gain further insights on ESG material aspects and challenges through stakeholder surveys in the reporting period. Through meetings and surveys, the Group and its stakeholders identified the following top five material aspects:

- Employment;
- Occupational health and safety;
- Development and training;
- Consumer data protection; and
- Customer service.

STAKEHOLDERS' FEEDBACK

The Group welcomes stakeholders' feedback on our ESG approach and performance. Please give your suggestions or share your views with us via email at contact@goldbondgroup.com.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY

At Goldbond Group Holdings Limited, ESG is viewed as a business philosophy that creates sustainable value for all our stakeholders including but not limited to shareholders, employees, business partners, customers, suppliers, Government bodies and community members. By embracing business opportunities and managing risks derived from environmental, social, and economic developments, our ESG policy defines our long-term approach to specific issues in two cornerstones: Environmental and Social, which is instrumental in enabling our business to operate in a sustainable manner. The Group is committed to the long-term sustainability of our business development and the communities in which we operate.

Environmental

We value the importance of environmental protection and the impact of the environment to the well-being of communities. The Group pursues the following initiatives on the environmental protection policy:

- To give due consideration to environmental issues in our corporate decision-making process and actively minimize the impact of our business operations on the environment.

- To continue to improve our environmental performance and comply with applicable environmental laws and standards.

- To reduce energy consumption and improve energy efficiency, conserve resources, use renewable or recyclable materials, minimize the use of paper and dispose of waste in an environmentally responsible manner.

- To raise staff awareness of environmental issues through education and training and enlist their support in improving our environmental performance.

Social

We consider our staff as valuable wealth of the Group and the foundation for the development of the Group. We also believe in giving back to the communities in which we operate. The following are our policy on social aspects:

- To foster a supportive and quality working environment by upholding employment practices that treat our staff fairly and equally.

- To safeguard the rights and interests of our staff with strict compliance with the applicable laws and will never harm their interests.

- To provide them opportunities for training and development.

- To ensure a healthy and safe workplace and facilitate meaningful communication within the Group.

- To maintain a high standard of integrity, transparency and accountability in our operations, improving our services based on evolving market demands, and promoting sustainable development to our stakeholders.

- To support local initiatives that create effective and lasting benefits to the community through corporate philanthropy and mobilizing our staff to participate in volunteer work.

This Policy shall be communicated to the Group's stakeholders, including but not limited to its employees, shareholders, suppliers, business partners and customers, and made available to the public, in particular the investing public.

The Group is committed to the continual development of this Policy and its integration into the Group's operations and will review this Policy on a regular basis.

A. ENVIRONMENTAL

Types of emission sources the Group involved in the reporting period were mainly petrol and diesel consumed by Group-owned fleet, purchased electricity, disposal of paper to landfill and business air travel. The business does not involve in consumption of packaging materials, production-related air, water, and land pollutions which are regulated under national laws and regulations. With the Group's core businesses in financial services, it does not contribute to significant environmental or natural resources impact comparing to businesses in other sectors. However, the Group strives to minimize its adverse environmental impact from its office operation (mainly direct emission from vehicles and electricity consumption) and established an ESG Policy to ensure that its business is operated in a responsible and sustainable manner.

Total floor area coverage for the Group was 1,942.59 m^2.

1. Greenhouse Gas Emission and Use of Resources

(i) Greenhouse Gas Emissions

Scope of Greenhouse Gas Emissions	Emission Sources	Emission[1] (in tCO_2e)	Total Emission (in %)
Scope 1			
Direct Emission	Unleaded petrol consumed by Group-owned Fleet	20.61	37%
	Diesel oil consumed by Group-owned Fleet	6.69	
Scope 2			
Indirect Emission	Purchased Electricity[2]	34.89	47%
Scope 3			
Other Indirect Emission	Paper Consumption	0.79	16%
	Business Air Travel	11.12	
Total		74.10	100%

Note 1: Emission factors were made reference to Appendix 27 of the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

Note 2: Combined margin emission factor (average) of 0.70 $kgCO_2/kWh$ was used for purchased electricity in Mainland China.

There were 74.10 tonnes of carbon dioxide equivalent ("tCO_2e") greenhouse gases (mainly comprise of carbon dioxide, methane and nitrous oxide) emitted from the Group's operation in the reporting period. The annual emission intensity was 0.04 tCO_2e/m^2, which contributed to a 43% reduction of emission intensity when compared to the last reporting period.

A. ENVIRONMENTAL (continued)

1. Greenhouse Gas Emission and Use of Resources (continued)

(ii) Direct Emission

A total of 7,611.96 litres of petrol and 2,412.15 litres of diesel were used for the Group-owned vehicles in the reporting period, contributing to 0.15 kg of sulphur oxides, 22.39 kg of nitrogen oxides and 2.05 kg of particulate matter.

(iii) Electricity

The electricity consumption by the Group was 45.77 MWh, with an energy intensity of 0.02 MWh/m^2. The Group encourages staff to adopt energy saving measures through reminders, emails and notices. For example, switching off unnecessary lighting and electronic appliances (including printers, computers and monitors), controlling temperature of air conditioners (at or above 26 degrees Celsius) and heater (at or lower than 20 degrees Celsius), and ensuring lighting and electronic appliances are turned off after work. The Group also adopted LED light bulbs in its office and will explore further opportunities to reduce electricity consumption.

(iv) Water

Water consumption of the Group is managed by the building management of the offices and respective data is not available, but it is noteworthy its water consumption is insignificant.

(v) Waste

The Group generates no hazardous waste in its operation. Non-hazardous waste from the Group's operation are mainly office paper. A total of 164.91 kg of paper has been used for daily office operations such as documents printing and deliverables packaging, contributing to an emission of 0.79 tCO_2e.

The Group practices paper saving initiatives, such as adopting duplex printing and printing internal documents with recycling paper. Starting from 2016, the Group has been providing employees with monthly e-Payroll Advice instead of paper forms to reduce paper use at source. Recycling of paper contributed to a reduction of 2.83 tCO_2e emission during the reporting period.

The Group is aware that enormous amount of waste is usually generated after Chinese New Year and the Mid-Autumn Festival. Therefore, staff from the Hong Kong office actively participates in recycling campaigns. During the reporting period, the Group donated red packets to the Red Packet Reuse & Recycling Program organized by Greeners Action and mooncake tin boxes to the Project Green Moon 2017 program co-organized by Swire Properties Limited and Hong Kong Maxim's Group. Red packets were collected for reuse and tin boxes were donated to the Salvation Army which is devoted to supporting the underprivileged.

(vi) Business Air Travel

The Group has set up teleconference facilities in office to avoid business air travels whenever possible. When options are available, the Group also opts for direct flights to reduce unnecessary carbon emissions. During the reporting period, employees travelled by air for business meetings, resulting in an emission of 11.12 tCO_2e.

A. ENVIRONMENTAL (continued)

2. Energy Consumption

The energy use involved in the Group's operation included consumption of petrol, diesel and electricity. The Group consumed a total of 137.35 MWh (0.07 MWh/m^2) during the reporting period.

Energy Consumption Sources	Consumption (in MWh)	Consumption Intensity (in MWh/m^2)
Petrol	67.46	0.03
Diesel	24.12	0.01
Electricity	45.77	0.02

3. Go Green Initiatives

The Group believes that contributing to a more sustainable environment is a creditable business practice. It constantly reminds staff to "save paper, save energy and save water" through notices and email. By implementing the following initiatives, it also strives to perform the best in every aspect of environmental protection so as to construct a green office ultimately.

a. Go Paperless

One of the simplest ways to become more environmentally friendly is to reduce paper usage and make use of technologies that create a paperless working environment. Staff is encouraged to:

- Make printing and copying a need instead of a want;
- Reuse blank second sides of copies for notes or scrap paper;
- Print or copy with "2-in-1" or double-sided settings; and
- Go digital whenever possible for filing, presentations on-screen and follow up with electronic copies.

A. ENVIRONMENTAL (continued)

3. Go Green Initiatives (continued)

b. Energy Saving

Energy Saving labels are placed on lighting switches, printers, paper shredders, copiers and monitors as friendly reminders, reminding staff to turn them off whenever possible.

c. Reducing the Use of M-fold Paper Towel and Dishwashing Detergent

Knowing that staff uses 2 to 3 pieces of M-Fold paper towel daily for drying cups and containers, staff is highly recommended to bring their own towel for cleaning and drying, or use 1 piece of paper towel each time when needed. They are also encouraged to use less dishwashing detergent.

d. Reusing Used Envelopes and Office Stationeries

Staff is encouraged to reuse single-side printed waste paper, used envelope, box file, and filing index etc.

e. Green Procurement

The Administration Department has made a lot of progress in purchasing products with higher recycled content for office supplies and will continue their effort in sourcing products with improved recyclability and greater durability, as well as to avoid disposable items and unnecessary packaging.

f. Collection of Waste Paper, Metal and Plastic

The Group prides itself on segregating waste efficiently. Waste paper is collected in collection bags while waste metal and plastic are collected in the pantry. The assigned Environmental Protection Ambassador will then transfer all these recyclable materials to corresponding recycling bins regularly.

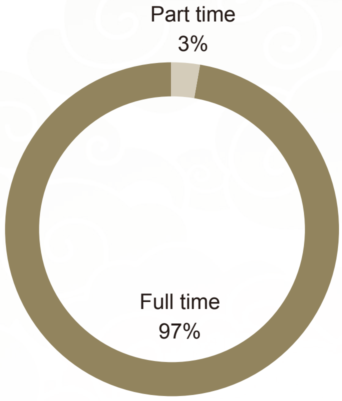
B. SOCIAL

1. Employment and Labour Practices

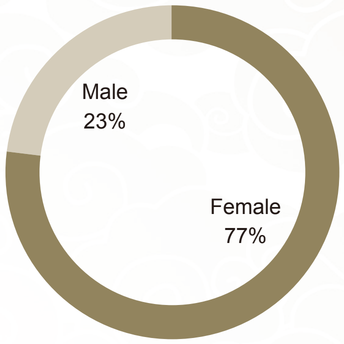
(i) Employment

The offices in the reporting scope had a total number of 30 employees as of 31 March 2018. All employees were from Hong Kong and various provinces in China.

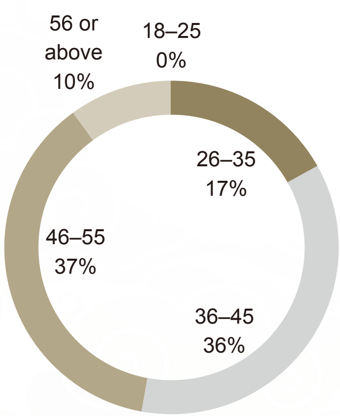
By Employment Type



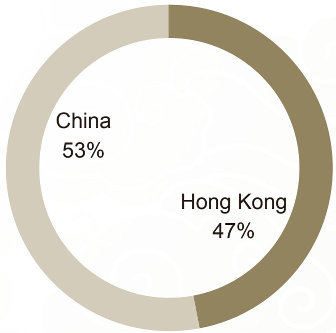
By Gender



By Age Group



By Geographical Region



B. SOCIAL (continued)

1. Employment and Labour Practices (continued)

(i) Employment (continued)

Competitive Compensation and Benefits Package

The Group is committed to safeguarding the rights and interests of its staff with strict compliance with all relevant applicable laws. It provides attractive annual remuneration with discretionary year-end bonus. Salaries are reviewed annually taking into account the employees' overall work performance, attitude, job knowledge, job responsibilities, punctuality, qualification and other relevant factors, the Group's operating results, the prevailing inflation rate, pay scale and other conditions in the market. The standard working hours are around 8–9 hours per day and 40–45 hours per week, with discretion on compensation for overtime work depending on employees' positions and duties. On top of all statutory holidays set by the government, employees are also entitled to annual leave, sick leave, maternity leave, paternity leave, compassionate leave, jury service leave, marriage leave and seminar/conference/training leave. Insurance benefits scheme offered includes employees' compensation insurance, medical insurance, business travel insurance plan, Mandatory Provident Fund ("MPF") scheme and social insurance in China. Allowances on mobile phone and transportation are also provided to employees with respective needs. The Group was honoured as a Good MPF Employer and was presented with E-contribution Award and Support for MPF Management Award by the MPF Schemes Authority. No material non-compliance in relation to employment laws and regulations was recorded during the reporting period.

Transfer, Promotion and Dismissal

The Group provides opportunities for internal transfers upon employees' request, provided that there is an opening in the transferee department. It is also subject to appraisal evaluation of the employee's qualification and approval by the head of the transferor and transferee department. Annual performance appraisal serves as an effective tool for department heads to evaluate employees' capabilities, work performances and contribution to the Group in accordance with the Group's policies and procedures, setting the basis for any salary adjustment and internal promotion. Whenever possible, promotion opportunities will first be offered to talented employees before posting of job vacancies in public. Employees are also welcomed to discuss their career development with their respective department head or the Human Resources Department.

An employee who wishes to resign should tender notice in writing to the Group as stipulated in his or her letter of appointment. While termination of employment will be initiated if an employee does not respond to the performance standards or disciplinary guidelines set forth by the Group, and/or other outside factors.

Equal Opportunity

The Group provides a fair, equal opportunity, respectful and pleasant work environment to employees. All practices are designed to ensure processes of recruitment, employment, assignment, training, promotion, compensation and offers are based on employees' qualifications, experience and/or the terms and conditions, regardless of employees' race, colour, creed, religion, sex, sexual orientation, age, marital status, national origin, disability, family status or any other discrimination and harassment prohibited by applicable laws.

B. SOCIAL (continued)

1. Employment and Labour Practices (continued)

(i) Employment (continued)

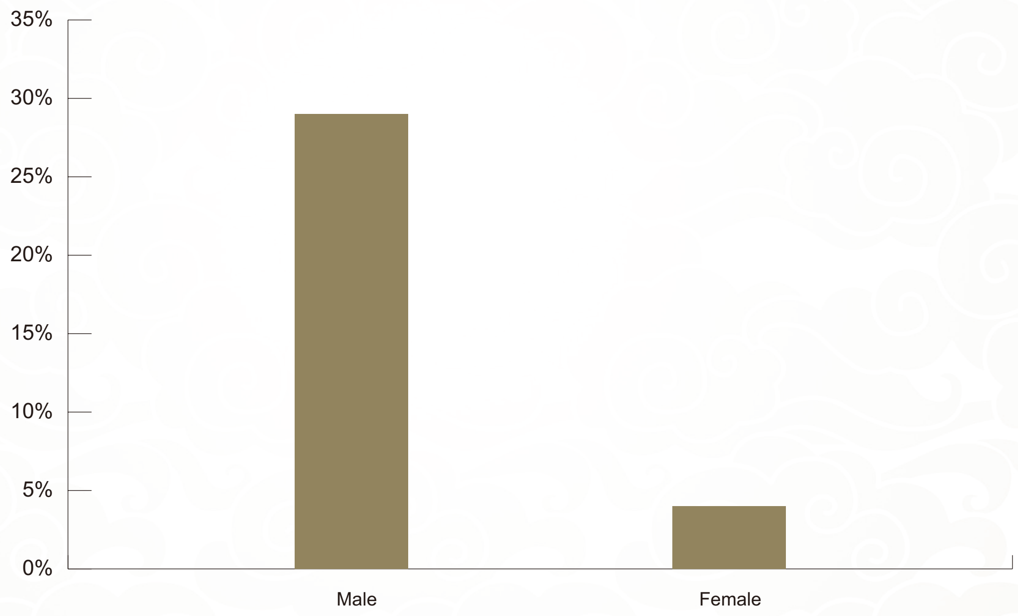
Employee Communication

To strengthen team spirit and sense of belonging among staff, the Group organizes celebrative activities, voluntary activities and gatherings. In the reporting year, the Group organized the Christmas Buffet Dinner 2017, Chinese New Year Dinner 2018, the Chinese New Year Lion Dance Ceremony 2018 and the Team-building Day 2017.

