Sustainable Forest Holdings Limited
永保林業控股有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code：723)

ANNUAL REPORT
2017/18

* *for identification purpose only*

Contents

Abbreviations

In this annual report, the following abbreviations have the following meanings unless otherwise specified:

"Board"	Board of Directors of the Company
"Company"	Sustainable Forest Holdings Limited
"Directors"	directors of the Company
"Group"	the Company and its subsidiaries
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the capital of the Company
"Shareholders"	shareholders of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$" and "HK cent(s)"	Hong Kong dollars and cent(s)
"R$"	Brazilian Reais
"US$"	United States dollars
"%"	per cent.

The Chinese version of this annual report is a translation of the English version and is for reference only. In case of any discrepancies or inconsistencies between the English version and the Chinese version, the English version shall prevail.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Ms. Wang Jingyu *(Chairlady)*
Mr. Lai Ming Wai *(Chief Executive Officer)*
Ms. Chan Yuk Yee

Independent Non-executive Directors

Mr. Yam Kwong Chun
Mr. Chiang Bun
Mr. Chai Chi Keung

BOARD COMMITTEES

Executive Committee

Ms. Wang Jingyu *(Chairlady)*
Mr. Lai Ming Wai
Ms. Chan Yuk Yee

Audit Committee

Mr. Yam Kwong Chun *(Chairman)*
Mr. Chiang Bun
Mr. Chai Chi Keung

Remuneration Committee

Mr. Chiang Bun *(Chairman)*
Mr. Yam Kwong Chun
Mr. Chai Chi Keung

Nomination Committee

Mr. Chai Chi Keung *(Chairman)*
Mr. Yam Kwong Chun
Mr. Chiang Bun

COMPANY SECRETARY

Mr. Lee Rabi

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL BANKERS

Bank of Communications Co., Ltd., Hong Kong Branch
The Hongkong and Shanghai Banking Corporation Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2902A, 29th Floor
China Resources Building
26 Harbour Road
Wanchai
Hong Kong

SHARE REGISTRARS

Principal Share Registrar

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

Hong Kong Branch Share Registrar

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

AUDITOR

Crowe Horwath (HK) CPA Limited

TRADING OF SHARES

The Stock Exchange of Hong Kong Limited
(Stock Code: 723)

WEBSITE ADDRESS

http://www.susfor.com

* *The above information is updated to 25 July 2018, the latest practicable date before printing of this annual report.*

Chairlady's Statement

On behalf of the Board, I am pleased to present to the Shareholders the results of the Group for the year ended 31 March 2018 ("FY2018").

RESULTS

During the year under review, the Group continued to focus on the business of money lending, sustainable forest management, sales of timber and wooden products and leasing of properties.

For FY2018, the Group generated a total revenue of HK$25,311,000, substantially increased by 255% from last year (2017: HK$7,138,000). The increase in the Group's revenue was mainly due to increase in sales of timber and wooden products as well as the increase in income generated from the Group's money lending business and the licensing of harvesting rights of the Group's forest assets in Brazil.

The Group successfully registered a turnaround of its results by reporting a profit attributable to owners of the Company from continuing operations of HK$21,865,000 (2017: loss of HK$1,544,000), and corresponding basic earnings per share of HK0.25 cent (2017: loss per share of HK0.02 cent). The turnaround of the Group's results was the combined effect of (i) the substantial decrease of impairment loss on harvesting rights to HK$1,440,000 in the current year (2017: HK$89,674,000), although partly offset by the corresponding decrease in reversal of deferred tax liabilities to HK$431,000 (2017: HK$30,493,000); (ii) the absence of written-off of liabilities relating to the Group's forest assets of HK$24,669,000 recorded in last year; (iii) the write-back of financial liabilities relating to warrants issued by the Company of HK$22,522,000 (2017: HK$29,488,000); and (iv) profit contributions from all four continuing business segments of the Group, namely, money lending, sustainable forest management, sales of timber and wooden products and leasing of properties, totalling HK$8,622,000 (2017: HK$7,684,000).

PROSPECTS

Since the change of the substantial shareholder of the Company to Champion Alliance Enterprises Limited ("Champion Alliance") on 12 October 2017 and the appointment of the four new executive directors to the Board of the Company since October 2017, the directors and management team of the Company have been in full force exploring ways to improve the business and financial performance of the Group.

In order to cope with the Group's expanding operational scale in recent months and the continual business development of the Group, in March 2018, the Group has obtained the Loan Facility from Champion Alliance of up to HK$200,000,000 and the Trade Facility from bank of up to HK$50,000,000, the facilities obtained have substantially enhanced the Group's financial flexibility and strength to develop its businesses, in particular the money lending and timber and wooden products trading businesses.

Chairlady's Statement

The Group has achieved a turnaround and posted a very encouraging profitable result for FY2018 by achieving a revenue of HK$25,311,000 and profit attributable to owners of the Company of HK$21,865,000. Both of the money lending and trading of timber and wooden products operation are progressing well. Subsequent to year end, new two loans totalling HK$18,000,000 are granted with the result that the money lending operation has a loan portfolio of over HK$123,000,000 as of 11 May 2018, the date of publishing the final results announcement, with interest rates ranging from 8.75% to 15% per annum. Up to 11 May 2018, the trading operation recognised sales of timber and wooden products totalling over HK$20,000,000 which exceeds the revenue recognised for the full year of FY2018 of HK$16,196,000. Furthermore, the trading operation has entered into purchase contracts of over HK$46,000,000 and sales contracts of over HK$21,000,000 to be completed during May to August 2018.

The Group has successfully entered into leasing agreements of an accumulative total of approximately 23,000 hectares of its forest assets in Brazil which securing a total income stream of over HK$11,653,000 to be earned during the period commencing from April 2018 to March 2022. In addition, as of 11 May 2018, all three of the Group's investment properties remained fully leased. The Group will continue to look for attractive investment opportunities covering residential, commercial and industrial properties in Hong Kong and overseas with attractive yield and/or strong capital appreciation potential in the medium to long-term.

Overall speaking, in light of the above significant business developments of the Group, and backed by the Loan Facility from Champion Alliance and the Trade Facility from bank, the management is confident that there will be substantial enhancement of the Group's scale of operation, level of assets, revenue and results for FY2019 as compared to FY2018.

APPRECIATION

The Group has achieved a turnaround and posted a very encouraging profitable result for FY2018. I would like to take this opportunity to thank all our shareholders, investors, bankers, business associates, suppliers and customers for their continuing support to the Group, and to my fellow directors and all staff members for their contributions and hard work during the past year.

Wang Jingyu
Chairlady

Hong Kong, 11 May 2018

Management Discussion and Analysis

BUSINESS REVIEW

For the year ended 31 March 2018 ("FY2018"), the Group continued to principally engage in the business of money lending, sustainable forest management, sales of timber and wooden products and leasing of properties.

Continuing Operations

For the year under review, the Group's revenue from continuing operations surged by 255% to HK$25,311,000 (2017: HK$7,138,000). The increase in the Group's revenue was mainly due to increase in sales of timber and wooden products as well as the increase in income generated from the Group's money lending business and the licensing of harvesting rights of the Group's forest assets in Brazil.

Money Lending

For FY2018, the Group's money lending business contributed a revenue of HK$5,212,000 (2017: HK$3,958,000) and a profit of HK$5,123,000 (2017: HK$2,999,000), representing respective increase of 32% and 71% over last year. The substantial increases in revenue and profit of the business were mainly attributed to the higher average amount of loans advanced to customers during the year as compared to the prior year. During the current year, the Group has granted new loans in an aggregate principal amount of HK$105,500,000 at interest rates ranging from 8.75% to 15% per annum. At 31 March 2018, the loans portfolio held by the Group amounting to HK$105,468,000 (2017: HK$23,200,000) with details as follows:

Category of borrowers	Approximate weighting to the carrying amount of the Group's loan portfolio	Interest rate per annum	Maturity	Remarks
Corporate loans – unsecured	59%	8.75% – 12.5%	Within one year	Loans are granted to listed companies in Hong Kong
Individual loans – secured	34%	11% – 14%	Within one year	Loans are secured by properties located in Hong Kong
Individual loan – unsecured	7%	15%	Within one year	The loan is guaranteed by another individual
	100%			

Before granting loans to potential borrowers, the Group uses credit assessment process to assess the potential borrowers' credit quality and defines the credit limits granted to the borrowers. The credit limits attributed to the borrowers are reviewed by the management regularly.

There was no default in repayments from borrowers during the year and no impairment loss was recognised against the loan receivables.

It is the Group's plan to further expand its money lending business through focusing on developing the mortgage loan market covering residential and commercial properties, as well as developing the finance lease market covering commercial vehicles, with tenors of over two to three years, aiming to establish a stable income stream to the Group. After the year end, the Group has granted two new mortgage loans totalling HK$18,000,000 both with tenor of two years, with interest rate of 10% and 10.75% per annum, and secured by properties located in Hong Kong. On 11 May 2018, the date of publishing the final results announcement, the Group has a loan portfolio of over HK$123,000,000. The management is very optimistic that there will be substantial progress in revenue and results of this business in the financial year ending 31 March 2019 ("FY2019").

The following flowchart depicts the typical operational procedures in processing a loan application

Verification → Assessment → Approval → Monitoring → Collection

Verification: documents and information provided by the loan applicant will be verified by the delegated loan officer and where appropriate, legal and credit search on the loan applicant will be conducted.

Assessment: credit assessment on the loan applicant will be performed by the delegated loan officer and reviewed by the supervising officer, by making reference to the financial background and credit history of the applicant, and value of collateral provided (if any), and where appropriate, the credit assessment on the applicant will be further reviewed by the responsible director.

Approval: if the loan application is approved, the delegated loan officer will arrange preparation and signing of the loan documentations and the supervising officer will ensure their proper executions, including drawdown of the loan proceed by the applicant.

Monitoring: there will be continuous monitoring on loan repayments from individual borrower by the loan officer and regular review if there are material changes of the borrower's repayment ability by the supervising officer, where appropriate, impairment allowance on individual loan will be made if there is deterioration of credit quality of the loan with approval from the responsible director.

Collection: will make calls and send reminders to individual borrower for overdue loan repayment and where there is default of loan repayment, will take appropriate enforcement action, including legal action, to recover the loan.

Management Discussion and Analysis

Sustainable Forest Management

Since the Group suspended its harvesting operations in the State of Acre, Brazil due to the unfavourable business environment in 2012, the Group had continued to explore the optimal way to enhance the income stream from its forest assets. However, due to the unstable economic environment in Brazil and in view of the possibility of facing similar extortion threats from local parties in Brazil as the Group had experienced in previous years, operating the forest assets through own harvesting was still considered to be unfavourable to the Group. As a result, the Board decided to change the operation model of the Group's forest assets from own harvesting to licensing of harvesting rights in June 2014. Since then, the Group has been actively looking for potential tenants to lease its forest assets. As of 11 May 2018, the Group has accumulatively leased out a total of approximately 23,000 hectares of the forest areas, representing more than half of the forest areas owned by the Group, and securing a total income stream of over HK$11,653,000 to be earned from the period commencing from April 2018 to March 2022.

During the year under review, the revenue from the sustainable forest management business, representing income from licensing of harvesting rights, was HK$3,153,000 (2017: HK$2,369,000), and profit achieved was HK$387,000 (2017: HK$310,000), increased by 33% and 25% respectively when compared with the prior year. Such increases were mainly due to more forest areas were leased during the current year. The Group will continue to solicit more tenants including sawmill owners so as to enhance the income stream of this business.


The Group's forest assets in the State of Acre, Brazil.

Sale of Timber and Wooden Products

For FY2018, the revenue from the Group's sales of timber and wooden products business increased by 234 times to HK$16,196,000 (2017: HK$69,000) and the profit increased by 87 times to HK$351,000 (2017: HK$4,000). The substantial progress of this business was largely rest on the contribution and timber trading experience and business network of the Group's senior management. The Group is now sourcing timber logs and wooden products from Indonesia, Congo, Cameroon, Papua New Guinea, Malaysia, Myanmar and United States and mainly supplying to customers in China. Up to 11 May 2018, the operation has recognised substantial sales of timber and wooden products totalling over HK$20,000,000, which exceeds the revenue recognised for the full year of FY2018. As of 11 May 2018, the operation has entered into purchase contracts of over HK$46,000,000 and sales contracts of over HK$21,000,000 to be completed during May to August 2018. The Company is confident that there will be significant progress in revenue and results of this business in FY2019.


Some of the timber logs and processed wooden products traded by the Group.

Leasing of Properties

During the year under review, the Group's leasing of properties business continued to contribute a stable recurring revenue of HK$750,000 (2017: HK$742,000) and profit of HK$2,761,000 (2017: HK$4,371,000), which comprised an increase in fair value of the investment properties of HK$2,577,000 (2017: HK$4,321,000). At 31 March 2018, the Group's investment properties comprised three residential properties of well-known estates located in Tai Wai and Ma On Shan. During the current year, all the investment properties were leased out which led to the increase in the operation's revenue. At 31 March 2018, the Group's investment properties were valued at HK$31,600,000 (2017: HK$29,023,000).

Discontinued Operation

In view of the poor operating environment of the Group's travel business, it was envisaged that the business would not contribute significantly to the Group in future and the Group had entered into a conditional sale and purchase agreement on 23 March 2016 to dispose of its entire 95% equity interest in Travel Inn Limited for a cash consideration of HK$1,800,000. The disposal was completed on 28 April 2016. Accordingly, the results of the travel business were accounted for as discontinued operation and a gain on disposal of HK$239,000 was recognised in the prior year.

Overall Results

For FY2018, the Group successfully registered a turnaround of its results by reporting a profit attributable to owners of the Company from continuing operations of HK$21,865,000 (2017: loss of HK$1,544,000), and corresponding basic earnings per share of HK0.25 cent (2017: loss per share of HK0.02 cent), and total comprehensive income attributable to owners of the Company from continuing operations of HK$21,802,000 (2017: HK$6,284,000).

Management Discussion and Analysis

The turnaround of the Group's results was the combined effect of (i) the substantial decrease of impairment loss on harvesting rights to HK$1,440,000 in the current year (2017: HK$89,674,000), although partly offset by the corresponding decrease in reversal of deferred tax liabilities to HK$431,000 (2017: HK$30,493,000); (ii) the absence of written-off of liabilities relating to the Group's forest assets of HK$24,669,000 recorded in last year; (iii) the write-back of financial liabilities relating to warrants issued by the Company of HK$22,522,000 (2017: HK$29,488,000); and (iv) profit contributions from all four continuing business segments of the Group, namely, money lending, sustainable forest management, sales of timber and wooden products and leasing of properties, totalling HK$8,622,000 (2017: HK$7,684,000).

FINANCIAL REVIEW

In order to cope with the Group's expanding operational scale in recent months and the continual business development of the Group, on 26 March 2018, Champion Alliance Enterprises Limited ("Champion Alliance"), the substantial shareholder of the Company, has granted to the Company a loan facility for an aggregate principal amount of up to HK$200,000,000 (the "Loan Facility") to meet its imminent working capital requirements, in particular for its money lending and timber trading businesses. The Loan Facility is unsecured and interest-free and it is presently intended that approximately HK$150,000,000 and HK$50,000,000 will be applied to the money lending and timber trading business respectively in light of their well-progress business developments.

Furthermore, in March 2018, the Group has successfully obtained a trade facility for issuance of letters of credit of up to HK$50,000,000 (the "Trade Facility") from a bank in Hong Kong, this has substantially strengthening the Group's financial flexibility in conducting its timber trading business.

Liquidity and Financial Resources

For FY2018, the Group financed its operation mainly by cash generated from its operations, credit facilities provided by banks and shareholder's funds. At 31 March 2018, the Group had current assets of HK$150,767,000 (2017: HK$142,473,000) and cash and cash equivalents of HK$24,436,000 (2017: HK$116,163,000). The Group's current ratio, calculated based on current assets over current liabilities of HK$22,651,000 (2017: HK$32,104,000), was at a strong ratio of about 6.7 (2017: 4.4). At 31 March 2018, the Group's total assets increased by 5% to HK$190,461,000 (2017: HK$181,453,000). Backed by the Trade Facility from bank and the Loan Facility from Champion Alliance mentioned above, the management is confident that there will be significant expansion of the Group's scale of operation and substantial increase in the Group's total assets level during FY2019.

At 31 March 2018, the equity attributable to owners of the Company increased by 19% or HK$21,802,000 to HK$138,282,000 compared to the preceding year end (2017: HK$116,480,000). The increase was mainly due to the write-back of financial liabilities of HK$22,522,000 (2017: HK$29,488,000) relating to warrants issued by the Company which expired on 6 May 2018 and the profit contributions from the Group's all four business segments, namely, money lending, sustainable forest management, sales of timber and wooden products and leasing of properties totalling HK$8,622,000 (2017: HK$7,684,000).

At 31 March 2017, the Group's borrowings represented secured mortgage loans from banks and unsecured loans from an independent third party in an aggregated amount of HK$23,302,000. The unsecured loans from an independent third party were fully repaid during the current year. At 31 March 2018, the Group's borrowings comprised secured mortgage loans from banks of HK$10,848,000 and unsecured loan from Champion Alliance of HK$20,000,000, totalling HK$30,848,000. For the mortgage loans from bank, HK$390,000 was repayable within one year and the remaining HK$10,458,000 was repayable after one year (based on scheduled repayment dates as stipulated in the loan agreements). The borrowings bore interests at floating rate and secured by the Group's investment properties with carrying value of HK$31,600,000. The loan from Champion Alliance is unsecured, interest-free and repayable twelve months from the date of agreement of the Loan Facility (i.e. 26 March 2018), the facility is extendable for another twelve months and subsequent twelve month period(s) or such other date at the request of the Company and being agreed by Champion Alliance in writing. On 8 May 2018, Champion Alliance confirmed that they will not request for repayment of the loan of HK$20,000,000 within the twelve months from 31 March 2018.

The Group's gearing ratio expressed as a percentage of total borrowings over equity attributable to owners of the Company, slightly increased from 20% at 31 March 2017 to 22% at 31 March 2018. Such increase was mainly due to the unsecured interest-free loan from Champion Alliance of HK$20,000,000 at 31 March 2018, which was partly offset by the repayment of the unsecured loans from an independent third party during the current year.

With the amount of liquid assets on hand as well as credit facilities granted by banks and Champion Alliance, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirement.

Charge on Assets

At 31 March 2018, the Group's investment properties with carrying value of HK$31,600,000 (2017: HK$29,023,000) were pledged to secure mortgage loans from banks.

Contingent Liabilities

At 31 March 2018, except for the litigation as disclosed in note 37 to the consolidated financial statements, the Group had no significant contingent liability (2017: nil).

Litigations

At 31 March 2018, there are aggregated claims of approximately HK$6,282,000 (approximately R$2,645,000) against the Group which have been provided in other payables, the details of ongoing litigations are disclosed in note 37 to the consolidated financial statements.

Foreign Exchange Risk

The Group's continuing operations mainly operate in Brazil and Hong Kong.

During FY2018, revenue from operations was denominated mainly in Hong Kong dollars, Brazilian Reais, and United States dollars while its costs and expenses were primarily in Hong Kong dollars, Brazilian Reais, United States dollars and Euro dollars. The Group maintains a prudent strategy in its foreign currency risk management, where possible, foreign exchange risks are minimised via balancing the foreign monetary assets versus the corresponding currency liabilities, and foreign currency revenues versus the corresponding currency expenditures. The Group is not subject to foreign exchange risk of United States dollars as it is pegged with Hong Kong dollars, the Group is nevertheless exposed to potential foreign exchange risk as a result of fluctuations of Brazilian Reais and Euro dollars.