Turnover

The Group considers its staff as valuable wealth and the foundation for its business development. To retain talents, it will continue to uphold its employment practices to treat its staff fairly and equally. The overall turnover rate was 10% and the annual turnover rates categorized by different gender, age group and geographical region in the reporting period are as follows:

Turnover Rates By Gender



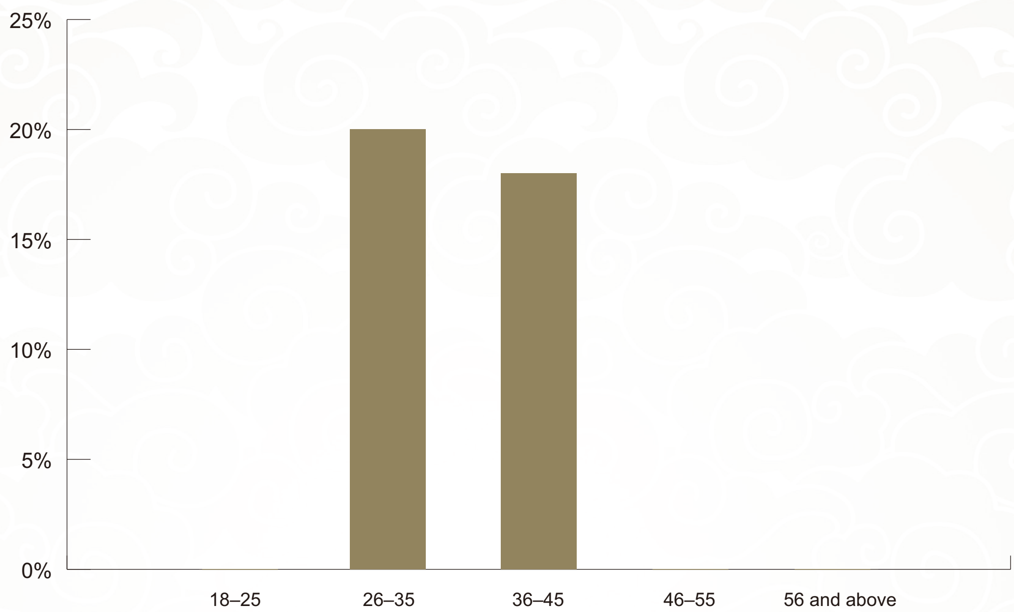
B. SOCIAL (continued)

1. Employment and Labour Practices (continued)

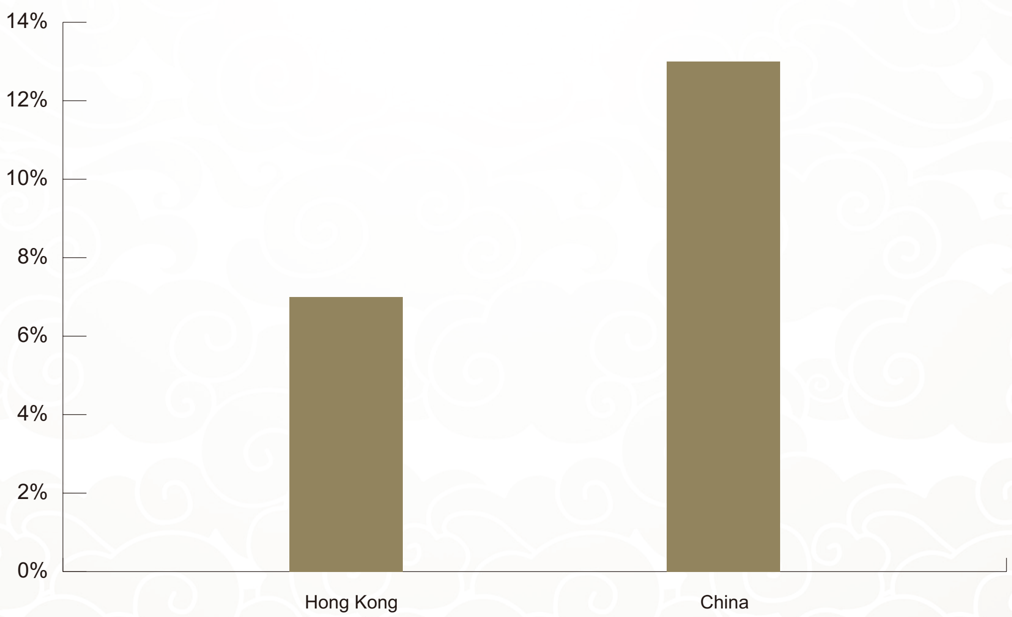
(i) Employment (continued)

Turnover (continued)

Turnover Rates By Age Group



Turnover Rates By Geographical Region



B. SOCIAL (continued)

1. Employment and Labour Practices (continued)

(ii) Employee Health and Safety

In alignment with the Group's ESG Policy, the Group strives to maintain a healthy, safe and quality workplace. Apart from complying with all relevant laws and regulations of Hong Kong and China, it established a guideline on occupational health and safety to raise employees' awareness on occupational health and safety, understand potential hazards in their workplace and preventive measures to occupational health and safety diseases. The guideline laid out measures to ensure healthy and safe practices in the following aspects:

- Lighting;
- Indoor Air Quality and Ventilation;
- Office Furniture and Working Posture;
- Office Equipment;
- Manual Handling;
- Other Office Safety;
- Fire Safety;
- First Aid Box; and
- General Cleanliness.

The guideline is circulated to all employees through email. In the reporting period, the Group participated in a series of fire safety activities (including fire drill, fire safety knowledge seminar, safety check, and promotion on fire safety knowledge handbook and office health) organized by the office building's management. In cases of injury by accident or infection by disease in the course of work duties, staff members should report to the Administration Department as soon as possible after immediate proper first aid treatment. The accident will then be reported to the Labour Department and relevant insurer as appropriate. There was no work-related fatality nor work injury cases recorded in the reporting period.

B. SOCIAL (continued)

1. Employment and Labour Practices (continued)

(iii) Development and Training

The Group recognizes the importance of providing opportunities for training and development to employees. It supports employees to attend continuing professional development courses or conferences organized by professional bodies, such as trainings related to requirements for Initial Public Offering ("IPO"), updates on Hong Kong Corporate Governance Code, share option schemes, ESG reporting, stress and time management, and corporate laws and regulations in foreign countries.

A total of 149 hours of training courses was conducted in the reporting period.

Training Data in 2017/18	
Percentage of Employees Trained by Gender	
– Male	100%
– Female	26%
Percentage of Employees Trained by Employee Category	
– Senior Management	14%
– Middle Management	44%
– Other Employees	57%
Average Training Hours Completed per Employee by Gender	
– Male	6.79 hours
– Female	4.41 hours
Average Training Hours Completed per Employee by Employee Category	
– Senior Management	0.50 hours
– Middle Management	6.82 hours
– Other Employees	6.00 hours

(iv) Labour Standard

Pursuant to the Employment Ordinance of the Laws of Hong Kong in terms of employment management and the Labour Law of the People's Republic of China ("PRC"), there was no child nor forced labour in the Group's operation during the reporting period.

When collecting personal information from employees, the Group complies with the Personal Data (Privacy) Ordinance of the Laws of Hong Kong and other applicable laws and regulations. All employees have the right to request access to, and to request correction of their personal data in relation to their employment. Candidates or employees shall provide truthful personal data to the Group for the Human Resources Department to verify their identities. Shall any candidate or employee proved to be guilty of fraud and dishonesty, the Group reserves the right to terminate his or her service without notice at common law and without grant of benefits.

B. SOCIAL (continued)

2. Operating Practices

(i) Supply Chain Management

The Group's operation in China has developed its own procurement management policy, covering procedures on managing fixed assets, office supplies and equipment. The procurement process starts with a list of annual or quarter demand prepared by the application departments. After approval by the general managers, market surveys are conducted and quotations are obtained to formulate a procurement proposal for formal application. The application will then be approved by the financial managers and general managers before selecting suppliers and purchasing.

Although the Hong Kong operation has no procurement policy, it gives preferences to products or services that are more environmentally friendly. For example, it selected printing company using environmentally friendly paper and soy ink for its bulk printing of annual reports.

(ii) Product Responsibility

Intellectual Property Rights

To protect intellectual property of computer software, the Group does not allow employees to use their personal notebook and/or computer in the workplace, unless prior written approval is obtained from the management as set forth by the staff handbook. Employees are also strictly prohibited from installing any unauthorized and/or pirated software in the Group provided notebooks, computers, servers and/or other electronic devices without the consent of the management. If extra hardware, software and/or licenses are needed, employee should directly submit a requisition to seek proper approval from the management. Violation of the above regulations may result in disciplinary actions including immediate termination of employment without any compensation and notice. No material non-compliance in relation to intellectual property rights laws and regulations was recorded during the reporting period.

Confidentiality

Employees shall make every effort in providing adequate awareness and physical protection when handling the Group's trade secrets, proprietary information or confidential data. Such information shall be held in strictest confidence and shall not be disclosed to any person, firm or corporation except as necessary in carrying his or her duties for the Group with such third party. Information including enquiries concerning the Group, its customers, business partners, existing and/or former employees should be directed to the appropriate party for proper handling. A breach of the above confidentiality provisions will result in disciplinary actions or dismissal without compensation. No material non-compliance in relation to confidentiality laws and regulations was recorded during the reporting period.

B. SOCIAL (continued)

2. Operating Practices (continued)

(ii) Product Responsibility (continued)

Email Usage Monitoring

The Group monitors email usage to facilitate efficient provision of service to business partners, maintain a stable email service environment for communications and provide information for management to ensure proper utilization of the Group's resources. Email facilities shall only be used for facilitating business of the Group. The Group reserves the right to log all out-going and in-coming email, access contents of all email held in the employee's mailboxes at any times and conduct random checks to ensure conditions of use of email facilities are observed. The logs and recorded information of email will be used for ensuring compliance of the Group's rules and regulations, respond to any legal processes or to investigate suspected breach of the staff handbook and/or any policy. Access to the logs and contents of email is restricted to the management and/or other authorized person(s) only.

Complaints Handling

The Group opens complaint channels to all shareholders and potential shareholders, customers and consumers, suppliers and contractors, all directors and employees of the Group. Although no policy was set up, complaints will be received by the company secretary, general managers and human resources heads of the respective offices for further handling. There was no complaint received in the reporting year.

(iii) Anti-corruption

The Group adheres to a high standard of integrity, transparency and accountability in its operations. In accordance with the staff handbook, employee shall not be engaged in any work or be involved in any business either alone or jointly with any other person or persons, or with a company directly or indirectly for reward or receipt of commission or fee, without obtaining prior permission from the Group. He or she is not allowed to solicit or accept for his or her personal benefit any advantage in money or in kind from any parties having business relations with the Group. Employee is also prohibited to invite any of the parties having business relations with the Group to attend their personal banquets, dinner parties and/or personal gathering. In case of suspected corruption or other criminal offences, a report will be made to the Hong Kong Independent Commission Against Corruption ("ICAC") or the appropriate authorities. Any employee in breach of this regulation is liable to be summarily dismissed and may render himself or herself liable to prosecution under Section 9 of the Prevention of Bribery Ordinance of the Laws of Hong Kong. The Group has set up whistleblowing policy for employees to raise concerns related to improprieties. The policy established scope of reporting, reporting procedures, investigation procedures and actions to be taken when handling untrue allegations and false report. The Group's operations in China also posted whistleblowing reminders publicly to provide channels for the public to report any improprieties of the Group.

The Group was in compliance with all applicable laws on prohibiting corruption and bribery of Hong Kong and the PRC. There was no concluded legal case regarding corrupt practices brought against the Group or its employees during the reporting period.

B. SOCIAL (continued)

3. Community Investment

(i) Caring Company 2017/18

With the Group's effort in caring for the community, its employees and the environment, it had been awarded with the Caring Company Logo 2017/18 by the Hong Kong Council of Social Service ("HKCSS").

(ii) iCare Sponsorship Program

The organization iCare aims to support the underprivileged, especially children with autism, hidden youths and special educational needs ("SEN") children and their families through digital media. In May 2017, the Group donated a total of HKD 10,000 for organizing an IT workshop for 10 SEN families.

(iii) Life Education at Po Leung Kuk Yau Oi Kindergarten

In June 2017, 4 staff from the Group volunteered in the charitable event, Life Education, organized by Po Leung Kuk. The event aims to promote preciousness of life and the importance to spread love and positivity. Staff from the Group contributed through educating children at Yau Oi Kindergarten with various games.

(iv) Used Book Recycling Campaign

The building management of the Hong Kong office held a book recycling campaign with World Vision Hong Kong and Aeon Stores (Hong Kong) Company Limited in July 2017, collecting books (including reference books, secondary school text books, novels and reading books) for resale in Hollywood Plaza, Diamond Hill from 4 August to 13 August 2017. The campaign aimed to raise funds for Tianjin Wuqing Children Rehabilitation Centre. Staff donated a total of 9 books to the building management of the Hong Kong office.

The Directors submit their report together with the audited consolidated financial statements of the Group for the Year.

PLACE OF INCORPORATION OF THE COMPANY AND PRINCIPAL ACTIVITIES OF THE GROUP

The Company is an investment holding company incorporated in Hong Kong. The principal activities and other particulars of its subsidiaries are set out in Note 33 to the consolidated financial statements.

RESULTS AND DIVIDEND

The results of the Group for the Year and the state of the Group's and the Company's affairs as at 31 March 2018 are set out in the consolidated financial statements on pages 57 to 118.

The Board do not recommend the payment of dividend in respect of the Year (2017: Nil).

SEGMENT INFORMATION

The Group's revenue and profit from operating activities for the Year were derived from provision of financial services and trading of goods in Hong Kong and China. Segment analysis is set out in Note 6 to the consolidated financial statements.

FINANCIAL INFORMATION

A summary of the published results and of the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 4 of this annual report.

EQUIPMENT

Details of movements in equipment of the Group are set out in Note 13 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Movement during the Year in the reserves of the Group is set out in the consolidated statement of changes in equity on page 59 of this annual report and movement in the reserves of the Company is set out in Note 23 to the consolidated financial statements.

As at 31 March 2018, the Company had no distributable reserve (2017: Nil).

BANK BORROWING

As at 31 March 2018, the Group had no bank borrowing.

SHARE CAPITAL

Details of the share capital of the Company during the Year are set out in Note 22 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the five largest customers of the Group accounted for approximately 99.8% (2017: 97.9%) of the Group's revenue and the largest customer accounted for approximately 93.3% (2017: 69.7%) of the Group's revenue.

During the Year, the Group had only two (2017: three) suppliers, accounted for 100% (2017: 100%) of the Group's purchases and the largest supplier accounted for 51.1% (2017: 38.0%) of the Group's purchases.

RETIREMENT BENEFIT SCHEME

The Group operates a mandatory provident fund scheme. Particulars of which are set out in Note 30 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2018, the Group had 32 staff located in both Hong Kong and China. The Group remunerates these employees based on their performance, experience and prevailing industry practices. Other benefits offered to these employees include medical insurance, retirement scheme and training subsidies. In addition, the Group has set up a share option scheme for the purpose of providing incentives to the eligible employees.

DIRECTORS OF SUBSIDIARIES

Following is a list of name of every person who was a director of the Company's subsidiaries during the Year and up to the date of this report:

Wong Yu Lung, Charles
Ding Chung Keung, Vincent
Wong, Michelle Yatyee
Li Yu Lian, Kelly
Chiu Lo
Zhao Jiong
Xu Yinglu
Zhu Chen
Wong, Emilie Hoi Yan
Perfect Honour Limited
Solomon Glory Limited

PRINCIPAL RISKS AND UNCERTAINTIES

Business risk

(i) ***Funding cost and interest income***

Our business model for our factoring and financing business is premised on the fact that SMEs in China are generally underserved by the banking industry because commercial banks in China have generally been reluctant to provide financing to SMEs and individual without sufficient credit support, such as third-party guarantees, or adequate collateral of tangible assets. New trends or changes in the applicable regulatory requirements in China may make factoring and financing business more attractive to banks. If commercial banks begin to compete with us, for example, by providing financing to SMEs with a lower level of security in return for higher risk-based interest rates, the Group may experience more competition and less demand for our services.

(ii) ***Credit risk of SMEs and individuals in China***

Our business relies on SMEs and individuals to generate revenue. SMEs may be subject to significant variations in their results of operations because they often engage in rapidly evolving businesses and industries. As compared to larger scale businesses, our SMEs and individuals customers may have a weaker financial position or may be more susceptible to adverse changes in market conditions and competition. Also, the SME customers may have weak accounting controls and may lack the expertise and resources to prepare accurate financial statements on which we rely to evaluate their creditworthiness. In addition, a number of factors may affect an SME and individual customers' ability to meet its payments to us. Such factors include the failure to implement its business plan, a downturn in its market and adverse general economic conditions. As such, SMEs and individuals customers may expose greater credit risks relative to larger, better-capitalised businesses.

For factoring business and financing business, certain advances provided to customers are secured by assets, including but not limited to accounts receivable and/or guarantees provided by our customers. However, a significant deterioration in the financial condition of the guarantors, or value of the collateral due to factors such as damage, depreciation, loss or reduced market demand, could significantly decrease the amounts we may recover under such guarantees or collateral. In addition, the procedures for realising the value of collateral of customers may be protracted or ultimately unsuccessful, and the enforcement process may be difficult for legal and practical reasons. Management may update the assumptions used in estimating the cash flows of the loans in the regular review and the loss estimates may be revised in subsequent year.

(iii) ***Concentration of customers and underlying debtor***

Our largest customer by revenue accounted for 93.3% (2017: 69.7%) of our total revenue during the Year. If, in a subsequent year, the business relationships with any of the major customers cease, and less favorable terms are concluded with new customers, the earnings may be negatively affected. Besides, in the event of defaulting payment by any of the major customers, significant amount of receivables may not be recovered and a loss may arise.

We face overall concentration risk from our credit exposure to the debtors and/or underlying debtors. The largest debtor accounted for 57.6% of our total revenue-generating assets (accounts receivable and advances provided to customers) as at the end of the respective year. Any deterioration in the financial condition or results of operations of the debtor and/or the underlying debtors could undermine the quality of our assets and our ability to grant new financing to customers, which in turn could materially and adversely affect our business, financial condition and results of operations.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Business risk (continued)

(iv) Risk management systems and internal control policies

The risk management systems and internal control policies of the Group may not be effective in mitigating the exposure to all types of risks. Risk management methods depend on evaluation of information regarding markets, customers or other relevant matters, which may be inaccurate, incomplete, obsolete or improperly evaluated. For instance, the information infrastructure in China is relatively underdeveloped, and we have no direct access to the nationwide credit information system that is open to commercial banks in China. As such, we are only able to rely on publicly available resources and our internal resources to assess credit risks associated with a particular customer. Such assessment may not be based on complete, accurate or reliable information. If we fail to identify applicable risks, the earnings and financial condition of the Group may be negatively affected.

(v) Exposure to fluctuations in exchange rates

The Group reports its operating result in Hong Kong dollar but major operations of the Group are carried out in China, transacted and recorded in RMB with some monetary assets and liabilities denominated in other foreign currencies. The Group is, thus, exposed to the fluctuation in exchange rates between RMB, Hong Kong dollar and other currencies. At present, the Group has not entered into any hedging or other instrument to reduce currency risks. The management will closely monitor the Group's exposure to the fluctuation of exchange rates and take appropriate measures as necessary to minimise any adverse impact that may be caused by such fluctuation.

Risk Associated with Financial Instruments of the Group

There are certain risks associated with the financial instruments of the Group. Details of the risks policies on how to mitigate these risks are set out Note 27 to the consolidated financial statements.

Key Sources of Estimation Uncertainty

Details of the key sources of estimation uncertainty as at 31 March 2018 are set out in Note 4 to the consolidated financial statements.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year under review, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

DIRECTORS AND SERVICE CONTRACTS

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

Executive Directors

Mr. Wang Jun
Mr. Wong Yu Lung, Charles
Mr. Ding Chung Keung, Vincent
Ms. Wong, Michelle Yatyee

Independent Non-Executive Directors

Mr. Ma Ho Fai GBS JP
Mr. Cheng Yuk Wo
Mr. Ng Chi Keung MH

Pursuant to Articles 117 and 118 of the Articles, Mr. Wang Jun ("Mr. Wang"), Mr. Ding Chung Keung, Vincent, Mr. Cheng Yuk Wo and Ms. Wong, Michelle Yatyee will retire by rotation at the forthcoming annual general meeting (the "2018 AGM"). Mr. Wang will not offer himself for re-election at the AGM while all other retiring Directors, being eligible, offer themselves for re-election. Details of the retiring Directors standing for re-election are set out in the circular to the Company's shareholders sent together with this report.

The Company has received written confirmation from all Independent Non-executive Directors regarding their independence as required under Rule 3.13 of the Listing Rules. The Company considers all the Independent Non-executive Directors to be independent.

The Directors' biographical details are set out in the "Information on Directors" section of this annual report.

No Director being proposed for re-election at the 2018 AGM has a service contract with the Company or any of its subsidiaries which are not determinable by the Group within one year without payment of compensation other than normal statutory obligations.

PERMITTED INDEMNITY PROVISION

In accordance with Article 162, subject to the Companies Ordinance, but without prejudice to any indemnity to which a Director may otherwise be entitled, the Managing Directors, Directors, auditors, secretary and other officers for the time being of the Company shall be indemnified out of the assets of the Company against any liability incurred by them or any of them as the holder of any such office or appointment in defending any proceedings, whether civil or criminal, in which judgment is given in their favour or in which they are acquitted or in connection with any application under the Companies Ordinance in which relief is granted by the Court. The Company has taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover for the Directors and directors of the subsidiaries of the Group.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS

As at 31 March 2018, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) which were notified to the Company and The Stock Exchange of Hong Kong Limited (“Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company (the “Model Code”), to be notified to the Company and the Stock Exchange, were as follows:

Long positions in shares (“Shares”)/underlying Shares of the Company

		Number of Shares/underlying Shares				
Name of Director	Capacity	Personal Interest	Corporate Interest	Other Interest	Total	Approximate % of Shareholding *(Note 9)*
Mr. Wong Yu Lung, Charles (“Mr. Wong”)	Beneficial owner and trustee of discretionary trusts	103,000,000 *(Note 1)*	–	1,575,465,517 *(Note 2)*	1,678,465,517	60.77%
Ms. Wong, Michelle Yatyee (“Ms. Michelle Wong”)	Beneficial owner and beneficiary of discretionary trusts	23,000,000 *(Note 3)*	–	1,575,465,517 *(Note 2)*	1,598,465,517	57.88%
Mr. Wang	Interest of controlled corporation	–	101,251,300 *(Note 4)*	–	101,251,300	3.67%
Mr. Ding Chung Keung, Vincent (“Mr. Ding”)	Beneficial owner	124,230,000 *(Note 5)*	–	–	124,230,000	4.50%
Mr. Ma Ho Fai GBS JP (“Mr. Ma”)	Beneficial owner	2,700,000 *(Note 6)*	–	–	2,700,000	0.10%
Mr. Cheng Yuk Wo (“Mr. Cheng”)	Beneficial owner	4,200,000 *(Note 7)*	–	–	4,200,000	0.15%
Mr. Ng Chi Keung MH (“Mr. Ng”)	Beneficial owner	2,600,000 *(Note 8)*	–	–	2,600,000	0.09%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS (continued)

Long positions in shares of US$0.1 each of an associated corporation, namely, Goldbond Capital Investments Limited

Name of Director	Capacity	Number of shares	Approximate % of Shareholding *(Note 10)*
Mr. Wong	Trustee of a trust	124,000	31%
Ms. Michelle Wong	Beneficiary of a trust	124,000	31%

Long position in shares of HK$0.01 each of an associated corporation, namely, China Rongzhong Financial Holdings Company Limited ("China Rongzhong")

Name of Director	Capacity	Number of shares	Approximate % of Shareholding *(Note 11)*
Ms. Michelle Wong	Trustee of a trust	20,234,242	4.91%

Notes:

1. These interests were underlying Shares derived from share options granted to Mr. Wong under the 2002 Scheme and the 2012 Scheme (as defined under the paragraph "SHARE OPTION SCHEMES" on pages 49 to 50 of this report).

2. These Shares were indirectly held by two discretionary trusts. The assets of these trusts included the entire issued share capital of Allied Luck Trading Limited ("Allied Luck") (directly holding 855,808,725 Shares), Allied Golden Investment Limited ("Allied Golden") and Aceyork Investment Limited ("Aceyork") (indirectly holding 719,656,792 Shares through Ace Solomon Investments Limited ("Ace Solomon"), a company which was equally owned by Allied Golden and Aceyork). The trustees of these trusts were Mr. Wong and Mrs. Wong Fang Pik Chun ("Mrs. Wong") and the beneficiaries of these trusts were Ms. Michelle Wong and Miss Wong, Jacqueline Yue Yee ("Miss Jacqueline Wong") and their children.

   In light of the above, each of Mr. Wong and Ms. Michelle Wong is deemed to be interested in these Shares under the SFO.

3. These interests were underlying Shares derived from share options granted to Ms. Michelle Wong under the 2002 Scheme and the 2012 Scheme.

4. These Shares were held by a company of which Mr. Wang is interested in the entire issued share capital.

5. These interests included 21,230,000 Shares and 103,000,000 underlying Shares derived from share options granted to Mr. Ding under the 2002 Scheme and the 2012 Scheme.

6. These interests included 1,200,000 Shares and 1,500,000 underlying Shares derived from share options granted to Mr. Ma under the 2002 Scheme.

7. These interests were underlying Shares derived from share options granted to Mr. Cheng under the 2002 Scheme.

8. These interests were underlying Shares derived from share options granted to Mr. Ng under the 2012 Scheme.

9. As at 31 March 2018, there was a total of 2,761,912,843 Shares in issue.

10. As at 31 March 2018, there was a total of 400,000 shares of Goldbond Capital Investments Limited in issue.

11. As at 31 March 2018, there was a total of 412,509,000 shares of China Rongzhong in issue.

Save as disclosed above, as at 31 March 2018, none of the Directors or chief executive of the Company or any of their respective associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 31 March 2018, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the Shares/underlying Shares of the Company

Name of substantial shareholder	Capacity	Number of Shares/ underlying Shares	Total	Approximate % of Shareholding *(Note 5)*
Mrs. Wong	(i) Interest of spouse	103,000,000 *(Note 1)*		
	(ii) Trustees	1,575,465,517 *(Note 2)*		
			1,678,465,517	60.77%
Miss Jacqueline Wong	Beneficiary of the discretionary trusts	1,575,465,517 *(Note 2)*	1,575,465,517	57.04%
Mr. Kwok Wing-Sien ("Mr. Kwok")	Interest of spouse	1,598,465,517 *(Note 3)*	1,598,465,517	57.88%
Allied Luck	Beneficial owner	855,808,725	855,808,725	30.99%
Ace Solomon	Beneficial owner	719,656,792 *(Note 4)*	719,656,792	26.06%
Aceyork	Interest in controlled corporation	719,656,792 *(Note 4)*	719,656,792	26.06%
Allied Golden	Interest in controlled corporation	719,656,792 *(Note 4)*	719,656,792	26.06%

Long position in the Company's redeemable convertible preference shares ("PS") *(Note 6)*

Name of substantial shareholder	Capacity	Total number of PS	Approximate % of shareholding of PS
Miss Jacqueline Wong	Interest in controlled corporation	68,400,000	100%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS (continued)

Notes:

1. Mrs. Wong is deemed to be interested in these underlying Shares held by Mr. Wong, her spouse, for the purpose of the SFO.

2. These Shares were indirectly held by two discretionary trusts. The assets of these trusts included the entire issued share capital of Allied Luck (directly holding 855,808,725 Shares), Allied Golden and Aceyork (indirectly holding 719,656,792 Shares through Ace Solomon, a company which was equally owned by Allied Golden and Aceyork). The trustees of these trusts were Mr. Wong and Mrs. Wong and the beneficiaries of these trusts were Ms. Michelle Wong and Miss Jacqueline Wong and their children.

   In light of the above, each of Mrs. Wong and Miss Jacqueline Wong is deemed to be interested in these Shares.

3. Mr. Kwok is deemed to be interested in these Shares/underlying Shares held by Ms. Michelle Wong, his spouse, for the purpose of the SFO.

4. These Shares were held by Ace Solomon as described in Note 2 above. Allied Golden and Aceyork are taken to be interested in these Shares.

5. As at 31 March 2018, there was a total of 2,761,912,843 Shares in issue.

6. As at 31 March 2018, there was a total of 68,400,000 PS in issue.

Save as disclosed above, as at 31 March 2018, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTION

During the Year, the Group had the following continuing connected transaction ("CCT") which is subject to annual review requirement pursuant to Chapter 14A of the Listing Rules:

On 22 April 2016, one of the Company's wholly-owned subsidiaries entered into a tenancy agreement with Golden Palms Development Limited ("Golden Palms") whereby the Group agreed to lease certain areas located at Unit 3901, 39/F., Tower One, Lippo Centre, 89 Queensway, Hong Kong for a term of three years commencing from 1 May 2016 at a monthly rental of HK$392,400 (exclusive of management fees, rate, government rent and operating expenses). Golden Palms is beneficially owned by a discretionary trust of which, Ms. Michelle Wong, being a Director, is an eligible beneficiary, and therefore a connected person of the Group pursuant to the Listing Rules. The Lease constituted a continuing connected transaction for the Company. For further details of the above transaction, please refer to the announcement of the Company dated 22 April 2016.

CONTINUING CONNECTED TRANSACTION (continued)

The above CCT had been reviewed by the independent non-executive Directors who had confirmed that it was entered into:

(a) in the ordinary and usual course of business of the Company;

(b) on normal commercial terms; and

(c) in accordance with the agreement governing it on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The external auditor of the Company had also confirmed in writing that the above CCT:

(a) has received the approval of the Board;

(b) has been entered into in accordance with the agreement governing the transaction; and

(c) has not exceeded the cap disclosed in the relevant announcement.

RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in Note 32 to the consolidated financial statements. Other than the transaction disclosed in the paragraph headed "Continuing Connected Transaction", none of them constitutes a discloseable connected transaction as defined under the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the paragraph headed "Continuing Connected Transaction" and in Note 32 to the consolidated financial statements in connection with the related party transactions, no contracts of significance in relation to the Group's business to which the Company and any of its subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly subsisted at the year-end or at any time during the Year.