Management Discussion and Analysis

In addition, some of the Group's assets are located in Brazil and denominated in Brazilian Reais while the Group's reporting currency is in Hong Kong dollars, this also exposes the Group to potential foreign exchange risk upon translation of these assets on each reporting date.

During the year under review, the Group had not experienced any significant exposure to exchange rate fluctuations of Brazilian Reais and Euro dollars in light of their relative lower weightings to the Group's total transaction volume, and assets and liabilities in various currencies, accordingly, the Group did not enter into any arrangements or financial instruments for the purpose of hedging against these potential foreign exchange risks. The Group will closely monitor its foreign currency exposure and undertake appropriate hedging measures should significant exposure arise.

DISCLAIMER OF OPINION ON THE FINANCIAL STATEMENTS OF THE GROUP

As stated in page 44 of this annual report, the section of "BASIS FOR DISCLAIMER OF OPINION, *Scope limitation – Opening balance and corresponding figures*" of the Independent Auditor's Report, the auditor of the Company ("Auditor") stated that "*Our audit opinion dated 28 June 2017 on the Group's financial statements for the year ended 31 March 2017 was disclaimed, as we were unable to obtain sufficient information and appropriate audit evidence or perform alternative audit procedures for us to ascertain the feasibility of the Group's future business plan ………… Any adjustments that might have been found to be necessary in respect of the above matters would have material consequential effects on the net assets of the Group and the Company as at 31 March 2017 and 1 April 2017, and the Group's loss and cash flows for the years then ended and the related disclosures in the consolidated financial statements*."

As mentioned above, the disclaimer of opinion on the Group's consolidated financial statements for FY2018 is solely related to the opening balance and corresponding figures which is a consequential effect resulting from the disclaimer of opinion on the Group's consolidated financial statements for the year ended 31 March 2017 ("FY2017") in relation to certain matters expressed by the Auditor.

Reference is made to the announcement issued by the Company dated 20 July 2017 in relation to the disclaimer of opinion on the Group's consolidated financial statements for FY2017, it stated that the critical point of the disclaimer of opinion on the Group's consolidated financial statements for FY2017 was the feasibility of the future business plan of leasing the Group's forest assets (the "Forest Assets") in Brazil and how the management of the Company could achieve the business plan. As the leasing activities of the Forest Assets were just recently commenced at that time, the Auditor was unable to verify the reasonableness of the assumptions and the feasibility of the business plan during their audit of the Group's consolidated financial statements for FY2017, as a result, the Auditor issued a disclaimer of opinion on the Group's consolidated financial statements for FY2017 in relation to certain matters, including the carrying amount of intangible assets of HK$9,841,000, which representing the value of harvesting rights of the Forest Assets. During FY2018, owing to the successful efforts of the Group's management in implementing the business plan, up to 31 March 2018, the Group has successfully leased out a total area of approximately 23,000 hectares of its Forest Assets, which representing over 50% of the area of its Forest Assets. The result of the leasing activities achieved is in line with the Group's business plan and thus demonstrated its feasibility. Accordingly, the Auditor is satisfied with the implementation of the business plan of the leasing activities of the Forest Assets and there is no qualification on the carrying amount of intangible assets (i.e. the harvesting rights of the Forest Assets) of HK$7,978,000 as at 31 March 2018. However, as the disclaimer of opinion on the Group's consolidated financial statements for FY2017 in relation to certain matters has a consequential effect on the opening balance and corresponding figures of the Group's consolidated financial statements for FY2018, accordingly, a disclaimer of opinion was issued by the Auditor on the Group's consolidated financial statements for FY2018 in relation to the opening balance and corresponding figures.

As the disclaimer of opinion on the Group's consolidated financial statements for FY2018 is related to the opening balance and corresponding figures which is a consequential effect resulting from the disclaimer of opinion on the Group's consolidated financial statements for FY2017, the Board understands, after discussion with the Auditor, the possible consequential effect on the Group's consolidated financial statements for FY2019, resulting from the disclaimer opinion on the Group's consolidated financial statements for FY2018, according to Hong Kong Standard on Auditing 710 Comparative Information – Corresponding Figures and Comparative Financial Statements, would possibly be a modified opinion on the corresponding figures (i.e. figures for FY2018) of the Group's consolidated financial statements for FY2019.

The Audit Committee of the Company had critically reviewed the major judgemental areas relating to the disclaimer of opinion on the Group's audited consolidated financial statements for FY2018 and there was no disagreement between the Audit Committee and the management of the Company.

HUMAN RESOURCES AND REMUNERATION POLICY

At 31 March 2018, the Group had 21 employees (including directors) (2017: 12) located in Hong Kong and Brazil. The total remuneration paid by the Group to its employees (including directors) for the year was HK$4,011,000 (2017: HK$6,323,000). The Group rewards its employees (including directors) according to prevailing market practices, individual experience and performance, and requirements under applicable labor laws in the locations of the Group's operation. In addition to the provision of annual bonus, provident fund scheme, medical insurance coverage and subsidized training program, employees (including directors) may also be entitled to discretionary bonuses and share options.

PRINCIPAL RISK AND UNCERTAINTIES

The Group is principally engaged in the business of money lending, sustainable forest management, sales of timber and wooden products and leasing of properties. The financial position, operations, businesses and prospects of the Group and its individual business segment are affected by the following significant risks and uncertainty factors:

Business risk

The global economic conditions and the state of international financial and investment markets, including the economy, financial and investment markets of Mainland China, Brazil and Hong Kong, of which the Group has no control, have significant influences on the business and financial performance of the Group. The management policy to mitigate this risk is to diversify the Group's business and to diversify its customer base/asset portfolio within the same business.

Market risk

The Group's money lending and timber and wooden products trading business are operating in a competitive environment that put pressure on the revenue and profitability of these businesses. The management policy to mitigate this risk is to continue to put effort in enlarging the market share and enhancing the market competitiveness of these businesses by various means.

Management Discussion and Analysis

Natural risk

The ability to harvest wood and the growth of trees in forests may be affected by unfavourable local weather conditions and natural disasters. Weather conditions such as floods, droughts, cyclones and windstorms and natural disasters such as earthquakes, fire, disease, insect infestation and pests are examples of such events. The occurrence of severe weather conditions or natural disasters may diminish the supply of trees available for harvesting, or otherwise impede the logging operations or the growth of trees in forests, which in turn may have an adverse effect on the Group's business of licensing of harvesting rights.

Financial risk

The Group is exposed to financial risks relating to credit, liquidity, foreign currency and interest rate risk in its ordinary course of business. For further details of such risks and relevant management policies, please refer to note 33 to the consolidated financial statements for details.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are 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.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the year ended 31 March 2018, there were no significant dispute between the Group and its employees, customers and suppliers.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group encourages environmental protection and adopts measures to promote environmental awareness of its employees. The Group implements green office practices by encouraging employees to make use of e-statements or scanning copies, double-sided printing and copying and setting up of recycle boxes for reducing and disposing of waste. The Group also reduces green-house emissions by switching off idle lightings and other office equipments after normal working hours. When developing the Group's business, in particular the sustainable forest management business, the Group strictly complies with local law, rules and regulations in relation to environmental protection. The Group regularly review its environmental practices for further improvements.

Biographical Details of Directors and Senior Management

The biographical details of Directors and senior management as at 25 July 2018, the latest practicable date before printing of this annual report, are set out below:

EXECUTIVE DIRECTORS

Ms. Wang Jingyu ("Ms. Wang"), *Chairlady*

Aged 38, joined the Company as an Executive Director in October 2017 and was appointed as the Chairlady of the Board in March 2018. Ms. Wang is also the Chairlady of the Executive Committee and a director of various subsidiaries of the Company. Ms. Wang holds a Bachelor's degree in Economics specialised in international finance from the Southwestern University of Finance and Economics in the People's Republic of China (the "PRC"). She has extensive experience in corporate management and investments. Ms. Wang is deemed to be a substantial shareholder of the Company through her interests in Champion Alliance Enterprises Limited, a substantial shareholder of the Company, as disclosed in the section headed "Interests and Short Positions of Shareholders Discloseable Under the SFO" in the Report of the Directors.

Mr. Lai Ming Wai ("Mr. Lai"), *Chief Executive Officer*

Aged 59, joined the Company as an Executive Director and the Chief Executive Officer in March 2018. Mr. Lai is also a member of the Executive Committee and a director of various subsidiaries of the Company. Mr. Lai holds a Bachelor of Social Sciences degree from The University of Hong Kong. Mr. Lai was a senior executive of Bank of America and was primarily responsible for developing and managing the business of the bank in the southern region of the PRC. He has extensive experience in the banking and finance industry. Mr. Lai is an independent non-executive director of Winshine Science Company Limited (stock code: 209), a company listed on the Main Board of the Stock Exchange.

Ms. Chan Yuk Yee ("Ms. Chan")

Aged 50, joined the Group as a consultant in October 2017 and was appointed as an Executive Director in November 2017. Ms. Chan is also a member of the Executive Committee and a director of various subsidiaries of the Company. Ms. Chan holds a Master of Business Law degree from Monash University in Australia and is an associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. She has extensive experience in corporate administration and company secretarial practice. Ms. Chan is an executive director and the company Secretary of Birmingham Sports Holdings Limited (stock code: 2309), a company listed on the Main Board of the Stock Exchange.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yam Kwong Chun ("Mr. Yam")

Aged 53, joined the Company as an Independent Non-executive Director in December 2017 and is the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. Mr. Yam holds a Bachelor of Commerce degree and a Master of Business Administration degree, both from University of Melbourne in Australia. He is a fellow of the Hong Kong Institute of Certified Public Accountants and a certified practising accountant of the CPA Australia. Mr. Yam had worked for Deloitte Touche Tohmatsu, an international accounting firm and as finance executive for a number of group of companies operating in Hong Kong, the PRC, the United States of America and other overseas countries. He is currently the finance director of a multinational company engaged in the business of ODM/OEM design, manufacturing and retail distribution of telecommunication and LED lighting products. Mr. Yam is also an independent non-executive director of PT International Development Corporation Limited (stock code: 372), a company listed on the Main Board of the Stock Exchange. He has extensive experience in auditing, accounting and financial management.

Mr. Chiang Bun ("Mr. Chiang")

Aged 48, joined the Company as an Independent Non-executive Director in December 2017 and is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. Mr. Chiang holds a Bachelor of Social Sciences degree from The University of Hong Kong and a LL.B. from Peking University. Mr. Chiang is a CFA charter holder. Mr. Chiang has held senior roles in various international banks and financial institutions, primarily responsible for structured debt and/or equity financing. He has extensive experience in the banking and finance industry. Mr. Chiang is also an independent non-executive director of Enviro Energy International Holdings Limited (stock code: 1102), a company listed on the Main Board of the Stock Exchange.

Mr. Chai Chi Keung ("Mr. Chai")

Aged 55, joined the Company as an Independent Non-executive Director in January 2018 and is the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee. Mr. Chai holds a Master of Business degree from the Victoria University of Technology in Australia. He is a certified public accountant of the Hong Kong Institute of Certified Public Accountants, certified practising accountant of the CPA Australia, an associate of The Chartered Institute of Management Accountants in the United Kingdom, an associate and a certified tax adviser of The Taxation Institute of Hong Kong and an ordinary member of the Hong Kong Securities and Investment Institute. Mr. Chai has extensive experience in auditing, taxation, accounting and corporate finance.

SENIOR MANAGEMENT

Mr. Jairo Alfonso RAMOS SUAREZ, *President of Field Operations*

Aged 47, is the president of field operations of the Group. He joined the Group in November 2009. Mr. Ramos Suarez is a trained mechanical engineer, has more than 16 years of experience in production, maintenance programming, quality control, mechanical design, marketing and procurement in tropical timber products and other materials. Mr. Ramos Suarez was in charge of trading of forest products for a private Columbian company in Shanghai, China from 2006 to 2008. Mr. Ramos Suarez is responsible for the field operations in Acre.

Biographical Details of Directors and Senior Management

Mr. Fabio Levi VIDIGAL

Aged 37, joined the Group in March 2011. He is the finance director in Brazil. Since March 2012, Mr. Vidigal has been serving as the legal representative of the Group's subsidiary in Brazil. He also proactively participated in the Group's forestry operation in Acre, Rondonia and Para, running corporate and tax matters from Brazil headquarters in São Paulo. Mr. Vidigal has graduated with an international trade diploma and he holds a MBA in Tax Law from Fundação Getulio Vargas and is also a chartered accountant affiliated to the CRC São Paulo Chapter. He has experience in working for multinational companies, having a managerial role at Lufthansa tax department in Brazil.

Mr. Bruno DI GIULIO

Aged 41, was the Group's Legal Counsel (Brazil affairs) and rejoined the Group in September 2014 as the Group's Head of Brazil. He sits in our Hong Kong headquarters overseeing all subjects related to our Brazil operation. Mr. Di Giulio is a Brazilian qualified Lawyer with more than 10 years of experience in corporate and litigation matters. He has more than 5 years experience in the forestry sector alone and in investments in Asia-Brazil market. Prior to rejoining our Group, Mr. Di Giulio headed the Brazil Desk at a leading Law firm in Hong Kong.

Report of the Directors

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the Company are investment holding and provision of management services. The principal activities of its principal subsidiaries are set out in note 40 to the consolidated financial statements.

Further discussion and analysis of the Group's activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, particulars of important events affecting the Group that have occurred since the end of the financial year and an indication of likely future developments in the Group's business, can be found in the "Chairlady's Statement" and "Management Discussion and Analysis" sections set out on pages 4 to 14 of this annual report. This discussion forms part of this directors' report.

RESULTS

The results of the Group for the year ended 31 March 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 46 to 47.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2018 (2017: nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements of the Company, is set out on page 128. This summary does not form part of the audited consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND INVESTMENT PROPERTIES

Details of movement in property, plant and equipment, intangible assets and investment properties of the Group during the year are set out in notes 16, 17 and 18 to the consolidated financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the Company's share capital and share options during the year are set out in notes 27 and 28 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws or the applicable laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

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

During the year ended 31 March 2018, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Company and of the Group during the year are set out in note 39 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 31 March 2018, the Company had no reserve available for distribution as computed in accordance with the Companies Act 1981 of Bermuda (2017: nil).

MAJOR CUSTOMERS AND SUPPLIERS

During the year, sales to the Group's five largest customers accounted for approximately 76% of the total sales for the year and sales to the largest customer accounted for approximately 42%. Purchases from the Group's five largest suppliers accounted for 100% of the total purchases for the year and purchases from the largest supplier accounted for 95%.

None of the directors or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued shares) had any beneficial interest in the Group's five largest customers or suppliers during the year.

DIRECTORS

The directors of the Company during the year and up to 11 May 2018, the date of this report were:

Executive Directors:

Ms. Wang Jingyu (appointed on 16 October 2017)
Mr. Lai Ming Wai (appointed on 1 March 2018)
Ms. Lai Yin Ling (appointed on 16 October 2017)
Ms. Chan Yuk Yee (appointed on 17 November 2017)
Mr. Liu Shun Chuen (resigned on 15 December 2017)
Mr. Mung Wai Ming (resigned on 31 January 2018)
Mr. Yeung Sau Chung (re-designated as Non-executive Director on 1 March 2018 and resigned on 15 March 2018)

Independent Non-executive Directors:

Mr. Yam Kwong Chun (appointed on 15 December 2017)
Mr. Chiang Bun (appointed on 29 December 2017)
Mr. Chai Chi Keung (appointed on 31 January 2018)
Mr. Ng Wai Hung (resigned on 15 December 2017)
Mr. William Keith Jacobsen (resigned on 29 December 2017)
Mr. Wu Wang Li (resigned on 31 January 2018)

Report of the Directors

After the date of this report, Ms. Lai Yin Ling resigned as an Executive Director of the Company on 24 July 2018. Accordingly, pursuant to bye-law 86(2) of the Company's Bye-laws, Ms. Wang Jingyu, Mr. Lai Ming Wai, Ms. Chan Yuk Yee, Mr. Yam Kwong Chun, Mr. Chiang Bun and Mr. Chai Chi Keung will retire at the forthcoming annual general meeting of the Company (the "2018 AGM") and, being eligible, offer themselves for re-election in the 2018 AGM.

PERMITTED INDEMNITY PROVISION

Pursuant to the Company's Bye-laws, subject to the statutes, the Directors for the time being of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts or otherwise in relation thereto except through their own wilful negligence or default, fraud and dishonesty. The Company has arranged appropriate directors' and officers' liability insurance coverage for the directors and other officers of the Company.

DIRECTORS' SERVICE CONTRACTS

None of the directors being proposed for re-election at the 2018 AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the directors' remuneration are set out in note 11 to the consolidated financial statements.

UPDATES ON DIRECTORS' INFORMATION

The following is updated information of directors of the Company required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules:

1. Mr. Lai Ming Wai, resigned as a non-executive director of Hong Wei (Asia) Holdings Company Limited (stock code: 8191) on 11 May 2018.

2. Ms. Chan Yuk Yee, resigned as the company secretary of China Strategic Holdings Limited (stock code: 235) and Hailiang International Holdings Limited (stock code: 2336) on 16 May 2018 and 6 April 2018 respectively.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save for the material related party transactions as disclosed in note 38 to the consolidated financial statements, no other transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company and the director's connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

As at 31 March 2018, the interests and short positions of the directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long positions in the Shares:

Name of Director	Capacity and nature of interest	Number of Shares held	Approximate percentage of the Company's issued Shares
Ms. Wang Jingyu ("Ms. Wang")	Interests of controlled corporation	2,444,359,944 *(Note 2)*	26.84%

Notes:

1. The approximate percentage of the Company's issued Shares was calculated on the basis of 9,105,695,001 Shares in issue as at 31 March 2018.

2. These interests were held by Champion Alliance Enterprises Limited ("Champion Alliance"), which was a wholly owned subsidiary of Elite Prosperous Enterprises Limited ("Elite Prosperous") which in turn was wholly owned by Ms. Wang. Ms. Wang is also the sole director of Champion Alliance and Elite Prosperous. Accordingly, Ms. Wang was deemed to be interested in the 2,444,359,944 Shares under the SFO.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" above and in the "Share Option Scheme" disclosure below, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the directors of the Company or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the year.

Report of the Directors

SHARE OPTION SCHEME

Details of the share option scheme of the Company are set out in note 28 to the consolidated financial statements.

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 March 2018, the following interests of more than 5% of the issued Shares were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO.

Long positions in the Shares and underlying Shares:

Name of Shareholders	Capacity and nature of interest	Number of Shares held	Number of underlying Shares held	Approximate percentage of the Company's issued Shares
Ms. Wang	Interests of controlled corporation	2,444,359,944 *(Note 2)*	–	26.84%
Elite Prosperous	Interest of controlled corporation	2,444,359,944 *(Note 2)*	–	26.84%
Champion Alliance	Beneficial owner	2,444,359,944 *(Note 2)*	–	26.84%
Ms. Loh Jiah Yee, Katherine ("Ms. Loh")	Interest of controlled corporation	1,294,849,338 *(Note 3)*	–	14.22%
Mr. Lau Jack ("Mr. Lau")	Interest of spouse	1,294,849,338 *(Note 4)*	–	14.22%
Assure Gain International Limited ("Assure Gain")	Beneficial owner	822,176,547 *(Note 5)*		
	Interest of controlled corporation	434,094,363 *(Note 5)*	–	13.80%
Mr. Yeung Sau Chung	Beneficial owner	–	650,901,621 *(Note 6)*	7.15%

Notes:

1. The approximate percentage of the Company's issued Shares was calculated on the basis of 9,105,695,001 Shares in issue as at 31 March 2018.

2. These interests were held by Champion Alliance which was a wholly owned subsidiary of Elite Prosperous which in turn was wholly owned by Ms. Wang. Ms. Wang is also the sole director of Champion Alliance and Elite Prosperous. Accordingly, Ms. Wang and Elite Prosperous were deemed to be interested in the 2,444,359,944 Shares under the SFO.

3. Ms. Loh was beneficially interested in 100% of the issued share capital of Assure Gain, which held 100% of the issued share capital of Winner Global Holdings Limited ("Winner Gobal") and Splendid Asset Holdings Limited ("Splendid Asset") respectively. Ms. Loh was also beneficially interested in 50% of the issued share capital of Corp Insights Holdings Inc. ("Corp Insights") held through Corporate Insights Limited. Assure Gain was the registered holder of 822,176,547 Shares, Winner Global was the registered holder of 213,360,741 Shares, Splendid Asset was the registered holder of 220,733,622 Shares and Corp Insights was the registered holder of 38,578,428 Shares. Accordingly, Ms. Loh was deemed to be interested in the 1,294,849,338 Shares under the SFO.

4. Mr. Lau, being the spouse of Ms. Loh, was deemed to have an interest in the same parcel of the Shares in which Ms. Loh was interested under the SFO.

5. Assure Gain held 100% of the issued share capital of Winner Global and Splendid Asset respectively. Assure Gain was the registered holder of 822,176,547 Shares, Winner Global was the registered holder of 213,360,741 Shares and Splendid Asset was the registered holder of 220,733,622 Shares. Accordingly, Assure Gain was deemed to be interested in the 434,094,363 Shares held by Winner Global and Splendid Asset under the SFO.

6. Mr. Yeung was the registered holder of ordinary share warrants with nominal value of HK$54,754,149.13 and convertible preferred share warrants with nominal value of HK$2,157,945.67 which were convertible into 644,166,460 and 6,735,161 Shares respectively. Accordingly, Mr. Yeung was deemed to be interested in the 650,901,621 underlying Shares under the SFO. The aforesaid ordinary share warrants and convertible preferred share warrants were expired on 6 May 2018.

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the Shares and underlying Shares as at 31 March 2018 as required pursuant to section 336 of the SFO.

CONNECTED TRANSACTIONS

The material related party transactions as disclosed in note 38 to the consolidated financial statements fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules but are exempted from reporting, annual review, announcement or independent shareholders' approval requirements.

REMUNERATION POLICY

The Group remunerates its employees based on their competence, performance, experience and prevailing market terms. Other employee benefits included provident fund scheme, medical insurance, subsidized training program, share option scheme as well as discretionary bonus.

EQUITY-LINKED AGREEMENTS

Save for the outstanding convertible preferred shares and the share option scheme of the Company as disclosed in notes 27 and 28 to the consolidated financial statements and the following outstanding ordinary share warrants and convertible preferred share warrants of the Company as at 31 March 2018, no equity-linked agreements were entered into by the Group, or existed during the year:

Ordinary share warrants

As at 31 March 2018, there were outstanding ordinary share warrants ("Ordinary Share Warrants") with nominal value of HK$58,334,653.90 which were convertible into 686,290,059 Shares at the subscription price of HK$0.085 per Share during the period from 7 May 2013 to 6 May 2018. All the Ordinary Share Warrants were expired on 6 May 2018.

Convertible preferred share warrants

As at 31 March 2018, there were outstanding convertible preferred share warrants ("Convertible Preferred Share Warrants") with nominal value of HK$2,157,945.67 which were convertible into 215,525,160 convertible preferred shares of the Company at the subscription price of HK$0.0100125 per convertible preferred share during the period from 7 May 2013 to 6 May 2018. All the Convertible Preferred Share Warrants were expired on 6 May 2018.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of any business of the Company was entered into or existed during the year.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued Shares is held by the public as at 11 May 2018, the date of this report.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 March 2018 have been reviewed by the Audit Committee of the Company and duly approved by the Board under the recommendation of the Audit Committee.

AUDITOR

The consolidated financial statements of the Company for the year ended 31 March 2018 have been audited by Crowe Horwath (HK) CPA Limited.

A resolution will be proposed at the 2018 AGM to re-appoint Crowe Horwath (HK) CPA Limited as auditor of the Company.

On behalf of the Board

Wang Jingyu
Chairlady

Hong Kong, 11 May 2018

Corporate Governance Report

The Company has recognised the importance of transparency and accountability, and believes that shareholders can benefit from good corporate governance. The Company aims to achieve good standard of corporate governance.

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules for the year ended 31 March 2018, except for the following deviations with reason as explained:

Chairman and chief executive

Code Provision A.2.1

Code provision A.2.1 of the CG Code requires the roles of the chairman and chief executive should be separate and should not be performed by the same individual.

On 6 April 2011, Mr. Leung Chau Ping, Paul was re-designated from the position as an Executive Director to a Non-executive Director and resigned as the Chief Executive Officer. Since then and up to the appointment of Mr. Lai Ming Wai as the Chief Executive Officer of the Company on 1 March 2018, the functions of the chief executive had been performed by the executive directors with the assistance of the management of the Company. Nevertheless, since the appointment of Mr. Lai Ming Wai as the Chief Executive Officer of the Company on 1 March 2018, the aforesaid deviation was rectified and code provision A.2.1 has been complied with.

Appointment, re-election and removal

Code Provision A.4.1

Under code provision A.4.1 of the CG Code, non-executive directors should be appointed for a specific term and subject to re-election. However, Mr. Yeung Sau Chung, the former Non-executive Director of the Company was not appointed for specific terms when he was re-designated as Non-executive Director on 1 March 2018 but was subject to retirement by rotation and re-election pursuant to the Bye-laws of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry with the directors, all of them confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 March 2018.

BOARD OF DIRECTORS

The Board formulates overall strategy of the Group, monitors its financial performance and maintains effective oversight over the management. The Board members are fully committed to their roles and have acted in good faith to maximize the shareholders' value in the long run, and have aligned the Group's goal and directions with the prevailing economic and market conditions. The Board has delegated the Executive Committee with authority and responsibility for handling the management functions and operations of the day-to-day business of the Group, while reserving certain key matters for the approval by the Board.

The Board met regularly throughout the year to discuss the overall strategy as well as the operation and financial performance of the Group. The directors are kept informed on timely basis of major changes that may affect the Group's business, including relevant rules and regulations. The directors can, upon reasonable request, seek independent professional advice in appropriate circumstances, at the Company's expenses. The Board shall resolve to provide separate appropriate independent professional advice to the directors to assist the relevant directors to discharge their duties.

As at 25 July 2018, the latest practicable date before printing of this annual report, the Board comprises six directors, three of which are Executive Directors, namely Ms. Wang Jingyu (Chairlady), Mr. Lai Ming Wai (Chief Executive Officer (the "CEO")), Ms. Chan Yuk Yee and three are Independent Non-executive Directors, namely Mr. Yam Kwong Chun, Mr. Chiang Bun and Mr. Chai Chi Keung. The directors are considered to have a balance of skill and experience appropriate for the requirements of the business of the Company. The Company has received from each of the independent non-executive directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive directors are independent in accordance with the independence guidelines set out in the Listing Rules. Biographical details of the directors are set out under the section headed "Biographical Details of Directors and Senior Management" on pages 15 to 17 of this annual report.

There is no financial, business, family or other material/relevant relationship between members of the Board.

The Company will provide a comprehensive, formal and tailored induction to each newly appointed director on his/her first appointment in order to enable him/her to have appropriate understanding of the business and operations of the Company and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

All directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Directors are continually updated on developments in the statutory and regulatory regime and the business environment to facilitate the discharge of their responsibilities. The Company has provided timely technical updates, including the briefing on the amendments on the Listing Rules and the news release published by the Stock Exchange to the directors. Continuing briefing and professional development for directors are arranged where necessary.

During the year ended 31 March 2018, four regular Board meetings and one annual general meeting ("AGM") were held and the attendance of each director is set out as follows:

	Number of attendance	
	Board Meetings	AGM held on 31 August 2017
Executive Directors		
Ms. Wang Jingyu (appointed on 16 October 2017)	2/4	N/A
Mr. Lai Ming Wai (appointed on 1 March 2018)	1/4	N/A
Ms. Lai Yin Ling (appointed on 16 October 2017 and resigned on 24 July 2018)	2/4	N/A
Ms. Chan Yuk Yee (appointed on 17 November 2017)	2/4	N/A
Mr. Liu Shun Chuen (resigned on 15 December 2017)	3/4	1/1
Mr. Mung Wai Ming (resigned on 31 January 2018)	3/4	1/1
Mr. Yeung Sau Chung (re-designated as Non-executive Director on 1 March 2018 and resigned on 15 March 2018)	3/4	1/1
Independent Non-executive Directors		
Mr. Yam Kwong Chun (appointed on 15 December 2017)	1/4	N/A
Mr. Chiang Bun (appointed on 29 December 2017)	1/4	N/A
Mr. Chai Chi Keung (appointed on 31 January 2018)	1/4	N/A
Mr. Ng Wai Hung (resigned on 15 December 2017)	3/4	0/1
Mr. William Keith Jacobsen (resigned on 29 December 2017)	3/4	0/1
Mr. Wu Wang Li (resigned on 31 January 2018)	3/4	0/1

CHAIRMAN AND CHIEF EXECUTIVE

The Group adopts a dual leadership structure in which the role of the Chairman is separated from that of the CEO. The Chairman is responsible for overseeing all Board functions, while the executive directors and senior management are under the leadership of the CEO to oversee the day-to-day operations of the Group and implement the strategies and policies approved by the Board.

The position of the Chairlady of the Board is currently held by Ms. Wang Jingyu and the position of the CEO is currently held by Mr. Lai Ming Wai.

TERM OF APPOINTMENT OF NON-EXECUTIVE DIRECTORS

Each of the Independent Non-executive Directors is appointed for a term of twelve-month period which automatically renews for successive twelve-month periods unless terminated by either party in writing prior to the expiry of the term. All the Independent Non-executive Directors are also subject to retirement by rotation and re-election at least once every three years at the annual general meetings of the Company in accordance with the Company's Bye-laws.

BOARD COMMITTEES

Executive Committee

As at 25 July 2018, the latest practicable date before printing of this annual report, the Executive Committee comprised three Executive Directors, namely Ms. Wang Jingyu, Mr. Lai Ming Wai and Ms. Chan Yuk Yee. Ms. Wang Jingyu is the Chairlady of the Executive Committee. The full terms of reference are available on the Company's website.

The Executive Committee is delegated with power and authority from the Board to oversee the day-to-day operations of the Group and handling such other matters as delegated by the Board from time to time. The Executive Committee will meet as and when necessary to discuss the operating affairs of the Group.

Remuneration Committee

The Remuneration Committee has specific written terms of reference that is in compliance with the CG Code. As at 25 July 2018, the latest practicable date before printing of this annual report, the Remuneration Committee comprises three Independent Non-executive Directors, namely Mr. Chiang Bun, Mr. Yam Kwong Chun and Mr. Chai Chi Keung. Mr. Chiang Bun is the Chairman of the Remuneration Committee.

The Remuneration Committee is mainly responsible for formulating the remuneration policy, reviewing and recommending to the Board the annual remuneration policy and the remuneration of the directors. The overriding objective of the remuneration policy is to ensure that the Group is able to attract, retain and motivate a high-caliber team which is essential to the success of the Group. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The Remuneration Committee met five times during the year ended 31 March 2018 to review and make recommendations to the Board on the remuneration packages for directors. The attendance of each member is set out as follows:

Members	Number of attendance
Mr. Chiang Bun (appointed as member on 29 December 2017)	2/5
Mr. Yam Kwong Chun (appointed as member on 15 December 2017)	3/5
Mr. Chai Chi Keung (appointed as member on 31 January 2018)	1/5
Mr. Ng Wai Hung (ceased to be member on 15 December 2017)	2/5
Mr. William Keith Jacobsen (ceased to be member on 29 December 2017)	3/5
Mr. Wu Wang Li (ceased to be member on 31 January 2018)	4/5

Nomination Committee

The Nomination Committee has specific written terms of reference that is in compliance with the CG Code. As at 25 July 2018, the latest practicable date before printing of this annual report, the Nomination Committee comprises three Independent Non-executive Directors, namely Mr. Chai Chi Keung, Mr. Yam Kwong Chun and Mr. Chiang Bun. Mr. Chai Chi Keung is the Chairman of the Nomination Committee.

The Nomination Committee is mainly responsible for identifying potential directors and making recommendations to the Board on the appointment or re-appointment of directors of the Company. Potential new directors are selected on the basis of their qualifications, skills and experience that he/she could add value to the management through his/her contributions in the relevant strategic business areas. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The Nomination Committee met six times during the year ended 31 March 2018 to review and make recommendation to the Board on the appointment or re-election of directors. The attendance of each member is set out as follows:

Members	**Number of attendance**
Mr. Chai Chi Keung (appointed as member on 31 January 2018)	1/6
Mr. Chiang Bun (appointed as member on 29 December 2017)	2/6
Mr. Yam Kwong Chun (appointed as member on 15 December 2017)	3/6
Mr. Ng Wai Hung (ceased to be member on 15 December 2017)	3/6
Mr. William Keith Jacobsen (ceased to be member on 29 December 2017)	4/6
Mr. Wu Wang Li (ceased to be member on 31 January 2018)	5/6

The Company recognises the benefits of having a diverse Board to enhance the quality of its performance and adopted the board diversity policy of the Company (the "Board Diversity Policy"). The Board Diversity Policy sets out that in determining the optimum composition of the Board, differences in skills, regional and industry experience, background, race, gender and other qualities of directors shall be considered. All Board appointments are made on merits, in the context of skills and experience the Board as a whole requires, with due regard for the benefits of diversity on the Board, and the Nomination Committee shall review and assess the Board composition and its effectiveness on an annual basis. When there is vacancy on Board, the Nomination Committee will recommend suitable candidates for appointment to the Board on merits, based on the terms of reference of the Nomination Committee, with due regard to the Company's own circumstances.

The Nomination Committee will review the Board Diversity Policy from time to time to ensure that the policy will be implemented effectively.

Audit Committee

The Audit Committee has specific written terms of reference that is in compliance with the CG Code. As at 25 July 2018, the latest practicable date before printing of this annual report, the Audit Committee comprises three Independent Non-executive Directors, namely Mr. Yam Kwong Chun, Mr. Chiang Bun and Mr. Chai Chi Keung, who among themselves possess a wealth of management experience in the accounting profession and in commercial fields. Mr. Yam Kwong Chun is the Chairman of the Audit Committee.

The Audit Committee is mainly responsible for reviewing financial statements of the Company, discussing the risk management and internal control of the Group and meeting with the auditor of the Company. Any findings and recommendations of the Audit Committee will be submitted to the Board for consideration.

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee. It is also authorised to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers necessary. The full terms of reference are available on the Company's website and the Stock Exchange's website.

The Audit Committee met two times during the year ended 31 March 2018 and the attendance of each member is set out as follows:

Members	**Number of attendance**
Mr. Yam Kwong Chun (appointed as member on 15 December 2017)	N/A
Mr. Chiang Bun (appointed as member on 29 December 2017)	N/A
Mr. Chai Chi Keung (appointed as member on 31 January 2018)	N/A
Mr. Ng Wai Hung (ceased to be member on 15 December 2017)	2/2
Mr. William Keith Jacobsen (ceased to be member on 29 December 2017)	2/2
Mr. Wu Wang Li (ceased to be member on 31 January 2018)	2/2

The following is a summary of work performed by the Audit Committee during the year:

1. reviewed and discussed the audited consolidated financial statements of the Company for the year ended 31 March 2017 and recommended to the Board for approval;

2. reviewed and discussed the unaudited condensed consolidated financial statements of the Company for the six months ended 30 September 2017 and recommended to the Board for approval;

3. reviewed and discussed with the management and the auditor of the Company the accounting policies and practices which may affect the Group and the scope of the audit;

4. reviewed report from the auditor of the Company regarding their audit on the Company's consolidated financial statements for the year ended 31 March 2017;

5. reviewed the effectiveness of the risk management and internal control systems of the Group; and

6. reviewed and approved the remuneration and the terms of engagement of the Company's auditor; and reviewed and made recommendations to the Board on the re-appointment of the Company's auditor.

Corporate Governance Report

Corporate Governance Function

The Board has delegated the corporate governance duties to the Audit Committee. The main corporate governance duties of the Audit Committee are (i) to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board; (ii) to review and monitor the training and continuous professional development of directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct and compliance manual applicable to the employees and directors of the Group; and (v) to review the Company's compliance with the CG Code and disclosure requirements in the Corporate Governance Report.

AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company about their responsibilities on the Company's consolidated financial statements for the year ended 31 March 2018 is set out in the "Independent Auditor's Report" on pages 44 to 45 of this annual report.

For the year ended 31 March 2018, remuneration payable to the Company's auditor, Crowe Horwath (HK) CPA Limited, for the provision of audit services was HK$1,070,000. During the year, HK$243,000 was paid as remuneration to Crowe Horwath (HK) CPA Limited for the provision of non-audit related services.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of the Company's annual and interim reports, price-sensitive announcements and other financial disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 March 2018.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for maintaining sound and effective risk management and internal control and reviewing their effectiveness to safeguard the shareholders' interests and the Group's assets. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide reasonable but not absolute assurance against material misstatement or loss. The review covers financial, operational and compliance controls of the selected key operations of the group.

Due to the size of the Group and consideration for cost effectiveness, the Company has engaged an independent professional firm to conduct a review on the risk management and internal control systems to identify and evaluate significant risks of the Group's business operations. The Board believes that the involvement of an independent professional firm could enhance the objectivity and transparency of the evaluation process. For the year ended 31 March 2018, the Board has conducted an annual review of the effectiveness of the risk management and internal control systems of the Group by, including but not limited to, considering an internal control assessment report and a risk management advisory report prepared by the independent professional firm to the Audit Committee.

The independent professional firm has performed an internal control assessment of elements of financial procedures, systems and internal controls in the Group's selected operations, in order to identify significant findings in the relevant internal controls of the Group. During the review, they have conducted collaborative interviews, document inspection, and subsequently identified certain findings based on their results of testing and developed relevant recommendations and suggestions for improvement. An Internal Controls Assessment Report on their findings and recommendations has been presented to the Board.

For the risk management perspective, the independent professional firm has also performed an assessment on the Group's financial, operation, compliance and strategic aspects and identified certain risk areas. An Enterprise Risk Assessment Report with the identified key risks and risk evaluation results has been presented to the Board. The Board will implement appropriate measures to continue to minimize the identified risks and control them within acceptable levels. In order to manage risks effectively, the management will continue to monitor the identified risks and the respective control measures, and arrange adequate resources for the effective control measures undertaken.

The Board has also considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Group's accounting and financial reporting function during the year under review. The Board is not aware of any significant internal control and risk management weaknesses or inconsistencies with risk management policies, and considers the existing internal control and risk management systems effective and adequate for the year ended 31 March 2018. The Company has complied with the relevant code provisions of the CG Code relating to risk management and internal control.

COMPANY SECRETARY

Mr. Lee Rabi, the Company Secretary of the Company, has taken no less than 15 hours of the relevant professional training during the year ended 31 March 2018.