CHANGE IN INFORMATION OF DIRECTOR

Save as disclosed below, up to the date of this annual report, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

– Mr. Ding resigned as a non-executive director of China Rongzhong with effect from 3 July 2017. At the same time, he has ceased to be a member of the audit committee and the remuneration committee of its board.

– Mr. Ma was appointed as the Chairman of the Protection of Wages on Insolvency Fund Board for a period of two years with effect from 1 April 2018.

SHARE OPTION SCHEMES

On 31 August 2012, the Company terminated the old share option scheme (the "2002 Scheme") which was adopted on 18 September 2002, and adopted a new share option scheme (the "2012 Scheme") on the same date with similar terms for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. No further share options will be granted under the 2002 Scheme, but the provisions of the 2002 Scheme remain in full force and effect to the extent necessary to give effect to the exercise of the share options (to the extent not already exercised) granted prior to its termination.

Details of the movements of share options under the 2002 Scheme during the Year were as follows:

Grantee	**Date of grant**	**Exercise price** (HK$)	**Exercise period** *(Note 2)*	**Outstanding at 31/3/17**	**Lapsed during the Year**	**Outstanding at 31/3/18**
Directors						
Mr. Wang	17/8/2007	1.014	17/8/2010 – 16/8/2017	25,000,000	(25,000,000)	–
Mr. Wong	17/8/2007	1.014	17/8/2010 – 16/8/2017	25,000,000	(25,000,000)	–
	13/10/2009	0.500	13/10/2012 – 12/10/2019	26,000,000	–	26,000,000
	1/2/2011	0.410	1/2/2014 – 31/1/2021	26,000,000	–	26,000,000
Mr. Ding	17/8/2007	1.014	17/8/2010 – 16/8/2017	25,000,000	(25,000,000)	–
	13/10/2009	0.500	13/10/2012 – 12/10/2019	26,000,000	–	26,000,000
	1/2/2011	0.410	1/2/2014 – 31/1/2021	26,000,000	–	26,000,000
Ms. Michelle Wong	1/2/2011	0.410	1/2/2014 – 31/1/2021	13,000,000	–	13,000,000
Mr. Ma	1/2/2011	0.410	1/2/2014 – 31/1/2021	1,500,000	–	1,500,000
Mr. Cheng	23/5/2008	0.692	23/5/2011 – 22/5/2018	1,600,000	–	1,600,000
	1/2/2011	0.410	1/2/2014 – 31/1/2021	2,600,000	–	2,600,000
Eligible employees	17/8/2007	1.014	17/8/2010 – 16/8/2017	15,300,000	(15,300,000)	–
(in aggregate)	23/5/2008	0.692	23/5/2011 – 22/5/2018	3,000,000	–	3,000,000
	13/3/2009	0.360	13/9/2011 – 12/3/2019	1,000,000	–	1,000,000
	13/3/2009	0.360	13/3/2012 – 12/3/2019	600,000	–	600,000
	1/2/2011	0.410	1/2/2014 – 31/1/2021	8,400,000	–	8,400,000
				226,000,000	(90,300,000)	135,700,000

SHARE OPTION SCHEMES (continued)

Details of the movements of share options under the 2012 Scheme during the Year were as follows:

Grantee	Date of grant	Exercise price (HK$)	Exercise period (*Note 2*)	Outstanding at 31/3/17	Lapsed during the Year	Outstanding at 31/3/2018
Director						
Mr. Wong	14/10/2014	0.360	14/10/2016 – 13/10/2024	26,000,000	–	26,000,000
	8/12/2016	0.272	8/12/2018 – 7/12/2026	25,000,000	–	25,000,000
Mr. Ding	14/10/2014	0.360	14/10/2016 – 13/10/2024	26,000,000	–	26,000,000
	8/12/2016	0.272	8/12/2018 – 7/12/2026	25,000,000	–	25,000,000
Ms. Michelle Wong	8/12/2016	0.272	8/12/2018 – 7/12/2026	10,000,000	–	10,000,000
Mr. Ng	28/6/2013	0.295	28/6/2015 – 27/6/2023	2,600,000	–	2,600,000
Eligible employees	28/6/2013	0.295	28/6/2015 – 27/6/2023	14,800,000	–	14,800,000
(in aggregate)	14/10/2014	0.360	14/10/2016 – 13/10/2024	40,000,000	(1,000,000)	39,000,000
	8/12/2016	0.272	8/12/2018 – 7/12/2026	16,100,000	(2,500,000)	13,600,000
				185,500,000	(3,500,000)	182,000,000

Notes:

1. During the Year, no share options were granted, exercised or cancelled under the 2002 Scheme and the 2012 Scheme; and

2. The vesting period of the share options is from the date of grant until the commencement of the exercise period.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into during the Year, save for the share options which were outstanding under the 2002 Scheme and the 2012 Scheme disclosed in this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is sufficient public float of more than 25% of the Shares in the market as required under the Listing Rules.

CHARITABLE DONATION

Donation made by the Group during the year ended 31 March 2018 amounted to HK$10,000.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company complied with CG Code as set out in Appendix 14 to the Listing Rules during the Year, except for the following deviation:

Pursuant to Code E.1.2 of the CG Code, the Chairman should attend the annual general meetings of the Company. The Company's Chairman, was unable to attend the 2017 AGM due to health reason.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report contained in this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has dedicated its effort to review and monitor the Group's ESG policy and practices to ensure compliance with the relevant legal and regulatory requirements as described in Appendix 27 to the Listing Rules. During the year ended 31 March 2018, there was no material non-compliance with laws and regulations related to the environmental and social aspects. The Group has identified key material aspects with stakeholders and will continue to keep close communication with stakeholders for advancing its ESG management. Details of the Group's ESG performance in the Year is contained in this annual report.

AUDITOR

Messrs. Deloitte Touche Tohmatsu retire and, being eligible, offer themselves for re-appointment at the 2018 AGM. A resolution will be submitted to the 2018 AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

FORWARD-LOOKING STATEMENTS

This annual report contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board of Directors of the Company regarding the industry and markets in which it operates. These forward looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

On behalf of the Board

Wong Yu Lung, Charles
Deputy Chairman

Hong Kong
27 June 2018

Deloitte. 德勤

TO THE MEMBERS OF GOLDBOND GROUP HOLDINGS LIMITED
金榜集團控股有限公司
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Goldbond Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 57 to 118, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Estimated impairment of interest in an associate	
We identified the estimated impairment of interest in an associate as a key audit matter as it requires the application of significant judgment and the use of subjective assumptions by management. As disclosed in note 15 to the consolidated financial statements, the Group has 34.86% equity interest in China Rongzhong Financial Holdings Company Limited ("China Rongzhong"), which is an associate of the Group engaged in the provision of financial leasing service. At 31 March 2018, the net carrying amount of the Group's interest in China Rongzhong is HK$71,579,000, after impairment loss of HK$29,362,000. The assessment for impairment and determination of the recoverable amount of the equity interest in China Rongzhong involves significant management judgment. The key judgment is considered to be the determination of appropriate valuation method and recoverable amount.	Our procedures in relation to the estimated impairment of interest in an associate included: • Evaluating the indicators for impairment by considering the market and economic environment in which China Rongzhong operates and the financial performance of China Rongzhong; • Obtaining an understanding of the impairment assessment and the processes applied by management with respect to the determination of the recoverable amount of its interest in China Rongzhong; • Evaluating the appropriateness of the valuation methodology and the models used by management and assessing the reasonableness of key assumptions and inputs used by management based on our knowledge of the business and industry, with the assistance of our internal valuation specialist; • Assessing whether the Group has any commitment to provide additional funding or make further investments in China Rongzhong; and • Testing the mathematical accuracy of the recoverable amount calculations.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Estimated impairment of advances provided to customers	
We identified the estimated impairment of advances provided to customers as a key audit matter as it requires the application of significant judgment and the use of subjective assumptions by management. As disclosed in note 18 to the consolidated financial statements, the Group has advances provided to customers of HK$160,494,000, after impairment loss of HK$194,533,000, as at 31 March 2018. Advances provided to customers are assessed for impairment individually and involves significant management judgment, including the identification of impairment indicators and the determination of the present value of estimated future cash flows taking into account the borrower's financial situation, repayment history and the net realisable value of the underlying collateral received. The basis of determining the impairment allowance is disclosed in note 4 to the consolidated financial statements.	Our procedures in relation to the estimated impairment of advances provided to customers included: • Obtaining an understanding from management of the established policies and procedures on credit risk approval and monitoring; • On a sample basis, evaluating management's assessment of the credit quality of the borrowers by examining the credit files, including overdue records, repayment history, the borrowers' financial information and other relevant information, and checking the existence and recoverable amount of the collateral and the charge over the collateral, as applicable; and • For those advances provided to customers with impairment indicators, checking on a sample basis management's computations on the estimated future cash flows of the recoverable amounts and the impairment allowance.

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Chong Kwok Shing.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 June 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2018

	NOTES	2018 HK$'000	2017 HK$'000
Revenue	5	**263,050**	81,371
Other income		**9,917**	23,305
Cost of sales of trading business		**(245,067)**	(56,669)
Staff costs	8	**(19,281)**	(20,242)
Other operating expenses		**(42,119)**	(13,084)
Impairment, net of other gain, on interest in a joint venture	14	**–**	(250,377)
Impairment loss on interest in an associate	15	**(7,170)**	(20,680)
Impairment loss on loan to a joint venture	14	**–**	(44,424)
Impairment losses on advances provided to customers	18	**(137,273)**	(11,110)
Finance costs	7	**(832)**	(724)
Share of loss of a joint venture	14	**(2,895)**	(999,504)
Share of loss of associates	15	**(123,445)**	(97,300)
Loss before taxation	8	**(305,115)**	(1,409,438)
Taxation	10	**(2,502)**	(13,380)
Loss for the year		**(307,617)**	(1,422,818)
Other comprehensive income (expenses)			
Items that will not be reclassified to profit or loss			
Exchange differences arising on translation to presentation currency attributable to:			
The Group		**53,848**	(38,362)
A joint venture	14	**326**	(60,983)
An associate	15	**16,132**	(19,952)
Other comprehensive income (expenses) for the year		**70,306**	(119,297)
Total comprehensive expense for the year		**(237,311)**	(1,542,115)
Loss for the year attributable to owners of the Company		**(307,617)**	(1,422,818)
Total comprehensive expense for the year attributable to owners of the Company		**(237,311)**	(1,542,115)
Loss per share	12		
– Basic and diluted		**HK (11.14) cents**	HK (51.52) cents

Consolidated Statement of Financial Position

As at 31 March 2018

	NOTES	2018 HK$'000	2017 HK$'000
Non-current assets			
Equipment	13	**948**	2,187
Interest in a joint venture	14	**–**	2,569
Interests in associates	15	**74,846**	185,526
Loan to an associate	15	**1,470**	1,470
Advances provided to customers	18	**–**	132,319
Club debentures	16	**18,179**	16,545
		95,443	340,616
Current assets			
Accounts receivable	17	**53,750**	14,955
Advances provided to customers	18	**160,494**	143,953
Prepayments, deposits and other receivables		**3,614**	1,912
Structured deposits	19	**96,543**	14,921
Short term bank deposits	20		
– with original maturity within three months		**197,055**	234,877
– with original maturity more than three months		**72,164**	19,101
Bank balances and cash	20	**27,479**	20,324
		611,099	450,043
Current liabilities			
Bills and other payables	21	**185,333**	36,371
Taxation		**3,740**	3,484
		189,073	39,855
Net current assets		**422,026**	410,188
Total assets less current liabilities		**517,469**	750,804
Capital and reserves			
Share capital	22	**829,209**	829,209
Reserves		**(318,122)**	(83,955)
Total equity		**511,087**	745,254
Non-current liability			
Redeemable convertible preference shares	24	**6,382**	5,550
		517,469	750,804

The consolidated financial statements on pages 57 to 118 were approved and authorised for issue by the Board of Directors on 27 June 2018 and are signed on its behalf by:

Wong Yu Lung, Charles
DIRECTOR

Ding Chung Keung, Vincent
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

	Attributable to owners of the Company							
	Share capital HK$'000	Investment revaluation reserve HK$'000	Employee share-based compensation reserve HK$'000	General reserve HK$'000	Statutory surplus reserve HK$'000 (Note)	Translation reserve HK$'000	Retained profits (accumulated losses) HK$'000	Total HK$'000
At 1 April 2016	829,209	3,000	66,556	6,000	1,605	43,522	1,374,696	2,324,588
Loss for the year	–	–	–	–	–	–	(1,422,818)	(1,422,818)
Exchange differences arising on translation to presentation currency attributable to:								
The Group	–	–	–	–	–	(38,362)	–	(38,362)
A joint venture	–	–	–	–	–	(60,983)	–	(60,983)
An associate	–	–	–	–	–	(19,952)	–	(19,952)
Total comprehensive expense for the year	–	–	–	–	–	(119,297)	(1,422,818)	(1,542,115)
Dividends recognised as distribution (Note 11)	–	–	–	–	–	–	(41,429)	(41,429)
Lapse of share options	–	–	(1,979)	–	–	–	1,979	–
Realisation of reserve upon disposal of subsidiaries	–	–	–	–	–	(780)	780	–
Recognition of equity-settled share-based payment expenses	–	–	4,210	–	–	–	–	4,210
Transferred to statutory surplus reserve	–	–	–	–	728	–	(728)	–
Sub-total	–	–	2,231	–	728	(780)	(39,398)	(37,219)
At 31 March 2017	829,209	3,000	68,787	6,000	2,333	(76,555)	(87,520)	745,254
Loss for the year	–	–	–	–	–	–	(307,617)	(307,617)
Exchange differences arising on translation to presentation currency attributable to:								
The Group	–	–	–	–	–	53,848	–	53,848
A joint venture	–	–	–	–	–	326	–	326
An associate	–	–	–	–	–	16,132	–	16,132
Total comprehensive income (expense) for the year	–	–	–	–	–	70,306	(307,617)	(237,311)
Expiry of share options	–	–	(33,436)	–	–	–	33,436	–
Lapse of share options	–	–	(121)	–	–	–	121	–
Recognition of equity-settled share-based payment expenses	–	–	3,144	–	–	–	–	3,144
Transferred to statutory surplus reserve	–	–	–	–	775	–	(775)	–
Sub-total	–	–	(30,413)	–	775	–	32,782	3,144
At 31 March 2018	**829,209**	**3,000**	**38,374**	**6,000**	**3,108**	**(6,249)**	**(362,355)**	**511,087**

Note: Pursuant to the articles of association of the group companies established in the People's Republic of China ("China"), the group companies are required to appropriate 10% or an amount to be determined by the directors of their respective profit after taxation in accordance with the relevant accounting rules and financial regulations of China before any distribution of dividends to owners each year to the statutory surplus reserve until their balances reach 50% of their respective registered capital.