SHAREHOLDER RIGHTS

Procedures for shareholders to convene a special general meeting

Shareholders can submit a requisition to convene a special general meeting pursuant to the Companies Act 1981 of Bermuda (the "Companies Act"). The number of shareholders necessary for a requisition shall be representing not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company as at the date of requisition.

The written requisition must:

– state the purposes of the special general meeting.

– be signed by all the requisitionists (may consist of one or several documents in like form each signed by one or more requisitionists); and

– be deposited at the Company's office in Hong Kong for the attention of the Company Secretary.

If the Directors do not within twenty-one days from the date of the deposit of the requisition proceed duly to convene a special general meeting, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a special general meeting, but any meeting so convened shall not be held after the expiration of three months from the said date.

Procedures for shareholders to put forward proposals at general meetings

Shareholders can submit a requisition to move a resolution at an annual general meeting pursuant to the Companies Act. The number of shareholders necessary for a requisition shall be:

– representing not less than one-twentieth of the total voting rights of all shareholders having at the date of requisition a right to vote at the meeting to which the requisition relates; or

– not less than 100 shareholders of the Company carrying the right of voting at general meetings of the Company.

The written requisition must:

– state the resolution, with a statement of not more than 1,000 words with respect to the matter referred to in the proposed resolution or the business to be dealt with at the meeting;

– be signed by all the requisitionists (may consist of one or several documents in like form each signed by one or more requisitionists);

– be deposited at the Company's office in Hong Kong for the attention of the Company Secretary not less than six weeks before the meeting in case of a requisition requiring notice of a resolution and not less than one week before the meeting in case of any other requisition; and

– be deposited with a sum reasonably sufficient to meet the Company's expenses in giving notice of the resolution and circulating the statements of the proposed resolution to all shareholders in accordance with the requirements under the applicable laws and rules.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns in writing to the Company Secretary of the Company at the Company's principal place of business in Hong Kong at Room 2902A, 29th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meetings, the annual and interim reports, notices, announcements and circulars and the Company's website at http://www.susfor.com.

OVERVIEW

The Directors are pleased to present the Environmental, Social and Governance ("ESG") report, which summarised the Group's ESG initiatives and accomplishments for the financial year ended 31 March 2018.

The Board has the overall responsibility for the Group's ESG strategy and reporting in achieving green operations for sustainable development. The management is responsible for monitoring and managing ESG-related risks and the effectiveness of the ESG management systems. In order to determine the ESG reporting scopes, the Company has engaged and discussed with various management personnel and other key stakeholders to identify and assess relevant ESG issues to the Group. The summary of material ESG issues, which are covered in this report, are listed below.

REPORT SCOPE AND BOUNDARIES

This report serves to provide details of the Group's ESG policies and initiatives of its business in money lending which has been prepared and complied under the "comply or explain" provisions with reference to the ESG Reporting Guide set out in Appendix 27 to the Listing Rules. The source of data in preparing the ESG report is primarily based on our internal policies and documents as well as information provided by various key stakeholders.

STAKEHOLDERS' ENGAGEMENT

Understanding and taking actions towards stakeholders' concerns and expectations is essential towards our sustainability development. The Group ensures various communication channels are set up so that comments and feedbacks from major stakeholders are effectively and timely addressed.

Environmental, Social and Governance Report

The following table shows the main expectations and concerns of the major stakeholders as identified by the Group, and the corresponding management response.

Stakeholders	Expectations	Management Feedback
Customers	Integrity High quality services	Ensuring contractual obligations are in place, and providing high quality services in order to satisfy customers.
Employees	Humanity Health and safety Career development Labor rights	Paying attention to occupational health and safety, creating a comfortable working environment, encouraging employees to participate in continuous education and professional trainings to enhance competency, holding team building function, and setting up contractual obligations to protect labor rights.
Shareholders	Return on investment Interest protection Information transparency Operating risks management	Ensuring transparency and efficient communications through annual general meetings and regular announcements published on the website of the Company and the Stock Exchange.
Government	Abide to law Fulfil tax obligation Cooperation for mutual benefits	Upholding integrity and compliance in operations, paying tax on time in return contributing to the society.
Suppliers	Integrity	Ensuring contractual obligations are in place, performing supplier selection with due care.

A. ENVIRONMENTAL

The Group acknowledges its responsibility to the environment. The Group aims to not only comply with environmental laws and regulations, but also endeavours to prevent pollution, save resource and reduce waste, as well as protect our environment. As a financial institution operates in an office setting, our most significant environmental impacts are greenhouse gas (the "GHG") emissions from energy use in our facilities. It leads to the formation of our primary operation initiatives - to reduce the emission of carbon dioxide.

GHG Emissions

To align with the core values of the Group, the Group continues to reduce the emission of the GHG and reduce energy consumption. During the year, the Group consumed 5,425kg Carbon Dioxide Equivalent Emissions.

A1- Emission

A1.2 GHG Emission Scope 2 – Energy Indirect Emission	**Electricity Consumption (in kWh)**	**Carbon Dioxide Equivalent Emission (in kg)**
Total Acquired Electricity	6,867	5,425
Total Energy Intensity (per full-time employee)	327	258

The Group places a high priority on using resources in a smart and efficient way, including minimise waste streams and emissions and implement effective recycling programs. Practical measures are performed as follows:

Energy consumption

Acquired electricity is the main indirect emissions which is the most significant attributor's to our GHG emissions, the Group has put in measures to encourage our staff in reducing energy consumption, such as turning off the lights and electronic appliances that are not in use after business hour and keeping the room temperature in office at a reasonable level between 24-26 degrees Celsius. Office consumables such as light bulbs and stationery shall be replaced or purchased only when necessary to avoid wastage.

Waste reduction and recycling

The Group's operations do not generate any hazardous waste as the principal business of the Group is money lending. Therefore, no hazardous waste, which defined in the "Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their disposal, 1989", was generated during the reporting year. On the other hand, the majority of non-hazardous waste that the Group produced are general wastes and recyclable wastes, the Group is striving for a lower carbon footprint and emissions to achieve a sustainable development along with the Group's missions for the Group and community as a whole.

To reduce the general wastes, the Group has set up recycling bins to collect the used paper products and arrange a recycling company to receive the toner cartridges for recycling. Moreover, the Group adopts the "go green" concepts in the office. For the purpose of reducing the recyclable wastes, the Group encourages employees to work in a paperless operation and the Group's printers and computers are default to print double-sided and make double-sided copies. The Group also procures energy efficient appliances, such as those with Grade 1 energy labels.

The Group does not aware of any non-compliance with relevant laws and regulations during the reporting year.

ESG PERFORMANCE SUMMARY

Indicators		**2018**
A1 – Emission		
A1.1	**Types of Emission and Emission Data from Vehicle**	**N/A** *(Note 1)*
A1.2	**GHG Emission**	**CO_2 equivalent (in kg)**
	Scope 1 – Direct Emissions	N/A
	Scope 2 – Energy Indirect Emissions	
	• Electricity	5,425
	Scope 3 – Other Indirect Emissions	
	• Waste Disposal	N/A
	• Water Consumption	N/A *(Note 3)*
	• Transportation	N/A
	Total:	**5,425**
A1.3	**Hazardous Waste in Total**	**N/A** *(Note 2)*
A1.4	**Non-Hazardous Waste in Total**	**N/A** *(Note 2)*
A2 – Use of Resources		
A2.1	**Electricity Consumption in Total**	**6,867 (in kwh)**
	Electricity Consumption in Intensity	327 kwh/per full-time employee
A2.2	**Water Consumption in Total**	**N/A** *(Note 3)*
	Water Consumption in Intensity	N/A *(Note 3)*

Note 1: Data of Emissions from Vehicle is not available since the Group does not own any of those.

Note 2: As the principal businesses of the Group is office-based, no hazardous waste was produced during the year.

Note 3: Data of water consumption is not available since the Group operates in leased office premises for which both water supply and consumption are solely controlled by the building management. The provision of water consumption data or sub-meter for individual occupants is not feasible.

B. SOCIAL

As a financial service provider, the employees' knowledge of the market is the most significant assets of the Group to deliver value-added services to our customers. As a result, building a loyal and competent workforce is vital to the long-term success of the Group.

B1: Employment

Information on compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare

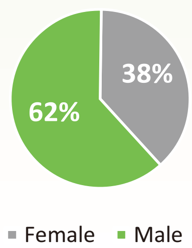
In order to provide a harmonious and fair working environment for all the Group's employees, the Group emphasises the importance of equality by means of diversifying our labour base in regard to different qualifications and experience. In addition, the Group adopts a zero tolerance attitude to discrimination, sexual harassment and any unethical conducts in our working place. To be a supporter of fair opportunity, the Group welcomes the new employees with a variety of age, gender, marital status, nationality, race and religious belief and has established a fair and transparent treatment policy criteria. Those should not be factors taken into considerations for hiring to ensure equality is in place, which is in compliance with the Employment Ordinance (Chapter 57 of the Laws of Hong Kong) and the Brazilian consolidation of labour laws. The scope of the policy includes but not limited to the hiring, promoting and terminating of employees. Child and forced labour are strictly prohibited in the Group.

During the reporting year, the Group does not aware of any violations of the Hong Kong Bill of Rights Ordinance, Sex Discrimination Ordinances, Disability Discrimination Ordinance, Family Status Discrimination Ordinance and Race Discrimination Ordinance.

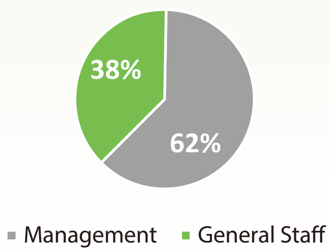
Environmental, Social and Governance Report

Workforce

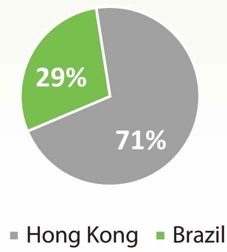
Percentage of Employees by Gender 2018



Percentage of Employees by Employment Type 2018



Percentage of Employees by Geographical Region 2018



Working hours, promotion, compensation and other benefits

During the reporting year, the Group had a total of 21 employees located in Hong Kong and Brazil. Termination of employees was arranged in accordance with the Employment Ordinance.

There is no doubt that employees are the essential assets of the Group. The Group provides attractive remuneration packages to reward and retain our employees including mandatory provident fund, medical insurance and other benefits. Discretionary bonuses or other incentives might be distributed to reward employees with outstanding performance. The Group reviews employees' remuneration package annually and take feedbacks from our staff in order to recognise their hard work throughout the year.

To create a harmonious atmosphere and team spirit within the Group, the Group organises team building activities for the employees, which created a platform for the employees to get acquainted with each other.

The Group will continue to optimise the annual appraisal, remuneration and welfare procedures, improve the office environment and organise different recreational activities to boost staff satisfaction and nurture their sense of belonging.

B2: Health and safety

Information on providing a safe working environment and protecting employees from occupational hazards

In the daily operations of the Group that are carried out in the office setting, no labour intensive work is involved. Nevertheless, the Group still pays attention to the health and safety working environment of our employees: posters are put on the notice board to remind employees on personal hygiene and transmission of germs, computer chairs are purchased for employees, which designs in the way that helps alleviating health problems such as backache and discomfort resulting from inappropriate postures.

For the year under review, there were no incidents found in relation to occupational health and safety. Given the nature of the Group's money lending business, the Group considers the health and safety threats to be insignificant.

B3: Development and training

Policies on improving employees' knowledge and skills for discharging duties at work

It is the Group's employees who, more than any elements, make the Group special. The Group provides on-the-job-training to employees to ensure they are capable of meeting the standards to serve our clients. The Group hopes that through those trainings, the existing skills of employees could be further enhanced. In addition to the induction training for the new staff and on-job training, the Group also encourages employees to attend external training courses in order to enhance their competencies.

The Group will continuously encourage and provide various trainings at its availability to meet the expectations and necessities of the employees.

B4: Labour standards

Information on preventing child and forced labor

The Group pays attention to the human rights which is one of the critical elements for maintaining a long-term relationship between the employees and the Group. The Group strives to provide respectful and pleasant working environment and a fair and equal opportunity for all employees.

Child or forced labour is strictly prohibited by the Group in accordance with the national and local laws and regulations. Considered the Group's business nature, it requires employees equipped with specialised skills and adequate educational background, therefore there is no significant risk related to engage child labour. The Group conducts background checks and reference checks during the Group's hiring process to prevent any violations of the laws and regulations. During the reporting year, the Group has complied with the Employment of Children Regulations and no person under 15 was employed in respect of child or forced labour.

B5: Supply chain management

Policies on managing environmental and social risks of the supply chain

The Group mainly provides money lending services and therefore the supply chain is simple. There are only a few suppliers/third party service providers the Group engaged with, including advertising, information technology ("IT") and loan assessment companies.

To provide a fair overview of suppliers' selection, the Group conveys the standards and expectations in the aspects of environmental issues and labour practices before entering into the contractual agreements. The selection of suppliers based on criteria including the attitude towards the environment and the society, any violations to the local and national laws and regulations in relation to unethical behaviour or other prohibited business practices, to evaluate the quality as well as the moral standards of the contractors. If any inconsistency is found between the Group's requirements and their act, the Group will terminate the cooperation until improvement is noted.

B6: Product responsibility

Information on health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress

Recalls, Complaints received for service and products – The Group provides services with high quality through training and supporting the employees in order to improve customer experience. As a result, the Group did not receive any complaints about the services the Group provided during the reporting year.

Intellectual property right – The Group refuses the use of illegal software or anything without copyright/patents and support the use of legal and intangible assets with trademarks, which enhanced IT productivity and improve network security.

QA process – As a financial service provider, the Group is committed and continued to provide professional services to our valuable clients, maximising our customers' satisfaction is our top priority.

Confidentiality – The Group realises that the information security and protection of clients' privacy and personal information is extremely important. In the Group's business operation, it requires the Group to collect and make use of client's personal data. All personal data is considered highly restricted and confidential, and users can only access to those information on a need to know basis. The information provided by client is handled with due care and comply with the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) and other relevant laws and regulations. The Group's employees are also required not to disclose any information to third parties without proper and specific authority unless there is a legal or professional right or duty to do so. The privacy and security policies are reviewed on a regular basis as well. During the reporting year, the Group did not receive any complaints in relation to the breaches of client privacy and losses of client's data.

Environmental, Social and Governance Report

B7: Anti-Corruption

Information on bribery, extortion, fraud and money laundering

Handling large payment transactions is involved in our daily operations. The Group cannot neglected the potential risk relating to employees who are improper or dishonest in dealing with the money and therefore, the Group adopts a zero-tolerance approach for all kinds of corruption, bribery, forgery, extortion, conspiracy, and embezzlement and collusion cases.

In order to prevent any money laundering and terrorist financing activities, the Group has established policies and procedures for anti-corruption and anti-money laundering. The Group requires its employees to adhere to its anti-bribery policy, in order to promote integrity in workplace environment. All employees are prohibited to give and accept personal, commercial, regulatory or contractual advantage, by using the excuse of work or the authority granted from the Group. These advantages include but not limited to money, gifts and hospitality. The Group also places high expectation towards the employees for maintaining the highest standards of integrity, impartiality and honesty. If any misconducts are found and proven, the Group adopts the disciplinary actions with no mercy and hesitation.

No legal cases regarding corruption were charged against our employees and the Group during the reporting year.

B8: Community investment

Policies on community engagement to understand the needs of the communities where the Group operates and to ensure its activities take into consideration the communities' interests

The Group recognises that positive contributions to the community is the responsibility of a good corporate. The Group strives to support the social services and adhere to the idea of "make contribution to the society". Employees are encouraged to participate in a wide range of charitable events and voluntary services, such as voluntary work, donation. Taking part in those activities can raise the awareness of the community and inspire more people to participate in community services.

Independent Auditor's Report

Crowe Horwath™

國富浩華（香港）會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

香港 銅鑼灣 禮頓道77號 禮頓中心9樓
9/F Leighton Centre,
77 Leighton Road,
Causeway Bay, Hong Kong

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SUSTAINABLE FOREST HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

DISCLAIMER OF OPINION

We were engaged to audit the consolidated financial statements of Sustainable Forest Holdings Limited (the "Company"), and its subsidiaries together (the "Group") set out on pages 46 to 127, which comprise the consolidated statements of financial position as at 31 March 2018, and the consolidated statement of profit or loss and other comprehensive income, the 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.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

Scope limitation – Opening balance and corresponding figures

Our audit opinion dated 28 June 2017 on the Group's financial statements for the year ended 31 March 2017 was disclaimed, as we were unable to obtain sufficient information and appropriate audit evidence or perform alternative audit procedures for us to ascertain the feasibility of the Group's future business plan based on which valuations for the intangible assets of HK$9,841,000, the interest in subsidiaries of HK$133,088,000 as at 31 March 2017, and whether the deferred tax liabilities of HK$30,493,000, impairment of intangible assets of HK$89,674,000, and impairment of amounts due from subsidiaries of HK$15,805,000 recognised in the Group and Company level profit or loss for the year ended 31 March 2017 were free from misstatement.

Any adjustments that might have been found to be necessary in respect of the above matters would have material consequential effects on the net assets of the Group and the Company as at 31 March 2017 and 1 April 2017, and the Group's loss and cash flows for the years then ended and the related disclosures in the consolidated financial statements.