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	2018 HK$'000	2017 HK$'000
Operating activities		
Loss for the year	**(307,617)**	(1,422,818)
Adjustments for:		
Taxation	**2,502**	13,380
Depreciation of equipment	**1,331**	1,745
Equity-settled share-based payment expenses	**3,144**	4,210
Finance costs	**832**	724
Loss on disposal of equipment	**–**	1
Impairment, net of other gain, on interest in a joint venture	**–**	250,377
Impairment loss on interest in an associate	**7,170**	20,680
Impairment loss on loan to a joint venture	**–**	44,424
Impairment losses on advances provided to customers	**137,273**	11,110
Interest income from financing and factoring services	**(17,507)**	(24,622)
Interest income from bank deposits and structured deposits	**(9,590)**	(9,109)
Share of loss of a joint venture	**2,895**	999,504
Share of loss of associates	**123,445**	97,300
Effect of foreign exchange rate changes	**26,055**	(15,458)
Operating cash flows before movements in working capital	**(30,067)**	(28,552)
Increase in accounts receivable	**(34,270)**	(14,955)
(Increase) decrease in advances provided to customers	**(1,754)**	24,988
(Increase) decrease in prepayments, deposits and other receivables	**(1,516)**	1,209
Increase in bills and other payables	**134,898**	16,570
Cash generated from (used in) operations	**67,291**	(740)
Interest received from financing and factoring services	**15,090**	14,677
Enterprise Income Tax paid in China	**(2,564)**	(2,464)
Net cash from operating activities	**79,817**	11,473

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	NOTE	2018 HK$'000	2017 HK$'000
Investing activities			
Placement of structured deposits		**(184,422)**	(14,921)
Withdrawal of structured deposits		**111,849**	–
Placement of short term bank deposits with original maturity more than three months		**(83,687)**	(19,101)
Withdrawal of short term bank deposits with original maturity more than three months		**33,387**	36,906
Interest received from bank deposits and structured deposits		**9,590**	9,109
Loan to an associate		**–**	(1,470)
Capital injection to an associate		**(3,803)**	–
Purchase of equipment		**(2)**	(369)
Net cash (used in) from investing activities		**(117,088)**	10,154
Cash flow used in a financing activity			
Dividends paid	11	**–**	(41,429)
Net decrease in cash and cash equivalents		**(37,271)**	(19,802)
Cash and cash equivalents at the beginning of the year		**255,201**	286,690
Effect of foreign exchange rate changes		**6,604**	(11,687)
Cash and cash equivalents at the end of the year		**224,534**	255,201
Analysis of balances of cash and cash equivalents			
Bank balances and cash		**27,479**	20,324
Short term bank deposits with original maturity within three months		**197,055**	234,877
		224,534	255,201

1. GENERAL

Goldbond Group Holdings Limited (the "Company") is a public limited company incorporated in Hong Kong with its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The addresses of the registered office and principal place of business of the Company are Unit 3901, 39/F, Tower One, Lippo Centre, 89 Queensway, Hong Kong.

The Company is an investment holding company. The principal activity of the Company and its subsidiaries (the "Group") is provision of financial services and trading of goods in Hong Kong and China and holds interests in a joint venture and associates.

The consolidated financial statements are presented in Hong Kong dollar while the functional currency of the Company is Renminbi ("RMB"). The reason for selecting Hong Kong dollar as the presentation currency is because the Company is a public company with its shares listed on the Stock Exchange, where most of its investors are located in Hong Kong.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	As part of the annual improvements to HKFRSs 2014 – 2016 cycle

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

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and the related amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance contracts[4]
HK (IFRIC) – Int 22	Foreign currency transactions and advance consideration[1]
HK (IFRIC) – Int 23	Uncertainty over income tax treatments[2]
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]
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[3]
Amendments to HKAS 19	Plan amendment, curtailment or settlement[2]
Amendments to HKAS 28	Long term interests in associates and joint ventures[2]
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014–2016 cycle[1]
Amendments to HKAS 40	Transfers of investment property[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015–2017 cycle[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 a date to be determined
4 Effective for annual periods beginning on or after 1 January 2021

Except for the impact described below, the application of these new and revised HKFRSs in issue but not yet effective will have no material impact on the Group's financial performance and position and/or the disclosures when they become effective.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 9 Financial instruments

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

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

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

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

Based on the Group's financial instruments and risk management policies as at 31 March 2018, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

- Advances provided to customers carried at amortised cost as disclosed in Note 18: these are held within a business model whose objective is to collect the contractual cash flows that are solely payments of principal and interest on the principal outstanding. Accordingly, these financial assets will continue to be subsequently measured at amortised cost upon the application of HKFRS 9.

- Club debentures classified as available-for-sale financial assets carried at fair value as disclosed in Note 16: these financial assets fail the contractual cash flow characteristics test and therefore will be measured subsequently at fair value through profit or loss ("FVTPL") with fair value gains or losses to be recognised in profit or loss instead of other comprehensive income under HKFRS 9. Upon initial application of HKFRS 9, investment revaluation reserve related to these financial assets subsequently measured at FVTPL will be transferred to accumulated losses as at 1 April 2018.

- All other financial assets and financial liabilities will continue to be measured on the same basis as are currently measured HKAS 39.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 9 Financial instruments (continued)

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will result in earlier provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and other items that subject to the impairment provisions upon application of HKFRS 9 by the Group.

Based on the assessment by the directors of the Company, if the expected credit loss model were to be applied by the Company, the accumulated amount of impairment loss to be recognised by the Group as at 1 April 2018 would not be significantly different as compared to the accumulated amount recognised under HKAS 39 mainly attributable to expected credit losses provision on advances provided to customers. It is also expected that the adoption of HKFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on the Group's existing business model.

HKFRS 15 Revenue from contracts with customers

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

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

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

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

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

Currently, the gross amount of revenue from the sale of goods, factoring service income and financing service income are recognised on the basis that the Group is acting as a principal under HKAS 18 and the directors of the Company assessed that there will be no material impact on factoring service income and financing service income upon the application of HKFRS 15. Under the requirement of HKFRS 15, should the trading of goods carried by the Group be regarded as agent services, the net amount of revenue from the sale of goods and the corresponding cost of sales would be recognised as revenue.

In addition, the application of HKFRS 15 in the future may result in a change in presentation and more disclosures in the consolidated financial statements but will not have a material impact on the results of the Group.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

HKFRS 16 Leases

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

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

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2018, the Group has non-cancellable operating lease commitments of approximately HK$6,556,000 as disclosed in Note 29. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of approximately HK$330,000 as rights and obligations under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities 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 certain financial instruments that are measured at fair values at the end of each reporting period, 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 or services.

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

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

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

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

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

Investments in associates and a joint venture

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint venture are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint venture used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate or joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and a joint venture (continued)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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

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

Revenue recognition

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

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from the sale of goods is recognised when the goods are delivered and titles have been passed.

Financing service income and interest income are 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.

Factoring service income is recognised when the relevant services have been rendered.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Equipment

Equipment is stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

An item of 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 equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible 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 relevant 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 asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

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

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

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 recognised 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. Exchange differences arising on the re-translation of non-monetary items are included in other comprehensive income for the period.

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. Hong Kong dollar) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

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

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

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 'loss before taxation' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which 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 investments in subsidiaries and associates, and interest in a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and 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 asset 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 rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

Financial instruments

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

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

Financial assets

The Group's financial assets are classified into loans and receivables, financial assets at fair value through profit or loss ("FVTPL") and available-for-sale financial assets. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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 and points 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.

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 to an associate, advances provided to customers, amounts due from subsidiaries, accounts receivable, deposits and other receivables, short term bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any impairment. (See accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is designated as at FVTPL.

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 a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the 'other income' or 'other operating expenses' line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 19.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated club debentures as available-for-sale financial assets on initial recognition.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss (see accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, 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.

For all other financial assets, 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; or
- disappearance of an active market for that financial asset because of financial difficulties.

Individual impairment allowances are assessed by a discounted cash flow method for advances provided to customers that are individually significant and have objective evidence of impairment. The individual impairment allowances are measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of advances provided to customers, 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 these financial assets are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

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 debt investments, impairment loss are subsequently reversed through profit or loss if an increase in fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in according with the substance of the contractual arrangements entered into 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 an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other 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.

Financial liabilities at amortised cost

Financial liabilities including amount due to a subsidiary and bills and other payables are subsequently measured at amortised cost, using the effective interest method.

Redeemable convertible preference shares containing liability and equity components

Redeemable convertible preference shares issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. A 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 classified as an equity instrument.

On initial recognition, the fair value of the liability component is determined using the prevailing market interest of similar non-convertible debts. The difference between the gross proceeds of the issue of the redeemable convertible preference shares and the fair value assigned to the liability component, representing the conversion option for the holder to convert the notes into equity, is included in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

In subsequent periods, the liability component of the redeemable convertible preference shares is carried at amortised cost using the effective interest method. The equity component, representing by the option to convert the liability component into ordinary shares of the Company, will remain in the redeemable convertible preference shares reserve until the embedded option is exercised (in which case the balance stated in the redeemable convertible preference shares reserve will be transferred to share premium). Where the option remains unexercised at the expiry date, the balance stated in redeemable convertible preference shares reserve will be released to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the option.

Transaction costs that relate to the issue of the redeemable convertible preference shares are allocated to the liability and equity components in proportion to the allocation of the proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the redeemable convertible preference shares using the effective interest method.

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income 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 have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (employee share-based compensation reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the employee share-based compensation reserve.

At the time when the share options are exercised, the amount previously recognised in the employee share-based compensation reserve will be transferred to share capital. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in the employee share-based compensation reserve will be transferred to retained profits (accumulated losses).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Estimated impairment of interest in an associate

The entire carrying amount of the interest in an associate, including goodwill, is tested for impairment as a single asset. Determining whether interests in associates are impaired requires an identification of impairment indicators and an estimation of the recoverable amount of the interest in associates, which is based on the higher of value in use and fair value less costs of disposal. The Group identifies impairment indicators by considering the market and economic environment in which the associate operates and the financial performance of the associate. The fair value less costs of disposal is determined by the quoted price for listed shares. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the associates and apply 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. As at 31 March 2018, the carrying amount of interests in associates is HK$74,846,000 (2017: HK$185,526,000), net of impairment allowances of HK$29,362,000 (2017: HK$19,955,000). Details of the impairment review are disclosed in Note 15.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Estimated impairment of advances provided to customers

When there is objective evidence of impairment loss, the Group takes into consideration an estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2018, the carrying amount of advances provided to customers is HK$160,494,000 (2017: HK$276,272,000), net of impairment allowances of HK$194,533,000 (2017: HK$52,076,000).

Income taxes

As at 31 March 2018, no deferred tax asset (2017: nil) in relation to estimated unused tax losses of HK$208,510,000 (2017: HK$199,291,000) was recognised in the Group's consolidated statement of financial position because of the unpredictability of future profit streams as disclosed in Note 25. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

5. REVENUE

Revenue for the year represents income received and receivable from the sale of goods, provision of factoring service and financing service. It also represents the turnover of the Group.

	2018 **HK$'000**	2017 HK$'000
Revenue from the sale of goods	**245,543**	56,749
Factoring service income	**13,644**	15,386
Financing service income	**3,863**	9,236
	263,050	81,371

6. SEGMENT INFORMATION

The Group's operating segments, identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker ("CODM"), in order to allocate resources to the segments and to assess performance, are summarised as follows:

(a) trading segment: sale of goods, which was a new business undertaken by the Group during the year ended 31 March 2017;

(b) factoring service segment: provision of factoring services; and

(c) financing service segment: provision of financing services.

The segment information is reported below.

Segment revenue and results

An analysis of the Group's revenue and results by reportable and operating segments is as follows:

For the year ended 31 March 2018

	Trading HK$'000	Factoring service HK$'000	Financing service HK$'000	Total HK$'000
Revenue from customers	**245,543**	**13,644**	**3,863**	**263,050**
Segment results before impairment losses	**3,708**	**9,407**	**2,628**	**15,743**
Impairment losses on advances provided to customers	**–**	**–**	**(137,273)**	**(137,273)**
Segment results	**3,708**	**9,407**	**(134,645)**	**(121,530)**
Unallocated other income				**5,386**
Impairment loss on interest in an associate				**(7,170)**
Central administration costs				**(27,376)**
Net exchange loss				**(27,253)**
Finance costs				**(832)**
Share of loss of a joint venture				**(2,895)**
Share of loss of associates				**(123,445)**
Loss before taxation				**(305,115)**

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the year ended 31 March 2017

	Trading HK$'000	Factoring service HK$'000	Financing service HK$'000	Total HK$'000
Revenue from customers	56,749	15,386	9,236	81,371
Segment results before impairment losses	(291)	12,548	8,247	20,504
Impairment loss on loan to a joint venture	–	–	(44,424)	(44,424)
Impairment losses on advances provided to customers	–	–	(11,110)	(11,110)
Segment results	(291)	12,548	(47,287)	(35,030)
Unallocated other income				9,109
Impairment, net of other gain, on interest in a joint venture				(250,377)
Impairment loss on interest in an associate				(20,680)
Central administration costs				(28,446)
Net exchange gain				13,514
Finance costs				(724)
Share of loss of a joint venture				(999,504)
Share of loss of associates				(97,300)
Loss before taxation				(1,409,438)

Segment results represent the profit earned by each segment, without allocation of impairment, net of other gain, on interest in a joint venture, impairment loss on interest in an associate, central administration costs, other income (primarily certain interest income from bank deposits), net exchange (loss) gain, finance costs, share of loss of a joint venture and share of loss of associates. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities

An analysis of the Group's assets and liabilities by reportable segments is as follows:

As at 31 March 2018

	Trading HK$'000	Factoring service HK$'000	Financing service HK$'000	Total HK$'000
Assets				
Segment assets	**217,076**	**161,271**	**145**	**378,492**
Interests in associates				**74,846**
Loan to an associate				**1,470**
Unallocated assets				**251,734**
Total assets				**706,542**
Liabilities				
Segment liabilities	**160,633**	**3,539**	**90**	**164,262**
Unallocated liabilities				**31,193**
Total liabilities				**195,455**

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

As at 31 March 2017

	Trading HK$'000	Factoring service HK$'000	Financing service HK$'000	Total HK$'000
Assets				
Segment assets	30,024	143,462	133,792	307,278
Interest in a joint venture				2,569
Interests in associates				185,526
Loan to an associate				1,470
Unallocated assets				293,816
Total assets				790,659
Liabilities				
Segment liabilities	14,934	318	149	15,401
Unallocated liabilities				30,004
Total liabilities				45,405

For the purposes of monitoring segment performance and allocating resources between segments, the CODM monitors the tangible and financial assets attributable to each segment. All assets are allocated to reportable segments other than interest in a joint venture, interests in associates, loan to an associate, club debentures, part of short term bank deposits, bank balances and cash, and certain corporate assets for central administrative uses. All liabilities are allocated to reportable segments other than taxation, redeemable convertible preference shares and certain corporate liabilities incurred for central administrative purpose.

6. SEGMENT INFORMATION (continued)

Other segment information

An analysis of the Group's other amounts included in the measure of segment profit or loss or segment assets by reportable segments is as follows:

For the year ended 31 March 2018

	Trading HK$'000	Factoring service HK$'000	Financing service HK$'000	Unallocated HK$'000	Total HK$'000
Expenditure for reportable segment non-current assets	–	–	–	2	2
Impairment losses on advances provided to customers	–	–	137,273	–	137,273
Depreciation of equipment	–	349	91	891	1,331

For the year ended 31 March 2017

	Trading HK$'000	Factoring service HK$'000	Financing service HK$'000	Unallocated HK$'000	Total HK$'000
Expenditure for reportable segment non-current assets	14	328	–	27	369
Impairment loss on loan to a joint venture	–	–	44,424	–	44,424
Impairment losses on advances provided to customers	–	–	11,110	–	11,110
Depreciation of equipment	14	456	136	1,139	1,745

Geographical information

Revenue reported above represents income generated from external customers located in China of HK$259,187,000 (2017: HK$72,596,000), income generated from external customers located outside China of HK$3,863,000 (2017: HK$3,559,000) and income generated from a joint venture in China of nil (2017: HK$5,216,000).