RESPONSIBILITIES OF THE DIRECTORS 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 International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Our responsibility is to conduct an audit of the Group's consolidated financial statements in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and to issue an auditor's report. However, because of the matters described in the "Basis for disclaimer of opinion" section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 11 May 2018

Alvin Yeung Sik Hung
Practising Certificate Number P05206

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Continuing operations			
Revenue	7	**25,311**	7,138
Cost of sales		**(15,484)**	(65)
Change in fair value of investment properties	18	**2,577**	4,321
Other income	8	**1,026**	51
Other net gains	8	**22,522**	57,726
Administrative expenses		**(12,830)**	(11,500)
Impairment loss on harvesting rights	17	**(1,440)**	(89,674)
Profit/(loss) from operations		**21,682**	(32,003)
Finance income		**342**	494
Finance costs		**(364)**	(528)
Net finance costs	9(a)	**(22)**	(34)
Profit/(loss) before taxation	9	**21,660**	(32,037)
Income tax credit	13(a)	**205**	30,493
Profit/(loss) for the year from continuing operations		**21,865**	(1,544)
Discontinued operation			
Loss for the year from discontinued operation	10	**–**	(207)
Profit/(loss) for the year		**21,865**	(1,751)
Attributable to:			
Owners of the Company		**21,865**	(1,751)
Non-controlling interests		**–**	–
		21,865	(1,751)
Profit/(loss) attributable to owners of the Company arises from:			
Continuing operations		**21,865**	(1,544)
Discontinued operation		**–**	(207)
		21,865	(1,751)
Earnings/(loss) per share	15		
From continuing and discontinued operations			
– Basic		**HK0.25 cent**	HK(0.02) cent
– Diluted		**HK0.24 cent**	HK(0.02) cent
From continuing operations			
– Basic		**HK0.25 cent**	HK(0.02) cent
– Diluted		**HK0.24 cent**	HK(0.02) cent

The notes on pages 53 to 127 form part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2018

	2018	2017
	HK$'000	*HK$'000*
Profit/(loss) for the year	**21,865**	(1,751)
Other comprehensive (expense)/income for the year:		
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(63)**	7,828
Total comprehensive income for the year	**21,802**	6,077
Total comprehensive income attributable to:		
Owners of the Company	**21,802**	6,077
Non-controlling interests	**–**	–
	21,802	6,077
Total comprehensive income/(expense) attributable to owners of the Company arises from:		
Continuing operations	**21,802**	6,284
Discontinued operation	**–**	(207)
	21,802	6,077

The notes on pages 53 to 127 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	16	**22**	22
Intangible assets	17	**8,072**	9,935
Investment properties	18	**31,600**	29,023
		39,694	38,980
Current assets			
Loan receivables	19	**105,468**	23,200
Trade and other receivables	20	**20,863**	3,110
Cash and cash equivalents	21	**24,436**	116,163
		150,767	142,473
Current liabilities			
Trade and other payables	22	**17,596**	15,071
Loans and borrowings	23	**4,020**	16,234
Financial liabilities	24	**10**	–
Provision for taxation		**1,025**	799
		22,651	32,104
Net current assets		**128,116**	110,369
Total assets less current liabilities		**167,810**	149,349
Non-current liabilities			
Loans and borrowings	23	**6,828**	7,068
Loan from a shareholder	25	**20,000**	–
Financial liabilities	24	**–**	22,532
Deferred tax liabilities	26	**2,714**	3,283
		29,542	32,883
Net assets		**138,268**	116,466

Consolidated Statement of Financial Position

At 31 March 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Capital and reserves			
Share capital	27	**125,068**	185,658
Reserves (deficit)		**13,214**	(69,178)
Total equity attributable to the owners of the Company		**138,282**	116,480
Non-controlling interests		**(14)**	(14)
Total equity		**138,268**	116,466

Approved and authorised for issue by the Board of Directors on 11 May 2018 and are signed on its behalf by:

Wang Jingyu
Director

Lai Ming Wai
Director

The notes on pages 53 to 127 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

		Attributable to the owners of the Company											
	Notes	Share capital *HK$'000*	Share premium *HK$'000*	Shares held by the Company for settlement of acquisition consideration *HK$'000*	Contributed surplus *HK$'000*	Distributable reserve *HK$'000*	Capital redemption reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Share option reserve *HK$'000*	Accumulated losses *HK$'000*	Sub-total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 April 2016		185,656	6,936	(115,920)	2,885,431	2,216	8,000	(70,723)	869	(2,790,721)	111,744	87	111,831
Loss for the year		–	–	–	–	–	–	–	–	(1,751)	(1,751)	–	(1,751)
Exchange differences on translation of financial statements of overseas subsidiaries		–	–	–	–	–	–	7,828	–	–	7,828	–	7,828
Total other comprehensive income		–	–	–	–	–	–	7,828	–	–	7,828	–	7,828
Total comprehensive income/(expense) for the year		–	–	–	–	–	–	7,828	–	(1,751)	6,077	–	6,077
Shares issue upon exercise of ordinary share warrants		2	19	–	–	–	–	–	–	–	21	–	21
Disposal of subsidiaries	*32(b)*	–	–	–	–	–	–	(1,362)	–	–	(1,362)	(101)	(1,463)
Total transactions with owners		2	19	–	–	–	–	(1,362)	–	–	(1,341)	(101)	(1,442)
At 31 March 2017		185,658	6,955	(115,920)	2,885,431	2,216	8,000	(64,257)	869	(2,792,472)	116,480	(14)	116,466
At 1 April 2017		**185,658**	**6,955**	**(115,920)**	**2,885,431**	**2,216**	**8,000**	**(64,257)**	**869**	**(2,792,472)**	**116,480**	**(14)**	**116,466**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**21,865**	**21,865**	**–**	**21,865**
Exchange differences on translation of financial statements of overseas subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**(63)**	**–**	**–**	**(63)**	**–**	**(63)**
Total other comprehensive expense		**–**	**–**	**–**	**–**	**–**	**–**	**(63)**	**–**	**–**	**(63)**	**–**	**(63)**
Total comprehensive (expense)/income for the year		**–**	**–**	**–**	**–**	**–**	**–**	**(63)**	**–**	**21,865**	**21,802**	**–**	**21,802**
Lapse of share options		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(869)**	**869**	**–**	**–**	**–**
Conversion of convertible preferred shares	*27(iv)*	**(60,590)**	**60,590**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total transactions with owners		**(60,590)**	**60,590**	**–**	**–**	**–**	**–**	**–**	**(869)**	**869**	**–**	**–**	**–**
At 31 March 2018		**125,068**	**67,545**	**(115,920)**	**2,885,431**	**2,216**	**8,000**	**(64,320)**	**–**	**(2,769,738)**	**138,282**	**(14)**	**138,268**

The notes on pages 53 to 127 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Profit/(loss) before taxation			
Continuing operations		**21,660**	(32,037)
Discontinued operation		**–**	(207)
Adjustments for:			
Change in fair value of investment properties	*18*	**(2,577)**	(4,321)
Finance costs	*9(a)*	**364**	528
Finance income	*9(a)*	**(342)**	(494)
Impairment loss on harvesting rights	*17*	**1,440**	89,674
Write off of liabilities	*8*	**–**	(24,669)
Depreciation of property, plant and equipment	*16*	**7**	108
Change in fair value of financial liabilities	*24*	**(22,522)**	(29,488)
Net gain on disposal of subsidiaries	*9(c)*	**–**	(2,450)
Operating loss before changes in working capital		**(1,970)**	(3,356)
Decrease in inventories		**–**	3
Increase in trade and other receivables		**(17,753)**	(4,013)
(Increase)/decrease in loan receivables		**(82,268)**	59,138
Increase in trade and other payables		**2,525**	4,744
Cash (used in)/generated from operations		**(99,466)**	56,516
Income tax paid			
– Hong Kong Profits Tax paid		**–**	(53)
Net cash(used in)/generated from operating activities		**(99,466)**	56,463
Cash flows from investing activities			
Purchase of property, plant and equipment		**(7)**	–
Proceeds from disposal of subsidiaries	*32*	**–**	1,101
Interest received	*9(a)*	**342**	494
Net cash generated from investing activities		**335**	1,595

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Cash flows from financing activities			
Repayment of loans and borrowings		**(12,454)**	(375)
Loan from a shareholder		**20,000**	–
Interest paid		**(364)**	(195)
Proceeds from issue of shares upon exercise of share warrants	*27(iii)*	**–**	11
Net cash generated from/(used in) financing activities		**7,182**	(559)
Net (decrease)/increase in cash and cash equivalents		**(91,949)**	57,499
Cash and cash equivalents at beginning of year		**116,163**	59,918
Effect of foreign exchange rate changes		**222**	(1,254)
Cash and cash equivalents at end of year		**24,436**	116,163

The notes on pages 53 to 127 form part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

1. CORPORATE INFORMATION

Sustainable Forest Holdings Limited (the "Company") was incorporated in Bermuda as an exempted company with limited liability under the Companies Act 1981 of Bermuda and its ordinary shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office and the principal place of business is Room 2902A, 29th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The principal activities of the Company are investment holding and provision of management services. The principal activities of the subsidiaries of the Company comprise money lending business pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong), sustainable forest management, sales of timber and wooden products and leasing of properties.

2. STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB"), and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Significant accounting policies adopted by the Company and its subsidiaries (collectively referred as the "Group") are disclosed below.

The IASB has issued certain new and revised IFRSs which are first effective or available for early adoption for the current accounting period of the Group. Note 4 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 March 2018 comprise the Group.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Hong Kong dollars ("HK$"), rounded to the nearest thousand except for per share data. Hong Kong dollar is the Company's functional and the Group's presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for financial liabilities and investment properties which are stated at their fair value as explained in the accounting policies set out in notes 3(x) and 3(y) respectively.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation of the financial statements (continued)

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major source of estimation uncertainty are discussed in note 5.

(b) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Subsidiaries and non-controlling interests (continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company. 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. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (please refer to note 3(h)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(c) Business combinations

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Business combinations (continued)

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

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

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 "Share-based Payment" at the acquisition date; and

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Business combinations (continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

(d) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (please refer to the accounting policy above) less accumulated impairment losses, if any.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment. A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment

Freehold land is measured on initial recognition at cost. The cost of freehold land acquired in a business combination is the fair value as at the date of acquisition.

Freehold land and construction in progress are not depreciated.

The following items of property, plant and equipment are stated in the consolidated statement of financial position at cost less accumulated depreciation and accumulated impairment losses (please refer to note 3(h)):

– property, furniture and fixtures, machinery, engineering and other equipment, and motor vehicles

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful life as follow:

Furniture and fixtures	5–10 years
Machinery, engineering and other equipment	5–10 years
Motor vehicles	10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment (continued)

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Properties, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties, plant and equipment are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

(f) Intangible assets (other than goodwill)

Intangible assets, other than goodwill, identified on business combinations are capitalised based on their fair values.

Intangible assets acquired by the Group are stated in the consolidated statement of financial position at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (please refer to note 3(h)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Money lending license will not be amortised until its useful life is determined to be finite, but subject to impairment test annually.

Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Harvesting rights have infinite useful life. Harvest rights are stated at cost less any accumulated impairment losses. These rights give the Group rights to logging trees in the allocated concession forests in designated areas in the Northwest of Brazil, the State of Acre, Amazon Region.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exception:

Land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged as an expense in the accounting period in which they are incurred.

(h) Impairment of assets

(i) Impairment of receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of assets (continued)

(i) Impairment of receivables (continued)

– significant financial difficulty of the debtors;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtors.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For trade receivables and other current receivables, loan receivables and other financial assets carried at amortised cost, 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 of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decrease and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of loan receivables and trade receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– intangible assets;

– goodwill; and

– investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount
The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses
An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro-rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with IAS 34, "Interim Financial Reporting" in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (please refer to notes 3(h)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(i) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs incurred in bringing the inventories to their present location and condition, is determined on the first-in first-out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (please refer to note 3(h)).

(k) Interest-bearing borrowings

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

(l) Preferred share capital

Preferred share capital is classified as equity if it is nonredeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends on preferred share capital classified as equity are recognised as distributions within equity.

Preferred share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. The liability is recognised in accordance with the Group's policy for interest-bearing borrowings set out in note 3(k) and accordingly dividends thereon are recognised on an accruals basis in profit or loss as part of finance costs.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 3(q)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and will mature within three months from acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) The Group operates a Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees in Hong Kong. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with rules of the central pension scheme.

(iii) Share-based payments

Share options granted to employees

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share option reserve within equity. The fair value is measured at grant date using the binomial option pricing model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the share option reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Employee benefits (continued)

(iii) Share-based payments (continued)

Share options granted to consultants

Share options granted to consultants in exchange for goods or services are measured at the fair values of goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The amounts are recognised as expenses, with a corresponding increase in equity (share option reserve), when the Group obtains the goods or when the counterparties render services, unless the goods or services qualify for recognition as assets.

(iv) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(p) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Income tax (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 3(y), the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 3(q)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue from the sale of goods is recognised when the goods are delivered at the customers' premises or agreed point of delivery which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

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

(iii) Rental income from investment properties

Rental income receivable from investment properties is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iv) Revenue from licensing of harvesting rights

Revenue from licensing of harvesting rights was recognised on a straight-line basis over the term of the relevant lease.

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For the year ended 31 March 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Items of statement of financial position, including goodwill arising on consolidation of foreign operations acquired on or after 1 April 2005, are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange fluctuation reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 April 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in profit or loss in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(u) Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Related parties (continued)

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

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

(v) Segment reporting

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

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

(w) Shares held by the Company for settlement of acquisition consideration

The Company issued shares and held them on behalf of the vendor for the settlement of acquisition consideration payable to the vendor in future years upon meeting of net profit guarantee by the vendor in connection with the acquisition of the interests in Originate Tech Global Investments Limited and its subsidiaries. These shares, valued at HK$0.414 per share, before the share consolidation effective from 2 October 2013, including any directly attributable incremental costs, are presented as "Shares held by the Company for settlement of acquisition consideration" and deducted from total equity. As a result of the failure to meet the net profit guaranteed by the vendor as per the acquisition agreement, these shares are held by the Company awaiting disposal by the Company. Proceeds recovered from the disposal of these shares shall be returned to the Company.

(x) Warrants

Warrants issued by the Company that will be settled by other than a fixed amount of cash for a fixed number of the Company's own equity instruments are derivative financial instruments. Warrants classified as derivative financial instruments are recognised at their fair value at the date of issue. Changes in fair value in subsequent periods are recognised through profit or loss.

(y) Investment properties

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has applied the following amendments to IFRSs for the first time in the current year:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to IFRS 12	As part of the Annual Improvements to IFRSs 2014-2016 Cycle

The application of the above amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years. However, additional disclosure has been included in note 31 to satisfy the new disclosure requirements introduced by the amendments to IAS 7 "Disclosure Initiative", which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS

Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 3, management has made certain key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, as described below.

(a) Impairment of trade and other receivables

The Group estimates impairment losses on trade and other receivables resulting from inability of the customers or debtors to make the required payments. The Group bases the estimates on the ageing of the trade and other receivables, customer or debtor credit-worthiness, and historical write off experience. If the financial condition of the customers or debtors were to deteriorate, actual write off would be higher than estimates.

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For the year ended 31 March 2018

5. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Key sources of estimation uncertainty (continued)

(b) Impairment allowances on loan receivables

The Group has established impairment allowances in respect of estimated incurred loss in loan receivables. Details of allowances on loan receivables are set out in note 19 to the consolidated financial statements.

In determining individual impairment allowances, management considers objective evidence of impairment. When a loan is impaired, individual impairment allowance is assessed by discounted cash flow method, measured as the difference between the loan's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The quantum of the allowance is also impacted by the collateral value and this, in turn, may be discounted in certain circumstances to take into account the impact of forced sale or quick liquidation.

In determining collective impairment allowances, management uses estimates based on historical experience for loans with credit risk characteristics and objective evidence of impairment similar to those in the loan portfolio after adjusted for current conditions.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(c) Impairment loss of intangible assets

The Group performs annual tests on whether there has been impairment of intangible assets with indefinite useful life. In the event that the carrying values of the intangible assets are higher than their recoverable amounts (i.e. the greater of its fair value less costs of disposal and value in use), impairment loss is recognised. The recoverable amounts of cash-generating units are determined based on fair value less costs of disposal calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, and other assumptions underlying the fair value less costs of disposal calculations.

(d) Income tax

The Group is subject to income taxes in several jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that are initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Key sources of estimation uncertainty (continued)

(e) Estimates of fair value of investment properties

The Group's investment properties were revalued at the end of the reporting period by an independent professional valuer. Such valuations were based on certain assumptions which are subject to uncertainty and might materially differ from the actual results. In making the judgement, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of the reporting period.

6. SEGMENT INFORMATION

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Board of Directors for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

Specifically, the Group's reportable and operating segments under IFRS 8 are as follows:

Continuing operations

Money lending: money lending business pursuant to the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

Sustainable forest management: sustainable forest management of and investment in natural forests, licensing of harvesting rights, timber and wood processing, trading and sales of foresty and timber products.

Sale of timber and wooden products: sales of timber and wooden products including sawn timber products.

Leasing of properties: lease of premises to generate rental income and to gain from the appreciation in the property values in the medium to long-term.

Discontinued operation

Travel and travel related business: provision of travel agency services such as booking of air tickets, hotel accommodation and other travel related products.

Segment results represent the profit/loss from each segment without allocation of central administration cost such as directors' emoluments, impairment loss on harvesting rights, write off of liabilities, change in fair value of financial liabilities, unallocated corporate income and unallocated corporate expense.

6. SEGMENT INFORMATION (continued)

Segment assets include all non-current assets and current assets attributable to an individual reportable segment with the exception of certain unallocated corporate assets.

All liabilities are allocated to reportable segments other than financial liabilities, deferred tax liabilities, loan from a shareholder and unallocated corporate liabilities.

Segment revenue, results, assets and liabilities

An analysis of the Group's reportable segment is reported below:

For the year ended 31 March 2018

	Continuing operations				
	Money lending *HK$'000*	Sustainable forest management *HK$'000*	Sales of timber and wooden products *HK$'000*	Leasing of properties *HK$'000*	Total *HK$'000*
Segment revenue					
External sales	5,212	3,153	16,196	750	25,311
Results					
Segment results	5,123	387	351	2,761	8,622
Unallocated corporate income					417
Unallocated corporate expenses					(8,461)
Impairment loss on harvesting rights					(1,440)
Change in fair value of financial liabilities					22,522
Profit before taxation					21,660
Other segment information					
Depreciation of property, plant and equipment	–	–	–	7	7
Interest expenses	–	3	–	361	364
Interest income	327	13	–	–	340

6. SEGMENT INFORMATION (continued)

Segment revenue, results, assets and liabilities (continued)

	At 31 March 2018				
	Continuing operations				
	Money lending	Sustainable forest management	Sales of timber and wooden products	Leasing of properties	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Segment assets	108,394	10,038	17,130	32,019	167,581
Unallocated corporate assets					22,880
					190,461
Segment liabilities	226	10,755	3,955	11,095	26,031
Unallocated:					
– Financial liabilities					10
– Deferred tax liabilities					2,714
– Loan from a shareholder					20,000
– Other unallocated corporate liabilities					3,438
					52,193

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For the year ended 31 March 2018

6. SEGMENT INFORMATION(continued)

Segment revenue, results, assets and liabilities (continued)

For the year ended 31 March 2017

	Continuing operations					Discontinued operation	
	Money lending HK$'000	Sustainable forest management HK$'000	Sales of timber and wooden products HK$'000	Leasing of properties HK$'000	Sub-total HK$'000	Travel and travel related business HK$'000	Total HK$'000
Segment revenue							
External sales	3,958	2,369	69	742	7,138	56	7,194
Results							
Segment results	2,999	310	4	4,371	7,684	(207)	7,477
Unallocated corporate income					3,174	–	3,174
Unallocated corporate expenses					(7,378)	–	(7,378)
Impairment loss on harvesting rights					(89,674)	–	(89,674)
Write off of liabilities					24,669	–	24,669
Change in fair value of financial liabilities					29,488	–	29,488
Loss before taxation					(32,037)	(207)	(32,244)
Other segment information							
Depreciation of property, plant and equipment	–	100	–	8	108	–	108
Interest expenses	–	–	–	528	528	–	528
Interest income	367	16	–	–	383	–	383

At 31 March 2017

	Continuing operations					Discontinued operation	
	Money lending HK$'000	Sustainable forest management HK$'000	Sales of timber and wooden products HK$'000	Leasing of properties HK$'000	Sub-total HK$'000	Travel and travel related business HK$'000	Total HK$'000
Segment assets	134,802	12,041	–	29,327	176,170	–	176,170
Unallocated corporate assets							5,283
							181,453
Segment liabilities	53	11,561	–	23,820	35,434	–	35,434
Unallocated:							
– Financial liabilities							22,532
– Deferred tax liabilities							3,283
– Other unallocated corporate liabiliites							3,738
							64,987

6. SEGMENT INFORMATION (continued)

Geographical information

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's non-current assets. The geographical locations of customers refer to the locations at which the customers reside. The geographical locations of property, plant and equipment and investment properties are based on the physical locations of the assets under consideration. In the case of intangible assets, the allocation is based on the location of the operation to which they are allocated.

	Revenue from external customers		Non-current assets	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Continuing operations				
South America	**3,153**	2,369	**7,978**	9,841
Asia Pacific (other than Hong Kong)	**–**	69	**–**	–
Hong Kong (place of domicile)	**22,158**	4,700	**31,716**	29,139
	25,311	7,138	**39,694**	38,980
Discontinued operation				
Hong Kong (place of domicile)	**–**	56	**–**	–
	25,311	7,194	**39,694**	38,980

Information about major customers

Revenue from customers contributing 10% or more of the total revenue of the Group are as follows:

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Customer A – revenue from sales of timber and wooden products	**10,645**	–*
Customer B – revenue from licensing of harvesting rights	**3,128**	2,060
Customer C – revenue from sales of timber and wooden products	**3,104**	–*
Customer D – revenue from money lending	**–***	2,428
Customer E – revenue from money lending	**462**	780
Customer F – revenue from money lending	**–***	410

* *No revenue was contributed from these customers for the relevant year.*

7. REVENUE

	2018 HK$'000	2017 HK$'000
Continuing operations		
Interest income from money lending business	**5,212**	3,958
Licensing of harvesting rights	**3,153**	2,369
Sales of timber and wooden products	**16,196**	69
Leasing of properties	**750**	742
	25,311	7,138

8. OTHER INCOME AND OTHER NET GAINS

	2018 HK$'000	2017 HK$'000
Continuing operations		
Other income		
Others	**1,026**	51
	1,026	51
Other net gains		
Net exchange gain	**–**	1,358
Write off of liabilities *(note)*	**–**	24,669
Net gain on disposal of subsidiaries *(note 32(b))*	**–**	2,211
Change in fair value of financial liabilities *(note 24)*	**22,522**	29,488
	22,522	57,726

Note:

At 31 March 2016, the trade payables included a sum of approximately Brazilian Reais ("R$")10 million (equivalent to approximately HK$22 million) which represented service fees payable to a subcontractor for a tree felling service project in Rondonia, Brazil. Universal Timber Resources do Brasil Ltda. ("UTRB"), an indirect wholly owned subsidiary of the Company, had disputes with the subcontractor and it had abandoned the site. No further work was subcontracted to them after the year ended 31 March 2011. UTRB is not aware of any claims or lawsuits filed by the subcontractor at the relevant jurisdictions.

According to the relevant Brazilian laws on preclusion of rights to file a claim regarding payables arising from contractual relationship, the time limit is 5 years. Accordingly, the subcontractor's right to file a claim demand for payment arising from any disputes for the services is precluded since July 2015. As a result, after consulted the Brazil and Hong Kong lawyers, the management considered to write off the trade payables during the year ended 31 March 2017.

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9. PROFIT/(LOSS) BEFORE TAXATION

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

	2018	2017
	HK$'000	*HK$'000*
Continuing operations:		
(a) Net finance costs		
Finance income:		
Interest income from bank deposits	**(342)**	(494)
Finance costs:		
Interest on loans and other borrowings	**364**	528
	22	34
(b) Staff costs (including directors' emoluments)		
Salaries, wages and other benefits	**3,875**	6,099
Contributions to retirement benefits scheme	**136**	224
	4,011	6,323
(c) Other items		
Cost of inventories	**15,484**	65
Depreciation of property, plant and equipment *(note 16)*	**7**	108
Minimum lease payments under operating leases for land and buildings	**697**	549
Auditor's remuneration		
– audit services	**1,187**	950
– other services	**243**	50
	1,430	1,000
Gross rental income from investment properties less direct outgoings of HK$115,000 (2017: HK$110,000)	**(635)**	(631)
Net gain on disposal of subsidiaries *(note 32)*	**–**	(2,450)

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10. DISCONTINUED OPERATION

Disposal of travel agent business

On 23 March 2016, the Group entered into a disposal agreement with the independent third party, pursuant to which the Group had conditionally agreed to sell and the independent third party had conditionally agreed to purchase the Group's 95% equity interest in Travel Inn Limited for a cash consideration of HK$1,800,000. The disposal was completed on 28 April 2016 when control of the subsidiary was passed to the acquirer. Details of the assets and liabilities disposed of are disclosed in note 32(a).

The results of the discontinued operation included in the loss for the year ended 31 March 2017 are set out below:

	2017 *HK$'000*
Loss for the year from discontinued operation	
Revenue	56
Other income	1
Administrative expenses	(503)
Loss for the year	(446)
Gain on disposal of subsidiaries *(note 32(a))*	239
Loss for the year from discontinued operation	207
Attributable to:	
Owners of the company	(207)
Non-controlling interests	–
	(207)
Cash flows from discontinued operation	
Net cash inflows from operating activities	105
Net cash outflows from financing activities	(25)
Net cash inflows	80

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11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Directors' emoluments disclosed pursuant to Section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and the chief executive's emoluments are as follows:

	2018			
	Fees *HK$'000*	Salaries and other benefits *HK$'000*	Retirement scheme contributions *HK$'000*	Total *HK$'000*
Executive Directors				
Ms. Wang Jingyu (appointed on 16 October 2017)	–	55	3	58
Mr. Lai Ming Wai (appointed on 1 March 2018)	–	50	1	51
Ms. Chan Yuk Yee (appointed on 17 November 2017)	–	161	7	168
Ms. Lai Yin Ling (appointed on 16 October 2017)	–	164	8	172
Mr. Yeung Sau Chung (re-designated as Non-executive Director on 1 March 2018)	665	–	33	698
Mr. Mung Wai Ming (resigned on 31 January 2018)	100	–	2	102
Mr. Liu Shun Chuen (resigned on 15 December 2017)	326	–	17	343
	1,091	430	71	1,592
Non-executive Director				
Mr. Yeung Sau Chung (resigned on 15 March 2018)	10	–	–	10
Independent Non-executive Directors				
Mr. Yam Kwong Chun (appointed on 15 December 2017)	36	–	–	36
Mr. Chiang Bun (appointed on 29 December 2017)	31	–	–	31
Mr. Chai Chi Keung (appointed on 31 January 2018)	20	–	–	20
Mr. William Keith Jacobsen (resigned on 29 December 2017)	89	–	–	89
Mr. Wu Wang Li (resigned on 31 January 2018)	100	–	–	100
Mr. Ng Wai Hung (resigned on 15 December 2017)	170	–	–	170
	446	–	–	446
	1,547	430	71	2,048

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (continued)

	2017			
	Fees	Salaries and other benefits	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Executive Directors				
Mr. Yeung Sau Chun	1,085	–	54	1,139
Mr. Liu Shun Chuen	631	–	32	663
Mr. Mung Wai Ming	120	–	2	122
	1,836	–	88	1,924
Independent Non-executive Directors				
Mr. William Keith Jacobsen	120	–	–	120
Mr. Wu Wang Li	120	–	–	120
Mr. Ng Wai Hung	240	–	–	240
	480	–	–	480
	2,316	–	88	2,404

On 6 April 2011, Mr. Leung Chau Ping, Paul was re-designated from the position as an Executive Director of the Company to a Non-executive Director and resigned as the Chief Executive Officer. Since then and up to 28 February 2018, the position of chief executive had not been appointed and the functions of chief executive had been performed by the executive directors with the assistance of the management of the Company. On 1 March 2018, Mr. Lai Ming Wai was appointed as an Executive Director and the Chief Executive Officer to fill the vacancy.

There was no arrangement under which a director had waived or agreed to waive any remuneration.

During the years ended 31 March 2017 and 2018, no emolument was paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

12. INDIVIDUALS WITH HIGHEST EMOLUMENTS

The five highest paid individuals during the year included three (2017: two) directors, details of whose emoluments are set out in note 11 above. The aggregate of the emoluments of the remaining two (2017: three) individuals were as follows:

	2018	2017
	HK$'000	*HK$'000*
Salaries and other emoluments	**1,065**	2,025
Retirement scheme contributions	**41**	90
	1,106	2,115

The emoluments of the two (2017: three) highest paid individuals fell (other than the directors) were within the following bands:

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

During the years ended 31 March 2017 and 2018, no emolument was paid by the Group to such individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

13. INCOME TAX CREDIT

Continuing operations

(a) Income tax credit in the consolidated statement of profit or loss and other comprehensive income represents:

	2018	2017
	HK$'000	*HK$'000*
Current tax		
– Hong Kong Profits Tax		
– under-provision in prior years	**226**	–
Deferred tax		
– Reversal of temporary differences *(note 26)*	**(431)**	(30,493)
Income tax credit	**(205)**	(30,493)

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13. INCOME TAX CREDIT (continued)

(a) *Income tax credit in the consolidated statement of profit or loss and other comprehensive income represents:* **(continued)**

i) Hong Kong Profits Tax has been provided at the rate of 16.5% of the estimated assessable profits arising in Hong Kong for the years ended 31 March 2018 and 2017.

ii) Brazil income tax rate is 34% (2017: 34%) of the estimated assessable profits arising in Brazil. No Brazil income tax has been provided for the year ended 31 March 2018 since the assessable profit is wholly absorbed by tax losses brought forward. There was no assessable profit for the year ended 31 March 2017.

(b) *Reconciliation between income tax credit and accounting profit/(loss) at applicable tax rates:*

	2018 ***HK$'000***	2017 *HK$'000*
Profit/(loss) before taxation	**21,660**	(32,037)
Notional tax on profit/(loss) before taxation, calculated at the rates applicable to the countries concerned	**3,647**	(11,517)
Tax effect of non-taxable income	**(4,204)**	(10,631)
Tax effect of non-deductible expenses	**300**	2,674
Tax effect of unused tax losses not recognised	**829**	197
Tax effect arising from reversal of temporary differences recognised	**(431)**	(30,493)
Tax effect of temporary differences not recognised	**(82)**	19,277
Utilisation of previously unrecognised tax losses	**(490)**	–
Under-provision in prior years	**226**	–
Income tax credit	**(205)**	(30,493)

14. DIVIDENDS

The directors of the Company do not recommend the payment or declaration of any dividend for the year ended 31 March 2018 (2017: nil).

15. EARNINGS/(LOSS) PER SHARE

(a) For continuing and discontinued operations

The calculation of basic and diluted earnings/(loss) per share from continuing and discontinued operations is based on the profit/(loss) attributable to the owners of the Company as follows and the reconciliation of the weighted average number of shares as shown in note 15(d):

	2018	2017
	HK$'000	*HK$'000*
Profit/(loss)		
Profit/(loss) for the purpose of calculating basic and diluted earnings/(loss) per share	**21,865**	(1,751)

Diluted loss per share equals to the basic loss per share for the year ended 31 March 2017 because the outstanding convertible preferred shares, share options and warrants had an anti-dilutive effect on the basic loss per share.

(b) For continuing operations

The calculation of basic and diluted earnings/(loss) per share from continuing operations is based on the profit/(loss) attributable to the owners of the Company as follows and the reconciliation of the weighted average number of shares as shown in note 15(d):

	2018	2017
	HK$'000	*HK$'000*
Profit/(loss)		
Profit/(loss) for the purpose of calculating basic and diluted earnings/(loss) per share	**21,865**	(1,544)

Diluted loss per share equals to the basic loss per share for the year ended 31 March 2017 because the outstanding convertible preferred shares, share options and warrants had an anti-dilutive effect on the basic loss per share.

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15. EARNINGS/(LOSS) PER SHARE (continued)

(c) For discontinued operation

For the year ended 31 March 2017, basic loss per share from discontinued operation was HK0.002 cent per share which was based on the loss from discontinued operation of HK$207,000 and the denominator used as shown in note 15(d).

For the year ended 31 March 2017, diluted loss per share equals to the basic loss per share because the outstanding convertible preferred shares, share options and warrants had an anti-dilutive effect on the basic loss per share.

(d) Weighted average number of shares

	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings/(loss) per share	**8,916,189**	8,910,207
Effect of dilutive potential ordinary shares arising from conversion of convertible preferred shares	**106,283**	–
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**9,022,472**	8,910,207

For the year ended 31 March 2018, as the exercise price of the warrants and share options exceeded the average market price of the ordinary shares of the Company during the year, they had no dilutive effect in calculating the diluted earnings per share.

16. PROPERTY, PLANT AND EQUIPMENT

	Notes	Freehold land HK$'000	Furniture and fixtures HK$'000	Machinery, engineering and other equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 April 2016		101,829	4,323	3,768	1,740	111,660
Derecognised on disposal of subsidiaries		–	(3,845)	(1,405)	–	(5,250)
Transfer to intangible assets	*17*	(101,829)	–	–	–	(101,829)
At 31 March 2017 and 1 April 2017		–	478	2,363	1,740	4,581
Additions		–	7	–	–	7
At 31 March 2018		**–**	**485**	**2,363**	**1,740**	**4,588**
Accumulated depreciation and impairment losses						
At 1 April 2016		16,321	4,175	2,846	1,740	25,082
Charge for the year		–	8	100	–	108
Elimination on disposal of subsidiaries		–	(3,727)	(583)	–	(4,310)
Transfer to intangible assets	*17*	(16,321)	–	–	–	(16,321)
At 31 March 2017 and 1 April 2017		–	456	2,363	1,740	4,559
Charge for the year		–	7	–	–	7
At 31 March 2018		**–**	**463**	**2,363**	**1,740**	**4,566**
Carrying amounts						
At 31 March 2018		**–**	**22**	**–**	**–**	**22**
At 31 March 2017		–	22	–	–	22

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17. INTANGIBLE ASSETS

	Patent HK$'000	Sales contracts HK$'000	Trademark HK$'000	Money lending licence HK$'000	Harvesting rights HK$'000	Total HK$'000
At 1 April 2016	4,419	17,251	25,924	94	–	47,688
Derecognised on disposal of subsidiaries	(4,419)	(17,251)	(25,924)	–	–	(47,594)
Transfer from property, plant and equipment	–	–	–	–	85,508	85,508
Exchange realignment	–	–	–	–	16,678	16,678
At 31 March 2017 and 1 April 2017	–	–	–	94	102,186	102,280
Exchange realignment	–	–	–	–	(7,222)	(7,222)
At 31 March 2018	**–**	**–**	**–**	**94**	**94,964**	**95,058**
Accumulated and impairment loss						
At 1 April 2016	4,419	17,251	25,924	–	–	47,594
Impairment	–	–	–	–	89,674	89,674
Eliminated on disposals of subsidiaries	(4,419)	(17,251)	(25,924)	–	–	(47,594)
Exchange realignment	–	–	–	–	2,671	2,671
At 31 March 2017 and 1 April 2017	–	–	–	–	92,345	92,345
Impairment	–	–	–	–	1,440	1,440
Exchange realignment	–	–	–	–	(6,799)	(6,799)
At 31 March 2018	**–**	**–**	**–**	**–**	**86,986**	**86,986**
Carrying amounts						
At 31 March 2018	**–**	**–**	**–**	**94**	**7,978**	**8,072**
At 31 March 2017	–	–	–	94	9,841	9,935

Notes:

(i) The Group acquired the money lending licence through the acquisition of the interests in Asset Bridge Development Limited (now known as Reliance Credit Limited). The recoverable amount of the money lending licence at 31 March 2018 was HK$94,000 (2017: HK$94,000) and no impairment was provided on its carrying amount for the years ended 31 March 2018 and 2017.

17. INTANGIBLE ASSETS (continued)

Notes: (continued)

(ii) The Group's forest assets, acquired through the business combination of Amplewell Holdings Limited and its subsidiaries, are located in the Northwest of Brazil, the State of Acre, Amazon Region (the "Brazil Forest") during the year ended 31 March 2010. The Brazil Forest was initially recognised as freehold land and biological assets at acquisition. The total area of the Brazil Forest is approximately 44,500 hectares. Under the environmental laws in Brazil, approximately 20% or 8,939 hectares of the Brazil Forest area is designated as the permanent preservation area and therefore is restricted from logging, approximately 80% of the remaining area is designated as the sustainable forest management area and the balance is the permissible clear cut area that has no restriction on felling under the environmental laws of Brazil. In the sustainable forest management area, minimum impact logging techniques are used and forests are managed in a sustainable manner which means that the harvesting rate is below the overall natural growth of the forest. The main objective in sustainable forest management program is to ensure the substance of the forests be preserved. The maximum logging rate allowed under relevant regulations governing sustainable forest management is 30 cubic meters per hectare, on average, over a 25 to 30 year harvesting cycle.

Since the Group suspended its harvesting operations in the State of Acre, Brazil due to the unfavourable business environment in 2012, the Group had continued to explore the optimal way to enhance the income stream from its forest assets. However, due to the unstable economic environment in Brazil and in view of the possibility of facing similar extortion threats from local parties in Brazil as the Group had experienced in previous years, operating the forest assets through own harvesting was still considered to be unfavourable to the Group.

The Board of Directors decided to change the operation model of the Group's forest assets from own harvesting to licensing of harvesting rights in June 2014. Since then, the Group has been actively looking for potential tenants to lease its forest assets. With the continuous efforts of the Group to procure potential and quality tenants, during the year ended 31 March 2017, the Group had successfully leased out approximately 3,400 hectares of its forest assets, and during the year ended 31 March 2018, the Group had leased out approximately 19,600 hectares of its forest assets, with the result that, at 31 March 2018, the Group had leased out in total approximately 23,000 hectares of its forest assets. Accordingly, the Group has successfully leased out over 50% of the area of its forest assets and has also demonstrated the feasibility of the Group's business plan in leasing out its forest assets. In view of this change in operation model of the Group's forest assets from own harvesting to licensing of harvesting rights to independent third parties, which was the most feasible business plan in light of the then prevailing circumstances, during the year ended 31 March 2017, the Group considered it was appropriate to classify its forest assets as intangible assets representing harvesting rights, instead of classified as biological assets and freehold land.

In assessing the carrying value of the Group's forest assets at 31 March 2018 and 2017, the Group engaged Greater China Appraisal Limited, an independent professional valuer, which had adopted the income approach in valuing the forest assets. The forest assets was valued at HK$7,978,000 (2017: HK$9,841,000) at 31 March 2018 and led to an impairment loss of HK$1,440,000 on the forest assets being recognised in profit or loss for the year ended 31 March 2018 (2017: HK$89,674,000).

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17. INTANGIBLE ASSETS (continued)

Notes: (continued)

(ii) (continued)

The income approach is adopted by the independent professional valuer in valuing the Group's forest assets mainly because (i) the business model of the forest assets has been transformed from own harvesting to licensing of harvesting rights and the Company's management considered it is feasible and determined to operate the forest leasing business, as such, it is reasonable that the fair value of the forest assets should be determined by the ability to generate a stream of economic benefits in future; and (ii) the economic benefit streams of the forest assets can be identified based on contracts signed or under negotiation and there is a reasonable future projection based on such information.

Under the income approach, the discounted cash flow ("DCF") methodology is used in determining the fair value of the forest assets, which requires a number of assumptions and forecasts, including revenue forecast, operating expenses forecast and capital expenditure forecast. DCF methodology requires an explicit forecast of the future economic benefit streams over a reasonably foreseeable short term and an estimate of a long term benefit stream that is stable and sustainable. Accordingly, the value of the intangible assets is estimated based on (i) the discounted cash flow on the future economic benefit streams of the forest assets for the four years ending 31 March 2022 with forecast lease income based on signed contracts and contracts expected to be concluded, and forecast operating expenses and capital expenditure based on budgets; (ii) the discount rate of 16.71% (2017: 17.29%), which is determined based on the weighted average cost of capital method with reference to the cost of equity of 19.84% (2017: 20.21%) and cost of debt of 5.06% (2017: 7.13%); and (iii) a discount for lack of marketability of 25% (2017: 25%).

18. INVESTMENT PROPERTIES

The Group's property interests held to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

	2018	2017
	HK$'000	*HK$'000*
At fair value		
At 1 April	**29,023**	24,702
Changes in fair value	**2,577**	4,321
At 31 March	**31,600**	29,023

18. INVESTMENT PROPERTIES (continued)

All of the Group's investment properties are situated in Hong Kong and are held under medium-term leases.