As at 31 March 2018, non-current assets other than financial instruments, interest in a joint venture and interests in associates of HK$306,000 (2017: HK$704,000) and HK$642,000 (2017: HK$1,483,000) were located in China and Hong Kong, respectively.

6. SEGMENT INFORMATION (continued)

Information about major customers

The Group's revenue from customers which accounted for 10% or more of its total revenue are as follows:

	2018 HK$'000	2017 HK$'000
Customer A in the trading segment	**245,543**	56,749
Customer B in the factoring service segment	**N/A[1]**	13,190

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

7. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Imputed interest on redeemable convertible preference shares	**832**	724

8. LOSS BEFORE TAXATION

	2018 HK$'000	2017 HK$'000
Loss before taxation has been arrived at after charging:		
Salaries, allowances and other benefits	**15,478**	15,342
Retirement benefit scheme contributions	**659**	690
Equity-settled share-based payment expenses	**3,144**	4,210
Total staff costs (including directors' remuneration)	**19,281**	20,242
Auditor's remuneration		
– Audit service	**625**	475
– Non-audit services	**515**	501
Depreciation of equipment	**1,331**	1,745
Loss on disposal of equipment	**–**	1
Net exchange loss	**27,253**	–
Operating lease rentals in respect of properties	**6,006**	5,600
and after crediting:		
Interest income from bank deposits and structured deposits (included in other income)	**9,590**	9,109
Net exchange gain (included in other income)	**–**	13,514

9. DIRECTORS' AND EMPLOYEES' REMUNERATION

Directors' emoluments

Directors' remuneration for executive directors comprises payments by the Group to directors of the Company in connection with the management of the affairs of the Company and its subsidiaries. Directors' remuneration for independent non-executive directors comprises payments by the Group to directors of the Company for their services as directors of the Company and its subsidiaries.

The remuneration of each director for the year ended 31 March 2018 is set out below:

	Directors' fees HK$'000	Salaries, allowances and benefits HK$'000	Retirement benefit scheme contributions HK$'000	Discretionary bonus HK$'000	Equity-settled share-based payment expenses HK$'000	Total HK$'000
Executive directors						
Mr. Wang Jun	–	1,440	–	–	–	1,440
Mr. Wong Yu Lung, Charles	–	1,656	–	138	1,096	2,890
Mr. Ding Chung Keung, Vincent (Chief Executive Officer)	–	1,588	18	1,000	1,096	3,702
Ms. Wong, Michelle Yatyee	–	1,200	18	1,000	439	2,657
Independent non-executive directors						
Mr. Cheng Yuk Wo	240	–	–	–	–	240
Mr. Ma Ho Fai GBS JP	240	–	–	–	–	240
Mr. Ng Chi Keung MH	240	–	–	–	–	240
Total	720	5,884	36	2,138	2,631	11,409

The remuneration of each director of the year ended 31 March 2017 is set out below:

	Directors' fees HK$'000	Salaries, allowances and benefits HK$'000	Retirement benefit scheme contributions HK$'000	Discretionary bonus HK$'000	Equity-settled share-based payment expenses HK$'000	Total HK$'000
Executive directors						
Mr. Wang Jun	–	1,440	–	–	–	1,440
Mr. Wong Yu Lung, Charles	–	1,656	–	138	1,283	3,077
Mr. Ding Chung Keung, Vincent (Chief Executive Officer)	–	1,588	18	1,000	1,282	3,888
Ms. Wong, Michelle Yatyee	–	1,220	18	1,000	137	2,375
Independent non-executive directors						
Mr. Cheng Yuk Wo	240	–	–	–	–	240
Mr. Ma Ho Fai SBS JP	240	–	–	–	–	240
Mr. Ng Chi Keung MH	240	–	–	–	–	240
Total	720	5,904	36	2,138	2,702	11,500

9. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

Directors' emoluments (continued)

Notes:

(a) The discretionary bonus is determined with reference to the operating results and the individual's performance in each year.

(b) No emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office.

During the year, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor there were any such amounts payable (2017: nil). No consideration was provided to or receivable by third parties for making available director's services (2017: nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled body corporate and connected entities (2017: nil).

Save as disclosed in Note 32, no director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Group's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2017: nil).

There was no arrangement under which a director or the chief executive officer of the Company waived or agreed to waive any remuneration during the year.

During the year, shares options were granted to certain directors of the Company, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in Note 28.

Employees' emoluments

Of the five highest paid individuals in the Group during the year, four (2017: four) were directors of the Company whose emoluments are set out above. Details of the emolument of the remaining individual was as follows:

	2018 **HK$'000**	2017 HK$'000
Salaries, allowances and other benefits	**901**	888
Retirement benefit scheme contributions	**18**	18
Equity-settled share-based payment expenses	**–**	65
Discretionary bonus	**84**	129
	1,003	1,100

10. TAXATION

	2018 HK$'000	2017 HK$'000
The charge comprises:		
Current tax		
Enterprise Income Tax in China		
– Provision for the current year	**2,502**	3,138
Deferred taxation (Note 25)	**–**	10,242
	2,502	13,380

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group's operation in Hong Kong had no assessable income during both years.

Under the Enterprise Income Tax Law of China (the "EIT Law") and the Implementation Regulation of the EIT Law, all subsidiaries in China are subject to the tax rate of 25% during both years.

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

	2018 HK$'000	2017 HK$'000
Loss before taxation	**(305,115)**	(1,409,438)
Tax at the domestic income tax rate in China of 25% (2017: 25%)	**(76,279)**	(352,359)
Tax effect of share of loss of a joint venture	**724**	249,876
Tax effect of share of loss of associates	**30,861**	24,325
Tax effect of income not taxable for tax purposes	**(2,292)**	(7,717)
Tax effect of expenses not deductible for tax purposes	**46,726**	83,657
Tax effect of tax losses not recognised	**2,305**	2,352
Tax effect of deductible temporary differences not recognised	**273**	13,019
Others	**184**	227
Taxation for the year	**2,502**	13,380

11. DIVIDENDS

	2018	2017
	HK$'000	HK$'000
Dividends recognised as distribution and paid during the year:		
Final dividends of HK1.5 cents per share in respect of the year ended 31 March 2016	**–**	41,429

The directors do not recommend the payment of dividend for the year (2017: nil).

12. LOSS PER SHARE

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

	2018	2017
	HK$'000	HK$'000
Loss:		
Loss for the purposes of basic and diluted loss per share (Loss for the year attributable to owners of the Company)	**(307,617)**	(1,422,818)
	'000	'000
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,761,913**	2,761,913

Note: The computation of diluted loss per share for the years ended 31 March 2018 and 2017 does not assume the exercise of the Company's outstanding share options because the exercise price of those share options was higher than the average market price of shares for both years.

13. EQUIPMENT

	Furniture, fixtures and other fixed assets	
	2018	2017
	HK$'000	HK$'000
COST		
At the beginning of the year	**8,750**	8,778
Exchange adjustments	**634**	(374)
Additions	**2**	369
Disposals	**(7)**	(23)
At the end of the year	**9,379**	8,750
ACCUMULATED DEPRECIATION		
At the beginning of the year	**6,563**	5,109
Exchange adjustments	**544**	(269)
Charge for the year	**1,331**	1,745
Eliminated on disposals	**(7)**	(22)
At the end of the year	**8,431**	6,563
NET CARRYING VALUES		
At the end of the year	**948**	2,187

The above items of equipment are depreciated on a straight line basis at the rates of 20% to $33^1/_3$% per annum.

14. INTEREST IN A JOINT VENTURE

	2018	2017
	HK$'000	HK$'000
Cost of investment in a joint venture, unlisted	**1,051,603**	1,019,188
Share of post acquisition loss and other comprehensive expenses, net of dividends received (Note a)	**(778,618)**	(768,172)
	272,985	251,016
Impairment, net of other gain (Note b)	**(272,985)**	(248,447)
	–	2,569

14. INTEREST IN A JOINT VENTURE (continued)

Particulars of the joint venture as at 31 March 2018 and 2017 are as follows:

Name of joint venture	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Effective ownership interest indirectly held by the Group	Proportion of voting power held	Principal activities
Rongzhong Group Limited ("Rongzhong Group")	Limited	British Virgin Islands/China	US$34,276,000	40%	40%	Provision for financing and loan guarantee services

Note: Based on the legal form and terms of the contractual arrangements, the interest in Rongzhong Group is classified as joint venture as major decisions require the unanimous consent among the shareholders.

Summarised financial information of the joint venture

The summarised financial information below represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs.

The joint venture is accounted for using the equity method in the consolidated financial statements.

Rongzhong Group

	2018 HK$'000 (Unaudited)	2017 HK$'000 (Audited)
Current assets	**1,507,673**	1,686,157
Non-current assets	**258,749**	319,296
Current liabilities	**(2,154,385)**	(2,198,416)
	(387,963)	(192,963)

14. INTEREST IN A JOINT VENTURE (continued)

Summarised financial information of the joint venture (continued)

Rongzhong Group (continued)

The above amounts of assets and liabilities include the following:

	2018 HK$'000 (Unaudited)	2017 HK$'000 (Audited)
Cash and cash equivalents	1,363	2,925
Current financial liabilities (excluding payables and provisions)	(1,404,266)	(1,540,197)

	2018 HK$'000 (Unaudited)	2017 HK$'000 (Audited)
Revenue	446,024	534,370
Loss for the year	(169,581)	(2,494,830)
Other comprehensive expense for the year	(25,419)	(76,653)
Total comprehensive expense for the year	(195,000)	(2,571,483)

The above loss for the year include the following:

	2018 HK$'000 (Unaudited)	2017 HK$'000 (Audited)
Depreciation and amortisation	(1,181)	(2,032)
Interest income from bank deposits	8,610	261
Interest expense	(111,568)	(159,838)
Income tax (expense) credit	(89,251)	57,722

14. INTEREST IN A JOINT VENTURE (continued)

Summarised financial information of the joint venture (continued)

Rongzhong Group (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Rongzhong Group recognised in the consolidated financial statements:

	2018 HK$'000	2017 HK$'000
Net liabilities of Rongzhong Group	**(387,963)**	(192,963)
Proportion of the Group's ownership interest in Rongzhong Group	**40%**	40%
Goodwill	**249,067**	226,679
Trademark	**285,976**	260,270
Impairment loss	**(450,585)**	(410,083)
Others	**3,174**	2,888
Share of loss not recognised (Note a)	**64,937**	–
Share of other comprehensive expenses not recognised (Note a)	**2,616**	–
Carrying amount of the Group's interest in Rongzhong Group	**–**	2,569

Notes:

(a) The Group's share of loss of a joint venture was HK$67,832,000 (2017: HK$999,504,000) of which HK$2,895,000 (2017: HK$999,504,000) was recognised in the consolidated statement of profit or loss for the year. The Group's share of other comprehensive expense of a joint venture was HK$2,290,000 (2017: HK$60,983,000) of which income of HK$326,000 (2017: expense of HK$60,983,000) was recognised in the consolidated statement of profit or loss and other comprehensive income for the year. Share of loss and other comprehensive expense of a joint venture of HK$64,937,000 (2017: nil) and HK$2,616,000 (2017: nil) respectively was not recognised by the Group as such loss exceeds its interest in the joint venture. Rongzhong Group suffered from a high level of impairment allowances on accounts receivable and advances provided to customers which resulted in significant loss for the years ended 31 March 2018 and 2017. As at 31 March 2018, the carrying amount of the Group's interest in Rongzhong Group was nil (2017: HK$2,569,000).

In April 2016, Rongzhong Group has capitalised its loans from shareholders of HK$444,000,000 as equity pursuant to the terms of the shareholders' agreements of Rongzhong Group dated 26 October 2011, of which HK$315,240,000 was contributed by the Group out of the total amount due by Rongzhong Group of HK$448,785,000 to the Group. Such capitalisation resulted in a gain of HK$177,600,000 recognised by the Group, which represented the increased net asset of Rongzhong Group shared by the Group as a result of the capitalisation.

(b) At 31 March 2017, the management of the Group carried out an impairment review on the carrying amount of its interest in the joint venture by comparing the recoverable amount estimated using value in use with the carrying amount of the interest in Rongzhong Group. In determining the value in use of the interest in Rongzhong Group, the Group estimated the present value of the estimated future cash flows expected to be generated by the joint venture, including cash flows from the operations of the joint venture and estimated terminal value, calculated at a discount rate of 22.7%. The management of the Group has considered, among others, the performance, deteriorating financial position (including but not limited to net liabilities of HK$192,963,000) and liquidity condition of Rongzhong Group and its available sources of financing in assessing the recoverable amount of the interest in Rongzhong Group. Based on the assessment, the recoverable amount of the interest in the joint venture is lower than its carrying amount. Hence, an impairment, net of other gain, of HK$250,377,000, which represented the impairment loss of HK$427,977,000 and gain arising from share subscription of HK$177,600,000 as mentioned above, on the interest in the joint venture was recognised in profit or loss in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2017.

14. INTEREST IN A JOINT VENTURE (continued)

Summarised financial information of the joint venture (continued)

Rongzhong Group (continued)

Notes: (continued)

(c) During the year ended 31 March 2017, the loan to a joint venture of HK$315,240,000 was capitalised as part of the cost of investment in a joint venture and HK$128,760,000 was assigned to Yong Hua International Limited ("Yong Hua") at its face value according to and subject to the terms of the shareholders' agreement of Rongzhong Group dated 26 October 2011 and the shareholders' resolutions of Rongzhong Group in relation to the arrangement of subscription of additional Rongzhong Group shares. At the request of Yong Hua, a loan of HK$128,760,000 was provided by the Group to finance the payment of the consideration of the assignment. Details of the transactions are set forth in the announcement dated 18 April 2016. The loan amount was included in advances provided to customers shown under non-current assets in Note 18.

During the year ended 31 March 2017, an impairment loss on loan to a joint venture of HK$44,424,000 was recognised in profit or loss.

15. INTERESTS IN ASSOCIATES/LOAN TO AN ASSOCIATE

	2018	2017
	HK$'000	HK$'000
Cost of investments in associates		
Listed in Hong Kong	**317,751**	315,212
Unlisted	**5,335**	1,532
Share of post-acquisition losses and other comprehensive expense, net of dividends received	**(218,878)**	(111,263)
	104,208	205,481
Impairment loss	**(29,362)**	(19,955)
	74,846	185,526
Loan to an associate	**1,470**	1,470

15. INTERESTS IN ASSOCIATES/LOAN TO AN ASSOCIATE (continued)

Particulars of the associates as at 31 March 2018 and 2017 are as follows:

Name of associate	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital		Effective ownership interest indirectly held by the Group	Proportion of voting power held by the Group	Principal activity
			2018	2017			
China Rongzhong Financial Holdings Company Limited ("China Rongzhong")	Limited	Cayman Islands/ China	**HK$4,125,090**	HK$4,125,090	34.86%	34.86%	Provision for financial leasing service
Allied Golden Capital Fund I (Cayman) Company Limited	Limited	Cayman Islands/ Hong Kong	**US$2,452,000**	US$2,000	19.90%	19.90%	Investment holding
Goldbond Capital Investments Limited	Limited	Cayman Islands/ Hong Kong	**US$400,000**	US$400,000	49%	49%	Provision for fund management service

Note: Based on the legal form and terms of the contractual arrangements, the interests in China Rongzhong, Allied Golden Capital Fund I (Cayman) Company Limited and Goldbond Capital Investments Limited are classified as associates as the Group has significant influence over these associates.