The investment properties are leased to third parties under operating leases, further details of which are included in note 34(b) to the consolidated financial statements.

All of the Group's investment properties were pledged to secure bank loans granted to the Group (note 23).

(a) Fair value measurement of investment properties

(i) Fair value hierarchy

The following table presents the fair value of the Group's investment properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measured using significant unobservable inputs.

		Fair value measurements at 31 March 2018 categorised into		
	Fair value at 31 March 2018 *HK$'000*	**Level 1** *HK$'000*	**Level 2** *HK$'000*	**Level 3** *HK$'000*
Recurring fair value measurement				
Investment properties in Hong Kong	**31,600**	**–**	**31,600**	**–**

18. INVESTMENT PROPERTIES (continued)

(a) Fair value measurement of investment properties (continued)

(i) Fair value hierarchy (continued)

	Fair value at 31 March 2017	Fair value measurements at 31 March 2017 categorised into		
		Level 1	Level 2	Level 3
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement				
Investment properties in Hong Kong	29,023	–	29,023	–

During the years ended 31 March 2018 and 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of the fair value hierarchy as at the end of the reporting period in which they occur.

(ii) Valuation techniques and inputs used in Level 2

Fair value measurements

All of the Group's investment properties were revalued at 31 March 2018 on market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis using market data which is publicly available. The investment properties were valued by Element Consultants Limited, an independent professional valuer, who has a recognised and relevant professional qualification and recent experience in the location and category of properties being valued.

19. LOAN RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Fixed-rate loan receivables	**105,468**	23,200
Analysed as:		
Current portion	**105,468**	23,200
Non-current portion	**–**	–
	105,468	23,200

All loans are denominated in Hong Kong dollars. During the year ended 31 March 2018, the loan receivables carrying interest rates ranging from 6.5% to 15% per annum (2017: 6.5% to 11% per annum).

Before granting loans to potential borrowers, the Group uses internal credit assessment process to assess the potential borrowers' credit quality and defines the credit limits granted to the borrowers. The credit limits attributed to the borrowers are reviewed by the management regularly.

The Group has a policy for assessing the impairment on loan receivables on an individual basis. The assessment includes evaluation of collectability and ageing analysis of loan receivables and management's judgment on factors including the current creditworthiness of, collateral provided by and past collection history of each borrower.

In determining the recoverability of the loan receivables, the Group also considers the change in the credit quality of the loan receivables, if any, from the date the loans were initially granted up to the reporting date. This includes assessing the credit history of the borrowers, such as past experience of financial difficulties or default in payments, and current market conditions.

At 31 March 2018, loan receivables of HK$35,468,000 (2017: HK$18,200,000) were secured by the mortgage of customers' properties. At the end of the reporting periods, loan receivables of total carrying amount of HK$105,468,000 (2017: HK$23,200,000) were neither past due nor impaired and related to customers for whom there were no recent history of default.

At the end of each reporting date, the Group's loan receivables were individually assessed for impairment. At 31 March 2018 and 2017, no impairment loss was identified.

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20. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables *(note (i))*	**8,147**	–
Interest receivables	**955**	–
Other receivables	**1,873**	2,258
Trade deposits *(note (ii))*	**8,441**	–
Other deposits and prepayments	**1,447**	852
	20,863	3,110

Notes:

(i) Trade receivables

The aging analysis of the trade receivables as of the end of the reporting period , based on invoice date, was as follows:

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**8,147**	–
	8,147	–

The Group's trading terms with its customers are mainly on credit, except for new customers where payment in advance and cash on delivery are normally required. Invoices are normally payable between 0 to 30 days after issuance. The Group seeks to maintain strict credit control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management.

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly.

At the end of the reporting period, trade receivables of HK$8,147,000 (2017: nil) which were neither past due nor impaired related to customers for whom there were no recent history of default.

(ii) Trade deposits

At 31 March 2018, the trade deposits of HK$8,441,000 (2017: nil) were prepaid for the purchase of inventories in relation to the Group's sales of timber and wooden products business.

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21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents of the Group comprised bank balances and cash held by the Group of HK$24,436,000 (2017: HK$116,163,000). The carrying amounts of these assets approximate to their fair values.

22. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables *(note)*	**3,951**	–
Other payables and accruals	**13,645**	15,071
	17,596	15,071

Note:

Trade payables

An aging analysis of the Group's trade payables as of the end of the reporting period, based on invoice date, was as follows:

	2018	2017
	HK$'000	*HK$'000*
0 to 30 days	**3,951**	–
	3,951	–

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23. LOANS AND BORROWINGS

	Notes	2018 HK$'000	2017 HK$'000
Secured bank loans	(i)	**10,848**	11,226
Unsecured interest-bearing loans from an independent third party	(ii)	**–**	12,076
		10,848	23,302

Notes:

(i) At 31 March 2018, the Group's bank borrowings were secured by mortgage over the Group's investment properties of HK$31,600,000 (2017: HK$29,023,000) (note 35) in Hong Kong.

(ii) The interest expenses charged on unsecured interest-bearing loans from an independent third party were calculated at 3% per annum and were fully repaid in September 2017.

The analysis of the carrying amount of loans and borrowings is as follows:

	2018 HK$'000	2017 HK$'000
Current liabilities		
Portion of term loans from banks due for repayment within 1 year	**372**	235
Portion of term loans from banks due for repayment after 1 year which contain a repayment on demand clause	**3,648**	3,923
Unsecured interest-bearing loans from an independent third party	**–**	12,076
	4,020	16,234
Non-current liabilities		
Secured bank loans	**6,828**	7,068
Total	**10,848**	23,302

23. LOANS AND BORROWINGS (continued)

The loans and borrowings were due for repayment as follows:

	2018	2017
	HK$'000	*HK$'000*
Secured bank loans*		
Portion of term loans from banks due for repayment within 1 year	**372**	383
Term loans from banks due for repayment after 1 year:		
After 1 year but within 2 years	**380**	390
After 2 years but within 5 years	**1,183**	1,210
More than 5 years	**8,913**	9,243
	10,476	10,843
	10,848	11,226
Other borrowings		
Borrowings due for repayment within 1 year	**–**	12,076
	10,848	23,302

* The amounts due are based on the scheduled repayment dates as stipulated in the respective loan agreements.

All of the banking facilities are subject to the fulfilment of covenants. If the Group were in breach of the covenants, the drawn down facilities would become repayable on demand. In addition, certain of the Group's bank loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it is probable that the bank will exercise its discretion to demand repayment so long as the Group continues to meet these requirements. At 31 March 2018, none of the covenants relating to drawn down facilities had been breached (2017: nil).

All of the secured bank loans, including amounts repayable on demand, and unsecured interest-bearing loans from an independent third party were carried at amortised cost.

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24. FINANCIAL LIABILITIES

	2018 *HK$'000*	2017 *HK$'000*
Warrants		
At beginning of the year	**22,532**	52,029
Exercise of warrants	**–**	(9)
Change in fair value	**(22,522)**	(29,488)
At end of the year	**10**	22,532

Notes:

(i) The warrants were classified as derivative financial liabilities as they were not settled by a fixed amount of cash for a fixed number of the Company's own equity instruments and were measured at fair value at the end of the reporting period. The valuation was carried out by an independent valuer based on the Black Scholes Option Pricing Model. The warrants were expired on 6 May 2018.

(ii) Fair value of share warrants and assumptions

The estimate of the fair value of the share warrants granted was measured based on the Black Scholes Option Pricing Model.

	31 March 2018	31 March 2017	7 May 2013 (Date of grant)
Fair value of share warrants at measurement date	**HK$0.0002**	HK$0.033	HK$0.0194
Share price	**HK$0.036**	HK$0.087	HK$0.054
Exercise price	**HK$0.085**	HK$0.085	HK$0.0534
Expected volatility	**99.67%**	91.067%	39.71%
Warrant life	**0.1 year**	1.1 years	5 years
Risk-free interest rate (based on the approximate interest rates with similar life of the Foreign Exchange Notes)	**0.84%**	0.66%	0.81%

The expected volatility was based on the historic volatility (calculated based on the weighted average remaining life of the share warrants), adjusted for any expected changes to future volatility based on publicly available information. Changes in the subjective input assumptions could materially affect the fair value estimate.

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25. LOAN FROM A SHAREHOLDER

The loan from a shareholder is unsecured, interest-free and repayable on twelve months from the date of the loan facility agreement, extendable for another twelve months and subsequent twelve month period(s), or such other date at the request of the Company and agreed by the shareholder in writing. On 8 May 2018, the shareholder confirmed that they will not request for repayment of the loan within the twelve months from 31 March 2018.

26. DEFERRED TAX LIABILITIES

The components of deferred tax liabilities recognised in the consolidated statement of financial position and their movement during the year is as follows:

	Property, plant and equipment *HK$'000*	Intangible assets *HK$'000*	Total *HK$'000*
At 1 April 2016	29,025	–	29,025
Transfer	(29,025)	29,025	–
Credit to profit or loss	–	(30,493)	(30,493)
Exchange realignment	–	4,751	4,751
At 31 March 2017 and 1 April 2017	–	3,283	3,283
Credit to profit or loss	–	(431)	(431)
Exchange realignment	–	(138)	(138)
At 31 March 2018	**–**	**2,714**	**2,714**

At 31 March 2018, the Group had unused tax losses of approximately HK$51,382,000 (2017: HK$54,212,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredicitability of future profit streams. The tax losses may be carried forward indefinitely.

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27. SHARE CAPITAL

	Notes	Number of ordinary shares of HK$0.01 per share (note (i)) '000	HK$'000	Number of convertible preferred shares of HK$0.01 per share (note (ii)) '000	HK$'000	Total HK$'000
Authorised:						
At 1 April 2016, 31 March 2017, 1 April 2017 and 31 March 2018		**30,000,000**	**300,000**	**27,534,000**	**275,340**	**575,340**
Issued and fully paid:						
At 1 April 2016		8,910,119	89,101	9,655,527	96,555	185,656
Shares issued upon exercise of ordinary share warrants	*(iii)*	123	2	–	–	2
At 31 March 2017 and 1 April 2017		**8,910,242**	**89,103**	**9,655,527**	**96,555**	**185,658**
Conversion of convertible preferred shares	*(iv)*	**195,453**	**1,954**	**(6,254,472)**	**(62,544)**	**(60,590)**
At 31 March 2018		**9,105,695**	**91,057**	**3,401,055**	**34,011**	**125,068**

Notes:

(i) Ordinary shares

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(ii) Convertible preferred shares

The non-voting convertible preferred shares (the "Convertible Preferred Shares") can be converted into ordinary shares of the Company at any time after issue. The Convertible Preferred Shares shall at all times rank equally among themselves and shall upon exercise of the conversion right attaching to the Convertible Preferred Shares rank pari passu with all other ordinary shares of the Company in issue with respect to the right to any dividends or distributions declared.

27. SHARE CAPITAL (continued)

Notes: (continued)

(ii) Convertible preferred shares (continued)

The following are the other major terms of the Convertible Preferred Shares:

In the event of liquidation, dissolution or winding up, or merger, or reorganisation that will result in any distribution of assets of the Company to the existing shareholders of the Company, the holders of the Convertible Preferred Shares will receive an amount equal to 100% of the face value of the Convertible Preferred Shares. In addition, the ranking of the Convertible Preferred Shares is higher than ordinary shares, but lower than creditor in the case of liquidation.

The holder of each Convertible Preferred Shares shall not have any voting rights save where the Company proposes to pass a resolution to vary the rights attached to the Convertible Preferred Shares or for the winding up or dissolution of the Company. The Convertible Preferred Shares shall be non-redeemable and will not be listed on any stock exchange.

Each Convertible Preferred Share shall be convertible at the option of the holders at any time after issue, provided that (i) any conversion of the Convertible Preferred Shares shall not result in the aggregate voting rights in the Company held by the relevant holder of the Convertible Preferred Shares who exercises the conversion rights and parties acting in concert with it exceeding 29.9%, or such other percentage as may then be the maximum percentage (to one decimal place) of issued shares of the Company it could then acquire without being required to make a mandatory general offer for the shares of the Company under the Hong Kong Code on Takeovers and Mergers or (ii) any conversion of the Convertible Preferred Shares shall not result in the public float of the shares of the Company falling below the minimum requirements of the Listing Rules.

(iii) During the year ended 31 March 2017, an aggregate of 123,288 ordinary shares of HK$0.01 each of the Company were issued upon conversion of ordinary share warrants at subscription price of HK$0.085 per share and at aggregate subscription price of approximately HK$11,000, of which approximately HK$2,000 was credited to share capital and the balance of approximately HK$9,000 was credited to share premium account.

(iv) During the year ended 31 March 2018, an aggregate of approximately 195,453,000 ordinary shares of HK$0.01 each of the Company were issued upon conversion of approximately 6,254,472,000 Convertible Preferred Shares of HK$0.01 each, pursuant to which approximately HK$1,954,000 was credited to share capital and the balance of approximately HK$60,590,000 was credited to share premium account.

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28. SHARE OPTION SCHEME

The Company terminated the share option scheme adopted by the Company on 9 September 2002 ("Old Scheme") and adopted a new share option scheme ("New Scheme") pursuant to an ordinary resolution passed by the shareholders of the Company at the special general meeting held on 27 November 2009. There was no share option granted under the Old Scheme. The principal terms of the New Scheme are as follows:

(a) Purpose

The purpose of the New Scheme is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operation and to recruit and retain high caliber employees and attract human resources that are valuable to the Group and any entity which any member of the Group holds any equity interest ("Invested Entity").

(b) Eligible participants

Eligible participants of the New Scheme include the Company's directors and other employees of the Group or Invested Entity, any customers, supplier of goods or services to any member of the Group or any Invested Entity who, in the sole discretion of the Board of Directors have contributed or will contribute to the growth and development of the Group or any Invested Entity.

(c) Maximum number of shares

The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the New Scheme must not exceed 10% of the total number of issued ordinary shares of the Company as at the date of passing the ordinary resolution on 11 April 2012 (being the date on which the mandate limit of the New Scheme was refreshed). There were no outstanding share options at 31 March 2018.

(d) Maximum entitlement of each eligible participant

The maximum number of shares issuable under the New Scheme to each eligible participant within any 12-month period is limited to 1% of the total number of ordinary shares of the Company in issue at any time.

Any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, which would result in the ordinary shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in excess of 0.1% of the ordinary shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5,000,000 within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

(e) Option period

An option shall be exercised within 10 years from the date of grant or such shorter period as the directors may specify at the time of grant.

28. SHARE OPTION SCHEME (continued)

(f) Acceptance of offer

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

(g) Exercise price

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

(h) The validity of the New Scheme

The New Scheme has a life of 10 years and will expire on 27 November 2019 unless otherwise terminated in accordance with the terms of the New Scheme.

Notes to the Consolidated Financial Statements

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28. SHARE OPTION SCHEME (continued)

(i) Movements of the share options for the year ended 31 March 2018 are as follows:

			Number of share options					
Date of grant	Exercise period	Exercise price per share	Outstanding at 1 April 2017	Granted	Exercised	Cancelled	Lapsed	Outstanding at 31 March 2018
13 January 2010	13 January 2011 to 12 January 2020	HK$1.497	117,731	–	–	–	(117,731)	–
13 January 2010	13 January 2012 to 12 January 2020	HK$1.497	117,731	–	–	–	(117,731)	–
13 January 2010	13 January 2013 to 12 January 2020	HK$1.497	117,731	–	–	–	(117,731)	–
7 May 2010	13 January 2011 to 6 May 2020	HK$1.131	176,331	–	–	–	(176,331)	–
7 May 2010	13 January 2012 to 6 May 2020	HK$1.131	176,331	–	–	–	(176,331)	–
7 May 2010	13 January 2013 to 6 May 2020	HK$1.131	176,333	–	–	–	(176,333)	–
14 September 2010	14 September 2010 to 27 November 2019	HK$0.597	125,565	–	–	–	(125,565)	–
30 August 2013	30 August 2013 to 29 August 2023	HK$0.085	52,316,838	–	–	–	(52,316,838)	–
			53,324,591	–	–	–	(53,324,591)	–
Weighted average exercise price:			HK$0.1059	–	–	–	–	–

28. SHARE OPTION SCHEME (continued)

(ii) The options outstanding at 31 March 2017 had a weighted average remaining contractual life of 6.35 years.

There were no exercise of share options for the years ended 31 March 2017 and 2018.

No other share option was granted, exercised or cancelled during the years ended 31 March 2017 and 2018.

All outstanding share options were lapsed during the year ended 31 March 2018 and there were no outstanding share options at 31 March 2018.

(iii) The fair value of services received in return for share options granted was measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted was measured based on binomial option pricing model. The contractual life of the share option was used as an input into this model. Expectations of early exercise were incorporated into the binomial option pricing model.

Fair value of share options and assumptions	**Date of grant 30 August 2013**
Fair value at measurement date	HK$0.0038
Share price	HK$0.033
Exercise price	HK$0.0534
Expected volatility (expressed as weighted average volatility used in the modeling under binomial option pricing model)	35.28%
Option life (expressed as weighted average life used in the modeling under binomial option pricing model)	10 years
Expected dividends	Nil
Risk-free interest rate (based on 10-year Hong Kong Exchange Fund Notes)	2.335%

The expected volatility was based on annualised standard deviations of the continuously compounded rates of return on the share prices of five comparable companies in Hong Kong and Brazil Exchange with similar business operations. No dividends were expected as the Company had no history of payment of dividends.

29. RESERVES

(a) Nature and purposes of the reserves

(i) Share premium

The application of the share premium account is governed by Section 40 of the Bermuda Companies Act 1981 (as amended). The share premium account of the Company is distributable to the owners of the Company in the form of fully paid bonus shares.

(ii) Contributed surplus

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in June 1991, over the nominal value of the Company's shares issued in exchange thereof, and the capital reorganisation during the year ended 31 March 2014. Under the Bermuda Companies Act 1981 (as amended), the contributed surplus is distributable to shareholders in certain circumstances.

(iii) Distributable reserve

Pursuant to a special resolution passed on 15 July 2003, the share premium account of the Company was reduced by an amount of HK$103,948,000 to nil and of which HK$98,953,000 was applied towards the elimination of the accumulated losses of the Company as at 31 March 2003, with the remaining balance of HK$4,995,000 being credited to a distributable reserve of the Company. The reduction of share premium account was effective on 6 October 2003.

(iv) Capital redemption reserve

The capital redemption reserve represents the amount paid by which the Company's issued share capital was diminished upon the cancellation of the shares repurchased.

(v) Exchange fluctuation reserve

The exchange fluctuation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the overseas subsidiaries.

(vi) Share option reserve

Share option reserve represents the portion of fair value of unexercised share options granted by the Company at the grant date that was recognised in accordance with the accounting policy adopted for share-based payments in note 3(o)(iii).

(vii) Shares held by the Company for settlement of acquisition consideration

The Company issued shares for the acquisition of the interests in Originate Tech Global Investment Limited during the year ended 31 March 2012. At the end of the reporting period, 280,000,000 shares (before the share consolidation which became effective on 2 October 2013), valued at HK$0.414 (the issue price) per share amounting to HK$115,920,000, were held by the Company awaiting disposal. Proceeds from the disposal of these shares shall be returned to the Company in accordance with the terms of the acquisition agreement.

30. CAPITAL RISK MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The capital structure of the Group consists of debt, which includes the loans and borrowings and loan from a shareholder, offset by cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

During the year ended 31 March 2018, the Group's strategy remains unchanged from the prior year.

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Loan from a shareholder *HK$'000*	Loans and borrowings *HK$'000*	Financial liabilities *HK$'000*	Total *HK$'000*
At 1 April 2017	**–**	**23,302**	**22,532**	**45,834**
Financing cash flows	**20,000**	**–**	**–**	**20,000**
Repayment of loans and borrowings	**–**	**(12,454)**	**–**	**(12,454)**
Change in fair value	**–**	**–**	**(22,522)**	**(22,522)**
At 31 March 2018	**20,000**	**10,848**	**10**	**30,858**

32. DISPOSAL OF SUBSIDIARIES

(a) Disposal of Travel Inn Limited

On 28 April 2016, the Group disposed of its 95% equity interest in Travel Inn Limited to an independent third party at a consideration of HK$1,800,000.

	2017
	HK$'000
Consideration received in cash and cash equivalents	1,800
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	2,934
Deferred tax assets	63
Trade and other receivables	148
Prepayments	15
Tax recoverable	11
Cash and cash equivalents	741
Trade and other payables	(629)
Amount due to a shareholder	(836)
Bank borrowings	(785)
Net assets disposed of	1,662
Gain on disposal of subsidiaries:	
Consideration received	1,800
Non-controlling interests	101
Net assets disposed of	(1,662)
	239
Net cash inflow arising on disposal:	
Consideration received	1,800
Cash and cash equivalents balance disposed of	(741)
	1,059

32. DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal of Originate Tech Global Investment Limited

On 16 August 2016, the Group disposed of its 100% equity interest in Originate Tech Global Investment Limited to an independent third party at a consideration of HK$50,000.

	2017
	HK$'000
Consideration received in cash and cash equivalents	50
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	940
Inventories	71
Trade and other receivables	5,171
Cash and cash equivalents	8
Trade and other payables	(4,985)
Customer deposits received	(402)
Tax payable	(1,253)
Amount due to a shareholder	(349)
Net liabilities disposed of	(799)
Gain on disposal of subsidiaries:	
Consideration received	50
Release of exchange fluctuation reserve upon disposal	1,362
Net liabilities disposed of	799
	2,211
Net cash inflow arising on disposal:	
Consideration received	50
Cash and cash equivalents balance disposed of	(8)
	42

33. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include loan receivables, trade and other receivables, cash and cash equivalents, loans and borrowings, trade and other payables, financial liabilities, and loan from a shareholder.

Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group's credit risk is primarily attributable to bank deposits, loan receivables and trade and other receivables.

For trade and other receivables, management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

For loan receivables, in order to minimise the credit risk, the executive directors of the Company are responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In view of the above, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the raising of loans to cover expected cash demands, subject to parent company's board approval. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding to meet its liquidity requirements in the short and longer term.

33. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

The following tables detail the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the end of the reporting period) and the earliest date the Group can be required to pay:

	2018					
	Within 1 year or on demand *HK$'000*	**More than 1 year but less than 2 years** *HK$'000*	**More than 2 years but less than 5 years** *HK$'000*	**More than 5 years** *HK$'000*	**Total contractual undiscounted cash flow** *HK$'000*	**Carrying amount** *HK$'000*
Trade and other payables	**17,596**	**–**	**–**	**–**	**17,596**	**17,596**
Loans and borrowings	**4,850**	**393**	**1,179**	**6,436**	**12,858**	**10,848**
Loan from a shareholder	**–**	**20,000**	**–**	**–**	**20,000**	**20,000**
	22,446	**20,393**	**1,179**	**6,436**	**50,454**	**48,444**

	2017					
	Within 1 year or on demand *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	More than 5 years *HK$'000*	Total contractual undiscounted cash flow *HK$'000*	Carrying amount *HK$'000*
Trade and other payables	15,071	–	–	–	15,071	15,071
Loans and borrowings	16,866	393	1,179	7,433	25,871	23,302
	31,937	393	1,179	7,433	40,942	38,373

The table that follows summarises the maturity analysis of term loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account of the Group's financial position, the directors of the Company do not consider it probable that the bank will exercise its discretion to demand immediate repayment. The directors of the Company believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

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33. FINANCIAL RISK MANAGEMENT (continued)

(b) Liquidity risk (continued)

Maturity analysis – term loans subject to a repayment on demand clause based on scheduled repayments

	Within 1 year *HK$'000*	More than 1 year but less than 2 years *HK$'000*	More than 2 years but less than 5 years *HK$'000*	More than 5 years *HK$'000*	Total contractual undiscounted cash outflows *HK$'000*	Carrying amount *HK$'000*
31 March 2018	**184**	**184**	**554**	**3,535**	**4,457**	**3,780**
31 March 2017	184	184	554	3,640	4,397	3,923

(c) Foreign currency risk

The Group has insignificant exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated Hong Kong dollars and United States dollars, with a relative small portion in Brazilian Reais and Euro dollars. The Group is not subject to foreign exchange risk of United States dollars as it is pegged with Hong Kong dollars, whilst the Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities denominated in Brazilian Reais and Euro dollars in light of their relative weightings to the Group's total transaction volume, and assets and liabilities in various currencies. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(d) Interest rate risk

The Group's interest rate risk arises primarily from financial liabilities issued at variable rates and fixed rates that expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile as monitored by management is set out below. The Group does not expect any changes on interest rate which might materially affect the Group's result of operations.

During the year, the Group had not entered into any interest rate swap contracts.

33. FINANCIAL RISK MANAGEMENT (continued)

(d) Interest rate risk (continued)

(i) Interest rate profile

	2018		2017	
	Effective interest rate %	***HK$'000***	Effective interest rate %	*HK$'000*
Fixed rate receivables:				
Loan receivables	**6.5% – 15%**	**105,468**	6.5% – 11%	23,200
Fixed rate borrowings:				
Loans and borrowings	**–**	**–**	3%	12,076
Variable rate borrowings:				
Loans and borrowings	**1.4% – 2.25%**	**10,848**	1.02% – 2.25%	11,226

(ii) Sensitivity analysis

At 31 March 2018, it is estimated that a general increase/decrease of 1% in interest rate, with all other variables held constant, would have decrease/increase the Group's profit (2017: increase/decrease the Group's loss) for the year by approximately HK$108,000 (2017: HK$112,000).

The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for the non-derivative variable rate financial liabilities in existence at that date. The 1% increase or decrease represents management's assessment of a reasonably possible change in interest rates assuming the financial liabilities in existence at the end of the reporting period were outstanding for the whole reporting period. The analysis was performed on the same basis for year 2017.

33. FINANCIAL RISK MANAGEMENT (continued)

(e) Price risk

The Group's warrants exposed the Group to equity price risk. Management has closely monitored the relevant risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analysis includes the outstanding number of warrants at the end of the reporting period and adjusts for higher/lower in share price at the year end, holding other variables constant.

At 31 March 2018, if the input of share price to the valuation model of the warrants had been 5% higher/lower while all other variables were held constant, the Group's profit for the year would decrease/increase by nil (2017: the Group's loss for the year would increase/decrease by HK$2,106,000) as a result of the changes in fair value of the warrants.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent market risk as the multiple variables involved in the valuation model used in the fair value valuation of the derivatives are inter-dependent.

(f) Natural risk

The ability to harvest wood and the growth of the trees in the forests may be affected by unfavourable local weather conditions and natural disasters. Weather conditions such as floods, droughts, cyclones and windstorms and natural disasters such as earthquakes, fire, disease, insect infestation and pests are examples of such events. The occurrence of severe weather conditions or natural disasters may diminish the supply of trees available for harvesting, or otherwise impede the logging operations or the growth of the trees in the forests, which in turn may have an adverse effect on the Group's business of licensing of harvesting rights.

(g) Fair value measurements recognised in the consolidated statement of financial position

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

33. FINANCIAL RISK MANAGEMENT (continued)

(g) Fair value measurements recognised in the consolidated statement of financial position (continued)

Fair value hierarchy (continued)

- Level 1 valuations: Fair value measurement using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

- Level 2 valuations: Fair value measurement using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

- Level 3 valuations: Fair value measurement using significant unobservable inputs.

	2018			
	Level 1	**Level 2**	**Level 3**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurements				
Financial liabilities	**–**	**10**	**–**	**10**

	2017			
	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurements				
Financial liabilities	–	22,532	–	22,532

There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3.

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of financial liabilities in Level 2 is calculated by the Black Scholes Option Pricing Model. The Black Scholes Option Pricing Model is implemented by applying computational method. For details of the input please refer to note 24.

(h) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 March 2018 and 2017.

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For the year ended 31 March 2018

34. COMMITMENTS

(a) Commitments in respect of capital expenditure

At the end of the reporting period, the Group had no material capital commitments (2017: nil).

(b) Operating lease commitments

The Group as lessee:

The Group leases certain of its office premises under operating leases. Leases for these properties are negotiated for terms ranging from one to two years.

At the end of the reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**849**	145
In the second to fifth years, inclusive	**650**	–
	1,499	145

The Group as lessor:

The Group leases its investment properties under operating lease arrangements to tenants, with leases negotiated for terms ranging from one to two years. The terms of the leases generally require the tenants to pay security deposits. At the end of the reporting period, the Group had total future minimum lease payments receivables under non-cancellable operating leases with its tenants falling due as follow:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**63**	396
In the second to fifth years, inclusive	**–**	37
	63	433

35. PLEDGE OF ASSETS

At 31 March 2018, the Group's investment properties of HK$31,600,000 (2017: HK$29,023,000) were pledged to secure bank borrowings.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

36. CONTINGENT LIABILITIES

At 31 March 2018, the Group had no significant contingent liability (2017: nil).

37. LITIGATIONS

Service agreement

On 30 May 2010, UTRB entered into a service agreement ("Service Agreement") with F Um Terraplanagem ("Terraplanagem"). Under the Service Agreement, Terraplanagem would carry out earthwork service in the hydropower plant in Rondonia, Brazil for a service fee of R$892,500. After signing the Service Agreement, Terraplanagem did not provide any earthwork service and UTRB had to hire another company to complete the earthworks. However, in the land search of the freehold land of UTRB, it revealed that Terraplanagem submitted a claim to a court against UTRB to pay for alleged outstanding service fee of approximately R$1,291,000 and filed a precautionary injunction to prevent UTRB of selling certain area of its freehold land. Such injunction was awarded by the court during the year ended 31 March 2015. Two witness hearings were held in 2016 and in March 2017, the court served the notice to both Terraplanagem and UTRB to present their final arguments. In May 2017, the court awarded Terraplanagem's claim in full. In June 2017, UTRB filed petition to the court presenting its arguments on the ruling by the court, however, the petition was rejected by the court. In late July, UTRB filed an appeal against the court decision and is still awaiting the outcome of the appeal. The claim of approximately R$1,291,000 (approximately HK$3,066,000) has been included in other payables.

Labour claim

During the financial year ended 31 March 2014, the Group revealed that a labour claim against UTRB for US$600,000 was filed by Leandro Dos Martires Guerra ("Leandro"), a former director of UTRB. Without receiving any writ from the Monocratic Labour Court (the "Original Court") by UTRB, the Original Court made an order to UTRB for paying Leandro the claim of US$600,000. UTRB filed a legal appeal to the Northern Region Labour High Court (the "Regional Labour High Court") after consulting legal counsels. During the year ended 31 March 2015, the Regional Labour High Court had given a favorable ruling on UTRB's appeal, determining the annulment of Leandro's claim due to irregularities in the writ of summons served to UTRB. As a result, the case had returned to the Original Court so the claimant could properly serve the writ of summons to UTRB which had happened. In March 2015, UTRB had presented its defense and a witness' hearing was held in October 2015 and in November 2015, the Original Court had decided on the case in favour of UTRB dismissing all of Leandro's claim and awarded Leandro approximately R$60,000 regarding an undue reduction made in Leandro's termination fees (the "Labour Court Decision"). In or about late November 2015, Leandro had petitioned to the court raising questions about certain topics in the said decision and requesting the court to clarify such points. As a consequence of that, Leandro filed an appeal seeking the reform of the Labour Court Decision. In August 2016 UTRB filed its response to Leandro's appeal. In addition to respond to Leandro's appeal, UTRB had also filed an appeal against the Labour Court Decision. In August 2017, the Regional Labour High Court ruled partially favorable to Leandro with amount subject to taxation by the court (the "Regional High Court Decision"). UTRB then had filed an appeal against the Regional High Court Decision which however was rejected. In October 2017, UTRB filed another appeal that contested the aforesaid rejection to the Labour Supreme Court and the closing arguments for the said appeal were submitted to the Labour Supreme Court in March 2018 and is still awaiting the outcome of the appeal. The claim of approximately R$1,354,000 (approximately HK$3,216,000) has been included in other payables.

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For the year ended 31 March 2018

38. MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the year:

(a) Key management personnel remuneration

The key management personnel of the Group included the directors as disclosed in note 11 (2017: included those individuals (other than directors) with highest emoluments as disclosed in note 12). Details of key management personnel remuneration are summarised below.

	2018	2017
	HK$'000	*HK$'000*
Salaries and other short-term employee benefits	**1,977**	4,341
Post-employment benefits	**71**	178
	2,048	4,519

(b) Outstanding balances with related parties

Details of the loan from a shareholder as disclosed in note 25.

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

	2018	2017
	HK$'000	*HK$'000*
Non-current assets		
Interest in subsidiaries	–	–
Amounts due from subsidiaries	136,848	133,088
	136,848	133,088
Current assets		
Other receivables	774	808
Cash and cash equivalents	21,038	4,266
	21,812	5,074
Current liabilities		
Other payables	3,422	3,732
Amount due to a subsidiary	615	–
Financial liabilities	10	–
	4,047	3,732
Net current assets	17,765	1,342
Total assets less current liabilities	154,613	134,430
Non-current liabilities		
Loan from a shareholder	20,000	–
Financial liabilities	–	22,532
	20,000	22,532
Net assets	134,613	111,898
Capital and reserves		
Share capital	125,068	185,658
Reserves (deficit) *(note)*	9,545	(73,760)
Total equity	134,613	111,898

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

Note:

	Share premium HK$'000	Shares held by the Company for settlement of acquisition consideration HK$'000	Contributed surplus HK$'000	Distributable reserve HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2016	6,936	(115,920)	2,938,375	2,216	8,000	869	(2,921,020)	(80,544)
Profit for the year	–	–	–	–	–	–	6,765	6,765
Share issue upon exercise of ordinary share warrants	19	–	–	–	–	–	–	19
At 31 March 2017	6,955	(115,920)	2,938,375	2,216	8,000	869	(2,914,255)	(73,760)
At 1 April 2017	**6,955**	**(115,920)**	**2,938,375**	**2,216**	**8,000**	**869**	**(2,914,255)**	**(73,760)**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**22,715**	**22,715**
Lapse of share options	**-**	**-**	**-**	**-**	**-**	**(869)**	**869**	**-**
Conversion of Convertible Preferred Shares	**60,590**	**-**	**-**	**-**	**-**	**-**	**-**	**60,590**
At 31 March 2018	**67,545**	**(115,920)**	**2,938,375**	**2,216**	**8,000**	**-**	**(2,890,671)**	**9,545**

40. PARTICULARS OF THE PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Group's principal subsidiaries at the end of the reporting period are set out below:

Name	Place of incorporation/ registration and business	Particulars of issued and paid up capital	Proportion of ownership interest held by the Company		Principal activities
			2018	2017	
UTRB	Brazil	R$13,909,685	100%	100%	Sustainable forest management of and investment in natural forests, licensing of harvesting rights, timber and wood processing, trading and sales of forestry and timber products
Bluestone Investment Limited	Hong Kong	10,000 ordinary shares	100%	100%	Leasing of properties
Champ Country Hong Kong Limited	Hong Kong	10,000 ordinary shares	100%	100%	Leasing of properties
Reliance Credit Limited	Hong Kong	1 ordinary share	100%	100%	Money lending business
Sustainable Assets Management Limited	Hong Kong	1 ordinary share of HK$1 each	100%	100%	Trading of timber and wooden products and provision of management services
Trans Resources International Limited	Hong Kong	1 ordinary share of HK$1 each	100%	100%	Trading of timber and wooden products

Note:

The directors are of the opinion that a complete list of subsidiaries of the Company will be of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affects the results or assets of the Group.

41. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2018

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

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRSs 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 new and amendments to IFRSs and Interpretations mentioned below, the directors anticipate that the application of all other new and amendments to IFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

41. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2018 (continued)

IFRS 9 "Financial Instruments"

IFRS 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 IFRS 9 which are relevant to the Group are:

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 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 anticipate the following potential impact on initial application of IFRS 9:

Classification and measurement

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

Impairment

In general, the directors of the Company anticipate that the application of the expected credit loss model of IFRS 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 IFRS 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 Group, the accumulated amount of impairment loss to be recognised by Group as at 1 April 2018 would have no significant impact as compared to the accumulated amount recognised under IAS 39.

The directors of the Company anticipate that the adoption of IFRS9 in the future will not have significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on the analysis of the Group's financial instruments as at 31 March 2018.

Notes to the Consolidated Financial Statements

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41. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2018 (continued)

IFRS 15 "Revenue from Contracts with Customers"

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

The core principle of IFRS 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 IFRS 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 IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The directors of the Company anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

41. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2018 (continued)

IFRS 16 "Leases"

As disclosed in note 3(g), currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. The Group enters into some leases as the lessor and others as the lessee.

IFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once IFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease the lessee will recognise and measure a lease liability at the present value of the minimum future lease payments and will recognise a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee will recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

IFRS 16 will primarily affect the Group's accounting as a lessee of leases for properties, plant and equipment which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease. As disclosed in note 34(b), at 31 March 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to HK$1,499,000, the majority of which is payable either between one and five years after the reporting date. Some of these amounts may therefore need to be recognised as lease liabilities, with corresponding right-of-use assets, once IFRS 16 is adopted. The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of IFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and the adoption of IFRS 16 and the effects of discounting.

At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Five-Year Financial Summary

RESULTS

	Year ended 31 March				
	2018	2017	2016 (Restated)	2015 (Restated)	2014 (Restated)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Continuing operations					
Revenue	**25,311**	7,138	11,316	6,596	63,771
Profit/(loss) before tax	**21,660**	(32,037)	(38,616)	(56,354)	(611,524)
Income tax credit (expense)	**205**	30,493	5,545	(53)	121,285
Profit/(loss) for the year from continuing operations	**21,865**	(1,544)	(33,071)	(56,407)	(490,239)
Discontinued operation					
(Loss)/profit for the year from discontinuing operations	**–**	(207)	2	(97)	85
Profit/(loss) for the year	**21,865**	(1,751)	(33,069)	(56,504)	(490,154)
Attributable to:					
Owners of the Company	**21,865**	(1,751)	(33,077)	(56,508)	(490,133)
Non-controlling interests	**–**	–	8	4	(21)
	21,865	(1,751)	(33,069)	(56,504)	(490,154)

ASSETS AND LIABILITIES AND NON-CONTROLLING INTERESTS

	At 31 March				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**190,461**	181,453	261,079	305,656	251,052
Total liabilities	**52,193**	64,987	149,248	156,097	192,254
Net assets	**138,268**	116,466	111,831	149,559	58,798
EQUITY					
Total equity attributable to the owners of the Company	**138,282**	116,480	111,744	149,480	58,723
Non-controlling interests	**(14)**	(14)	87	79	75
Total equity	**138,268**	116,466	111,831	149,559	58,798

Certain comparative figures have been restated to conform with the current year's presentation.