As at 31 March 2018, market value of the Group's listed investments in China Rongzhong based on quoted market price was approximately HK$138,054,000 (2017: HK$185,510,000).

15. INTERESTS IN ASSOCIATES/LOAN TO AN ASSOCIATE (CONTINUED)

Summarised financial information of the material associate

The summarised financial information below represents amounts shown in the associates' financial statements prepared in accordance with HKFRSs.

These associates are accounted for using the equity method in the consolidated financial statements.

China Rongzhong

	2018	2017
	HK$'000	HK$'000
Current assets	**1,012,307**	1,037,677
Non-current assets	**232,722**	467,486
Current liabilities	**(788,505)**	(935,883)
Non-current liabilities	**(247,975)**	(53,620)
	208,549	515,660

The above amounts of assets and liabilities include the following:

	2018	2017
	HK$'000	HK$'000
Cash and cash equivalents	**65,722**	43,256
Current financial liabilities (excluding payables and provisions)	**(713,582)**	(882,767)
Non-current financial liabilities	**(247,843)**	(51,666)

	2018	2017
	HK$'000	HK$'000
Revenue	**128,503**	183,746
Loss for the year	**(352,522)**	(277,160)
Other comprehensive income (expense) for the year	**45,411**	(49,978)
Total comprehensive expense for the year	**(307,111)**	(327,138)

15. INTERESTS IN ASSOCIATES/LOAN TO AN ASSOCIATE (continued)

Summarised financial information of the material associate (continued)

China Rongzhong (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in China Rongzhong recognised in the consolidated financial statements:

	2018 HK$'000	2017 HK$'000
Net assets of China Rongzhong	**208,549**	515,660
Proportion of the Group's ownership interest in China Rongzhong	**34.86%**	34.86%
Goodwill	**28,238**	25,699
Impairment loss	**(29,362)**	(19,955)
Carrying amount of the Group's interest in China Rongzhong	**71,579**	185,510

During the year, the share of loss of associates and other comprehensive income of an associate by the Group was HK$123,445,000 (2017: HK$97,300,000) and HK$16,132,000 (2017: expense of HK$19,952,000), respectively. Of the share of loss of associates of HK$123,445,000 (2017: HK$97,300,000), HK$122,893,000 (2017: HK$96,621,000) represented the share of loss of China Rongzhong which suffered from a high level of impairment allowances on its finance lease receivables and significant loss for both years.

The management of the Group carried out impairment review on the carrying amount of the investment in China Rongzhong as at 30 September 2017 and 31 March 2018 by comparing the recoverable amount estimated using higher of fair value less costs of disposal and value in use with the carrying amount of the investment in China Rongzhong. Fair value less costs of disposal, measured using the quoted price for China Rongzhong listed shares on Hong Kong Exchanges and Clearing Limited as at 29 September 2017 and 29 March 2018, was approximately HK$123,673,000 and HK$138,054,000, respectively (31 March 2017: HK$185,510,000). In determining the value in use of the investment as at 30 September 2017 and 31 March 2018, the Group estimated its share of the present value of the estimated future cash flows expected to be generated by the associate, including cash flows from the operations of the associate and estimated terminal value at a discount rate of 20.7% and 23.4% (31 March 2017: 19.0%). Based on the assessment as at 30 September 2017, the recoverable amount of China Rongzhong based on fair value less costs of disposal amounted to HK$123,673,000 (2017: HK$185,510,000) is lower than its carrying amount. Hence, an impairment loss of HK$7,170,000 (2017: HK$20,680,000) on the interest in China Rongzhong was recognised in profit or loss in the consolidated statement of profit or loss and other comprehensive income. As at 31 March 2018, the recoverable amount of China Rongzhong is higher than its carrying amount. However, given that the indications of impairment previously identified still existed as at 31 March 2018, no reversal of impairment had been recognised.

15. INTERESTS IN ASSOCIATES/LOAN TO AN ASSOCIATE (continued)

Aggregate financial information of the associates that are not individually material

	2018 **HK$'000**	2017 HK$'000
The Group's share of loss	**(552)**	(679)
The Group's share of total comprehensive expense	**(552)**	(679)
Aggregate carrying amount of the Group's interest in these associates	**3,267**	16

As at 31 March 2018, the loan to an associate of HK$1,470,000 (2017: HK$1,470,000) was unsecured, non-interest bearing and repayable after one year.

16. CLUB DEBENTURES

The club debentures are classified as available-for-sale financial assets. The fair values of the club debentures were determined by reference to recent market prices for similar debentures.

17. ACCOUNTS RECEIVABLE

The Group normally allows credit period for trade customers of 60 days (2017: 60 days). The accounts receivable presented based on the invoice date, which approximated the respective revenue recognition dates, at the end of the reporting period was aged 0-60 days. At the end of the reporting period, the accounts receivable were neither past due nor impaired and were related to a customer of good credit quality.

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limit. Credit sales are made to customers with appropriate credit history. Credit limits attributed to customers are reviewed regularly.

18. ADVANCES PROVIDED TO CUSTOMERS

	2018 HK$'000	2017 HK$'000
Advances provided to customers	**355,027**	328,348
Less: Impairment allowances	**(194,533)**	(52,076)
	160,494	276,272
Less: Amounts shown under current assets	**(160,494)**	(143,953)
Amount due after one year	**–**	132,319

As at 31 March 2018, the advances provided to customers, which bore fixed interest at a rate of not more than 16.8% (2017: 16.8%) per annum, were repayable according to terms stipulated in the loan agreements and factoring facility agreements. Included in the balances, an aggregate amount of HK$160,494,000 was secured by assets such as accounts receivable and bank's acceptance bills (2017: HK$275,242,000 was secured by assets such as accounts receivable and a fixed and floating charge executed by a private entity in the British Virgin Islands).

Before granting loans to outsiders, the Group uses internal credit assessment process to assess the potential borrower's credit quality and defines the credit limits granted to the borrowers. The credit limits attributed to the borrowers are reviewed by the management regularly. Management considered that the receivables which were neither past due nor impaired are customers of good credit quality.

The following is a credit quality analysis of advances provided to customers:

	2018 HK$'000	2017 HK$'000
Neither past due nor impaired	**160,494**	274,729
Past due but not impaired	**–**	513
Impaired	**194,533**	53,106
Subtotal	**355,027**	328,348
Less: Impairment allowances	**(194,533)**	(52,076)
Advances provided to customers	**160,494**	276,272

18. ADVANCES PROVIDED TO CUSTOMERS (continued)

The following is an ageing analysis of advances provided to customers which were past due but not impaired:

	2018	2017
	HK$'000	HK$'000
Within one month	**–**	406
More than one month but less than three months	**–**	85
More than three months but less than six months	**–**	22
	–	513

Management reviewed and assessed impairment individually based on customers' financial situation, repayment history and the values of assets pledged. As at 31 March 2017, an aggregate carrying amount of HK$513,000 was past due but the Group had not provided for impairment loss as these customers were considered to be of good quality and that the whole amount of HK$513,000 was secured by assets pledged by customers.

Movement in the impairment allowances

	2018	2017
	HK$'000	HK$'000
Balance at beginning of the year	**52,076**	43,405
Exchange realignment	**5,184**	(2,439)
Impairment losses recognised	**137,273**	11,110
Balance at end of the year	**194,533**	52,076

19. STRUCTURED DEPOSITS

As at 31 March 2018, the Group has principal-protected floating income structured deposits of HK$96,543,000 (2017: HK$14,921,000) issued by banks which carried interest ranging from 0% to 4.55% (2017: 0% to 3.95%) per annum. As the directors of the Company evaluate the performance of the structured deposits on a fair value basis, the Group designated the structured deposits as financial asset at fair value through profit or loss on initial recognition. The fair value of the structured deposits was determined by reference to recent market transaction.

As at 31 March 2018, structured deposits of HK$89,136,000 (2017: HK$14,921,000) were pledged to banks to comply with the deposit requirement for the issuance of bills payable.

20. SHORT TERM BANK DEPOSITS/BANK BALANCES AND CASH

All bank deposits of the Group carry interest at prevailing market rates ranging from 0% to 4.7% (2017: 0.001% to 4.48%) per annum respectively.

Included in short term bank deposits and bank balances and cash are the following amounts denominated in currencies other than the functional currencies of the group entities:

	Currency	2018 HK$'000	2017 HK$'000
Hong Kong dollars	HKD	**29,039**	51,674
United States dollars	USD	**121,769**	142,510

As at 31 March 2018, short term bank deposits with original maturity more than three months amounting to HK$72,164,000 (2017: nil) were pledged to banks to comply with the deposit requirement for the issuance of bills payable. The pledged deposits carried interest ranging from 0% to 4.7% per annum.

21. BILLS AND OTHER PAYABLES

	2018 HK$'000	2017 HK$'000
Bills payable	**160,633**	14,921
Other payables	**24,700**	21,450
	185,333	36,371

Bills payable were normally required to be settled within six months and secured by certain assets as disclosed in Note 31. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

22. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Issued and fully paid:		
At 1 April 2016, 31 March 2017 and 31 March 2018	2,761,913	829,209

None of the Company's subsidiaries has purchased, sold or redeemed any of the Company's listed securities during both years.

23. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY

(a) Statement of financial position

	2018 HK$'000	2017 HK$'000
Non-current assets		
Equipment	**439**	725
Interests in subsidiaries	**40,653**	103,538
Loans to a subsidiary	**68,792**	39,326
Amounts due from subsidiaries	**128,151**	257,159
Club debentures	**18,179**	16,545
	256,214	417,293
Current assets		
Amounts due from subsidiaries	**58,978**	55,105
Prepayments, deposits and other receivables	**854**	1,306
Short term bank deposits		
– with original maturity within three months	**197,055**	216,899
– with original maturity more than three months	**–**	19,101
Bank balances	**729**	1,096
	257,616	293,507
Current liabilities		
Other payables and accrued charges	**943**	810
Amount due to a subsidiary	**912**	655
	1,855	1,465
Net current assets	**255,761**	292,042
Total assets less current liabilities	**511,975**	709,335
Capital and reserves		
Share capital	**829,209**	829,209
Reserves	**(323,616)**	(125,424)
Total equity	**505,593**	703,785
Non-current liability		
Redeemable convertible preference shares	**6,382**	5,550
	511,975	709,335

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 27 June 2018 and is signed on its behalf by:

Wong Yu Lung, Charles
DIRECTOR

Ding Chung Keung, Vincent
DIRECTOR

23. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY (continued)

(b) Movement of reserves of the Company

The changes in the reserves of the Company during the years ended 31 March 2018 and 2017 are as follows:

	Investment revaluation reserve HK$'000	Employee share-based compensation reserve HK$'000	General reserve HK$'000	Translation reserve HK$'000	Retained profits (accumulated losses) HK$'000	Total HK$'000
At 1 April 2016	3,000	66,556	6,000	51,232	869,963	996,751
Loss for the year	–	–	–	–	(978,315)	(978,315)
Exchange differences arising on translation	–	–	–	(106,641)	–	(106,641)
Total comprehensive expense for the year	–	–	–	(106,641)	(978,315)	(1,084,956)
Dividends recognised as distribution (Note 11)	–	–	–	–	(41,429)	(41,429)
Lapse of share options	–	(1,979)	–	–	1,979	–
Recognition of equity-settled share-based payment expenses	–	4,210	–	–	–	4,210
Sub-total	–	2,231	–	–	(39,450)	(37,219)
At 31 March 2017	3,000	68,787	6,000	(55,409)	(147,802)	(125,424)
Loss for the year	–	–	–	–	(267,308)	(267,308)
Exchange differences arising on translation	–	–	–	65,972	–	65,972
Total comprehensive income (expense) for the year	–	–	–	65,972	(267,308)	(201,336)
Expiry of share options	–	(33,436)	–	–	33,436	–
Lapse of share options	–	(121)	–	–	121	–
Recognition of equity-settled share-based payment expenses	–	3,144	–	–	–	3,144
Sub-total	–	(30,413)	–	–	33,557	3,144
At 31 March 2018	**3,000**	**38,374**	**6,000**	**10,563**	**(381,553)**	**(323,616)**

24. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

As at 31 March 2018, 68,400,000 (2017: 68,400,000) preference shares were in issue.

Pursuant to the terms and conditions of the preference shares, the preference shares may be redeemed by the holders of the preference shares at any time subsequent to 50 years after the date of issue on 18 September 2001 at a redemption value of HK$10.00 per preference share. The preference shares carry no right to dividend distributions to the holders. The preference shares were convertible until 17 September 2004 and the conversion rights attached to the preference shares lapsed with no conversion then.

The liability component of the preference shares is carried at amortised cost based on an effective interest rate of 13.97% per annum.

25. DEFERRED TAX ASSET

The movement in deferred tax asset during the year is as follows:

	Impairment allowances HK$'000
At 1 April 2016	10,851
Exchange realignment	(609)
Charge to profit or loss (Note 10)	(10,242)
At 31 March 2017 and 31 March 2018	–

At 31 March 2018, the Group had estimated unused tax losses arising in Hong Kong of HK$208,510,000 (2017: HK$199,291,000), certain of which subject to agreement of the Hong Kong Inland Revenue Department, the unused tax losses are available indefinitely for offset against future profits of the companies in which the losses arose. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

As at 31 March 2018, the Group had deductible temporary differences in respect of certain impairment allowances on advances provided to customers of HK$58,351,000 (2017: HK$52,076,000). No deferred tax asset has been recognised as at 31 March 2018 and 31 March 2017 in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT law, withholding tax is imposed on dividends declared in respect of profits earned by the subsidiaries in China from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the accumulated profits of the subsidiaries in China amounting to HK$31,313,000 (2017: HK$19,675,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

26. 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 owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

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

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

27. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2018 **HK$'000**	2017 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**515,150**	568,339
Designated at FVTPL	**96,543**	14,921
Available-for-sale club debentures	**18,179**	16,545
Financial liabilities		
Amortised cost	**167,039**	20,527

Financial risk management objectives and policies

The risks associated with these financial instruments include market risk (price risk, currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

Price risk

The Group is exposed to price risk through its investments in club debentures which are classified as available-for-sale financial assets. The management manages this exposure by maintaining a portfolio of investments with different risks. No sensitivity analysis is prepared for the price risk as the directors of the Company considered that the Group is not subject to significant amount of risk for both years.

27. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Currency risk

The Company and several subsidiaries of the Company have foreign currency denominated monetary assets and monetary liabilities, thus exposing the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities, including short term bank deposits, bank balances and redeemable convertible preference shares at the reporting date were as follows:

		Assets		Liabilities	
	Currency	**2018**	2017	**2018**	2017
		HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	HKD	**29,233**	51,674	**6,407**	5,579
United States dollar	USD	**122,048**	143,026	**–**	–

The Group currently does not have a foreign exchange hedging policy to eliminate the currency exposures. However, management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise.

Sensitivity analysis

The Group is mainly exposed to the effects of fluctuation in USD and HKD.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB, the functional currency of respective group entities, against USD and HKD. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rate. The analysis illustrates the impact for a 5% weakening of USD and HKD against RMB and a positive number below indicates an increase in loss for the year. For a 5% strengthening of USD and HKD against RMB, there would be an equal and opposite impact on loss for the year.

	USD impact		HKD impact	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Increase in loss for the year	**4,577**	5,363	**856**	1,729

In management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as the year end exposure does not reflect the exposure during the year.

27. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to fair value interest rate risk in relation to advances provided to customers as set out in Note 18. Management considers that the risk is insignificant as advances provided to customers are measured at amortised cost. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuation in the prevailing levels of market interest rates on the cash flow risk. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Limits are set on the level of mismatch of interest rate repricing that may be undertaken, which is monitored monthly.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank deposits and bank balances (see Note 20 for details of these financial instruments respectively). Management monitors the related interest exposure closely to ensure the interest rate risks are maintained at an acceptable level.

Sensitivity analysis for cash flow interest rate risk

The sensitivity analysis below has been determined based on the exposure to variable-rate bank deposits and bank balances. The analysis is prepared assuming the amount of asset and liability of variable-rate outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2017: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2017: 50 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31 March 2018 would decrease/increase by HK$462,000 (2017: HK$74,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits and bank balances.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the year.

27. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk

As at 31 March 2018, the Group's maximum exposure to credit risk is the carrying amounts of financial assets.

In order to minimise the credit risk, credit limits and credit terms granted to customers are approved by delegated officers and follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. Any further extension of credit beyond the approved limit had to be approved by the directors of the Company. In this regard, the directors of the Company consider that the credit risk of the Group is significantly reduced.

The credit risk on liquid funds (i.e. short term bank deposits, bank balances and cash) is limited because the majority of the counterparties are banks with good reputations.

The Group's concentration of credit risk on loan to an associate, accounts receivable and advances provided to customers (the "Receivables") as at 31 March 2018 included five major counterparties accounting for 100% (2017: 99.0%) of the Receivables. The Group has closely monitored the recoverability of the advances to these counterparties and taken effective measures to ensure timely collection of outstanding balances.

The Group is exposed to the concentration of geographical risk on revenue which is generated from customers located in China. The Group has closely monitored the business performance and diversified its customer.

27. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintain 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 contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity tables

	Weighted average effective interest rate %	On demand HK$'000	Within 1 month HK$'000	1 to 3 months HK$'000	4 to 12 months HK$'000	1 to 2 years HK$'000	Over 2 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2018 HK$'000
2018									
Non-derivative financial liabilities									
Bills and other payables	–	–	17,658	73,469	69,530	–	–	160,657	160,657
Redeemable convertible preference shares	13.97	–	–	–	–	–	684,000	684,000	6,382
		–	17,658	73,469	69,530	–	684,000	844,657	167,039

	Weighted average effective interest rate %	On demand HK$'000	Within 1 month HK$'000	1 to 3 months HK$'000	4 to 12 months HK$'000	1 to 2 years HK$'000	Over 2 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount at 31 March 2017 HK$'000
2017									
Non-derivative financial liabilities									
Bills and other payables	–	–	56	–	14,921	–	–	14,977	14,977
Redeemable convertible preference shares	13.97	–	–	–	–	–	684,000	684,000	5,550
		–	56	–	14,921	–	684,000	698,977	20,527

27. FINANCIAL INSTRUMENTS (continued)

Fair value

The fair values of financial assets and financial liabilities at fair value through profit or loss are determined based on generally accepted pricing models as disclosed in Notes 16 and 19.

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

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured on recurring basis subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

	Level 2	
	2018	2017
	HK$'000	HK$'000
Financial assets designated at FVTPL		
Structured deposits	**96,543**	14,921
Available-for-sale financial assets		
Club debentures	**18,179**	16,545

There were no transfers between Level 1 and 2 in the current and last years.

Reconciliation of Level 3 fair value measurements of financial liabilities:

	Level 3
	Provision for share subscription
	HK$'000
At 1 April 2016	315,240
Share subscription	(315,240)
At 31 March 2017 and 31 March 2018	–

For the years ended 31 March 2018 and 2017, there were no transfers in/out for Level 3 of the fair value hierarchy.

28. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

A share option scheme was adopted by the Company on 18 September 2002 (the "2002 Share Option Scheme") with amendments made on 29 August 2003 to give clarity to it. Upon a new share option scheme of the Company came into effect on 31 August 2012 (the "2012 Share Option Scheme"), the 2002 Share Option Scheme was terminated and no further share options will be granted thereunder, but the provisions of the 2002 Share Option Scheme will remain in full force and effective to the extent necessary to give effect to the exercise of the share options (to the extent not already exercised) granted prior to its termination.

The Company operates the 2002 Share Option Scheme and the 2012 Share Option Scheme for the purpose of providing incentives and rewards to eligible participants, including the Company's directors and other eligible participants of the Group. Key terms of the 2012 Share Option Scheme are as follows:

The maximum number of shares in the Company which may be issued upon exercise of all outstanding options granted but yet to be exercised under the 2002 Share Option Scheme, the 2012 Share Option Scheme and any other share option scheme shall not in aggregate exceed 30 percent of the issued share capital of the Company from time to time. The maximum number of shares in the Company that may be issued upon exercise of all options to be granted under the 2012 Share Option Scheme and any other share option scheme must not in aggregate exceed 10 percent of the issued share capital of the Company as at the date of approval of the 2012 Share Option Scheme.

The total number of shares issued and which may fall to be issued upon exercise of the options granted to each participant in any 12-month period shall not exceed 1 percent of the issued share capital of the Company for the time being.

The offer of a grant of share options may be accepted no later than 21 days from the date of offer with HK$1 as consideration being payable by the grantee. The exercise period of the share options granted is determinable by the directors.

The subscription price of a share option is determined by the directors, but may not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trades in one or more board lots of shares on the date of offer; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of offer; and (iii) the nominal value of the share.

28. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

A summary of the movements of the outstanding options and their related weighted average exercise prices during each of the two years ended 31 March 2018 under the share option scheme is as follows:

			Number of share options			
Date of grant	**Exercisable period**	**Exercise price HK$**	**Outstanding at 1 April 2017**	**Expired during the year**	**Lapsed during the year**	**Outstanding at 31 March 2018**
17.8.2007	17.8.2010 – 16.8.2017	1.014	90,300,000	(90,300,000)	–	**–**
23.5.2008	23.5.2011 – 22.5.2018	0.692	4,600,000	–	–	**4,600,000**
13.3.2009	13.9.2011 – 12.3.2019	0.360	1,000,000	–	–	**1,000,000**
13.3.2009	13.3.2012 – 12.3.2019	0.360	600,000	–	–	**600,000**
13.10.2009	13.10.2012 – 12.10.2019	0.500	52,000,000	–	–	**52,000,000**
1.2.2011	1.2.2014 – 31.1.2021	0.410	77,500,000	–	–	**77,500,000**
28.6.2013	28.6.2015 – 27.6.2023	0.295	17,400,000	–	–	**17,400,000**
14.10.2014	14.10.2016 – 13.10.2024	0.360	92,000,000	–	(1,000,000)	**91,000,000**
8.12.2016	8.12.2018 – 7.12.2026	0.272	76,100,000	–	(2,500,000)	**73,600,000**
			411,500,000	(90,300,000)	(3,500,000)	**317,700,000**
			HK$	HK$	HK$	**HK$**
Weighted average exercise price per share			0.515	1.014	0.297	**0.376**

28. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

Date of grant	Exercisable period	Exercise price HK$	Number of share options: Outstanding at 1 April 2016	Granted during the year	Expired during the year	Outstanding at 31 March 2017
29.3.2007	29.3.2010 – 28.3.2017	0.256	16,000,000	–	(16,000,000)	–
17.8.2007	17.8.2010 – 16.8.2017	1.014	90,300,000	–	–	90,300,000
23.5.2008	23.5.2011 – 22.5.2018	0.692	4,600,000	–	–	4,600,000
13.3.2009	13.9.2011 – 12.3.2019	0.360	1,000,000	–	–	1,000,000
13.3.2009	13.3.2012 – 12.3.2019	0.360	600,000	–	–	600,000
13.10.2009	13.10.2012 – 12.10.2019	0.500	52,000,000	–	–	52,000,000
1.2.2011	1.2.2014 – 31.1.2021	0.410	77,500,000	–	–	77,500,000
28.6.2013	28.6.2015 – 27.6.2023	0.295	17,400,000	–	–	17,400,000
14.10.2014	14.10.2016 – 13.10.2024	0.360	92,000,000	–	–	92,000,000
8.12.2016	8.12.2018 – 7.12.2026	0.272	–	76,100,000	–	76,100,000
			351,400,000	76,100,000	(16,000,000)	411,500,000
			HK$	HK$	HK$	HK$
Weighted average exercise price per share			0.556	0.272	0.256	0.515

As at 31 March 2018, the Group had 244,100,000 (2017: 335,400,000) exercisable share options.

28. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

Details of the options held by the directors of the Company included in the above table are as follows:

			Number of share options		
Date of grant	**Exercisable period**	**Exercise price HK$**	**Outstanding at 1 April 2017**	**Expired during the year**	**Outstanding at 31 March 2018**
17.8.2007	17.8.2010 – 16.8.2017	1.014	75,000,000	(75,000,000)	**–**
23.5.2008	23.5.2011 – 22.5.2018	0.692	1,600,000	–	**1,600,000**
13.10.2009	13.10.2012 – 12.10.2019	0.500	52,000,000	–	**52,000,000**
1.2.2011	1.2.2014 – 31.1.2021	0.410	69,100,000	–	**69,100,000**
28.6.2013	28.6.2015 – 27.6.2023	0.295	2,600,000	–	**2,600,000**
14.10.2014	14.10.2016 – 13.10.2024	0.360	52,000,000	–	**52,000,000**
8.12.2016	8.12.2018 – 7.12.2026	0.272	60,000,000	–	**60,000,000**
			312,300,000	(75,000,000)	**237,300,000**

			Number of share options		
Date of grant	Exercisable period	Exercise price HK$	Outstanding at 1 April 2016	Granted during the year	Outstanding at 31 March 2017
17.8.2007	17.8.2010 – 16.8.2017	1.014	75,000,000	–	75,000,000
23.5.2008	23.5.2011 – 22.5.2018	0.692	1,600,000	–	1,600,000
13.10.2009	13.10.2012 – 12.10.2019	0.500	52,000,000	–	52,000,000
1.2.2011	1.2.2014 – 31.1.2021	0.410	69,100,000	–	69,100,000
28.6.2013	28.6.2015 – 27.6.2023	0.295	2,600,000	–	2,600,000
14.10.2014	14.10.2016 – 13.10.2024	0.360	52,000,000	–	52,000,000
8.12.2016	8.12.2018 – 7.12.2026	0.272	–	60,000,000	60,000,000
			252,300,000	60,000,000	312,300,000

No share options were exercised during the both years.

28. EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

Fair value of share options and assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on trinomial lattice model. The contractual life of the option is used as an input into these models. Expectations of early exercise are incorporated into the trinomial lattice model.

For the year ended 31 March 2017	Executive directors	Employees
Grant dates	8 December 2016	8 December 2016
Fair value at measurement dates (HK$)	0.088	0.080
Share price (HK$)	0.265	0.265
Exercise price (HK$)	0.272	0.272
Expected volatility (expressed as a weighted average volatility used in the modelling under trinomial lattice model)	46.25%	46.25%
Option life	10 years	10 years
Expected dividends	5.66%	5.66%
Risk-free interest rate (based on Exchange Fund Notes)	1.41%	1.41%
Post-vesting exit rate	0.37%	4.55%
Exercise cap	280%	180%

The expected volatility is based on the historical volatility of the Company's share price over the previous 5 years, adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on historical dividends. The trinomial lattice model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in the subjective input assumptions could materially affect the fair value estimate.

The closing price of the Company's shares immediately before 8 December 2016, the date of the grant, was HK$0.265. The exercise price is HK$0.272. The estimated fair value of the share options granted on that date was HK$6,553,000.

The Group recognised total expenses of HK$3,144,000 (2017: HK$4,210,000) relating to share option payment transactions for the year ended 31 March 2018.

29. OPERATING LEASE COMMITMENTS

As at 31 March 2018, the total future minimum lease payment under non-cancellable operating leases was payable as follows:

As lessee

The Group is the lessee of a number of properties held under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease upon expiry when all terms are re-negotiated.

	2018	2017
	HK$'000	HK$'000
Within one year	**5,912**	5,739
After one year but within five years	**644**	5,827
	6,556	11,566

30. RETIREMENT BENEFIT SCHEME

The Group participates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees in Hong Kong under the jurisdiction of the Hong Kong Employment Ordinance. The assets of the MPF Scheme are held separately from those of the Group and administered by an independent trustee. Under the MPF Scheme, the Group and its employees are each required to make a contribution to the MPF Scheme at 5% of the employees' relevant income subject to a cap of monthly relevant income as specified in the rules. No forfeited contribution is available to reduce the contribution payable in the future years.

The employees employed by the subsidiaries in China are members of the state-managed retirement benefit schemes operated by the China government. The China subsidiaries are required to contribute a certain percentage of payroll cost to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make specified contributions.

31. PLEDGE OF ASSETS

As at 31 March 2018, as disclosed in Notes 19 and 20, assets with the following carrying amounts were pledged to secure the bills payable as disclosed in Note 21:

	2018	2017
	HK$'000	HK$'000
Structured deposits	**89,136**	14,921
Short term bank deposits with original maturity more than three months	**72,164**	–
	161,300	14,921

32. RELATED PARTY TRANSACTIONS

Save as disclosed in the consolidated financial statements, the Group had the following transactions with related parties during both years.

Key management personnel remuneration

	2018 HK$'000	2017 HK$'000
Short-term benefits	**8,742**	8,762
Post-employment benefits	**36**	36
Equity-settled share-based payment expenses	**2,631**	2,702
	11,409	11,500

The details of the remuneration paid to the key management personnel are set out in Note 9.

Transactions with related parties

	2018 HK$'000	2017 HK$'000
Loan interest income from a joint venture	**–**	5,216
Imputed interest on redeemable convertible preference shares held by Miss Jacqueline Wong (Note 1)	**715**	–
Rental expense paid to a related company with common controlling shareholders (Note 2)	**(4,709)**	(4,546)

Notes:

(1) Miss Jacqueline Wong, who is the daughter of Mr. Wong Yu Lung, Charles ("Mr. Wong"), became the beneficial owner of the redeemable convertible preference shares issued by the Company during the year.

(2) Mr. Wong and his daughter Ms. Wong, Michelle Yatyee ("Ms. Michelle Wong"), both directors of the Company, were considered as materially interested in the transaction as the related company was held by trusts whereby Mr. Wong and Ms. Michelle Wong were trustee and eligible beneficiary respectively.

33. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 March 2018 and 2017 are as follows:

Name of subsidiary	Place of incorporation and operation	Particulars of issued and paid up capital/registered capital		Proportion of ownership interest held by the Company				Principal activities
				Directly		Indirectly		
		2018	2017	**2018**	2017	**2018**	2017	
Jiangsu Goldbond Factoring Co. Ltd.# (江蘇金榜商業保理有限公司) (Note 1)	China	**RMB50,000,000**	RMB50,000,000	**-**	–	**100%**	100%	Provision of factoring service
Perfect Honour Limited	British Virgin Islands	**US$1**	US$1	**100%**	100%	**-**	–	Investment holding
Shanghai Goldbond Trading Company Limited# (上海金寓宏商貿有限公司) (Note 2)	China	**RMB10,000,000**	RMB10,000,000	**-**	–	**100%**	100%	Provision of trading service
Yancheng Goldbond Technology Small Loan Company Limited# (鹽城市金榜科技小額貸款有限公司) (Note 1)	China	**US$15,300,000**	US$15,300,000	**-**	–	**100%**	100%	Provision of financing service

\# English translated name is for identification purpose only.

Note: 1. These companies are wholly foreign-owned enterprise established in China.
2. The company is a limited company established in China.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets and liabilities 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 issued any debt securities at the end of the year.