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

(Incorporated in Bermuda with limited liability)

Stock Code: 00412

ANNUAL REPORT 2018

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-executive Director and Chairman
Mr. Li Hang

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

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

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

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

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

LEGAL ADVISERS	*Hong Kong law:* Li & Partners 22/F, World-Wide House Central Hong Kong Reed Smith Richards Butler 20/F., Alexandra House 18 Chater Road Central Hong Kong *Bermuda law:* Conyers Dill & Pearman 29/F, One Exchange Square 8 Connaught Place Central Hong Kong
PRINCIPAL BANKERS	Bank of China (Hong Kong) Limited Bank of China Tower No. 1 Garden Road Central Hong Kong Industrial and Commercial Bank of China (Macau) Limited 18/F, ICBC Tower, Macau Landmark, 555 Avenida da Amizade, Macau
PRINCIPAL SHARE REGISTRAR IN BERMUDA	MUFG Fund Services (Bermuda) Limited The Belvedere Building 69 Pitts Bay Road Pembroke HM08 Bermuda
BRANCH SHARE REGISTRAR IN HONG KONG	Computershare Hong Kong Investor Services Limited 17M Floor, Hopewell Centre 183 Queens Road East Wanchai Hong Kong
WEBSITE	www.csfg.com.hk

On behalf of the board (the "Board") of directors (the "Directors"), I hereby present the audited consolidated results (the "consolidated financial statements") of China Shandong Hi-Speed Financial Group Limited (the "Company") and its subsidiaries (collectively the "Group") for the nine months ended 31 December 2018 (the "Reporting Period") to the holders (the "Shareholders") of ordinary shares in the issued share capital of the Company (the "Shares").

The Company has changed its financial year end date from 31 March to 31 December, in order to align with the accounting year settlement date of the Company's business in the People's Republic of China (the "PRC") and to facilitate the preparation of the Group's consolidated financial statements. For the Reporting Period, the Group recorded turnover and net loss of approximately HK$427 million and HK$691 million, respectively (the turnover and the net profit for the year ended 31 March 2018: approximately HK$458 million and HK$671 million respectively). Loss attributable to owners of the Company amounted to approximately HK$705 million, which was mainly due to an increase in the provision for impairment of financial assets and a decrease in fair value gain on financial assets measured at fair value through profit and loss. The fair value change is a non-cash item and will not affect the cash flow of the Group.

The Group offers a wide range of financial services and holds a money lenders license issued by the Companies Registry in Hong Kong, and is engaged in Types 1, 4, 5, 6 and 9 regulated activities (as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) under the licenses granted by the Securities and Futures Commission (the "SFC"). The Group has adhered to its comprehensive business development strategy through both direct investment and strategic mergers and acquisitions to drive the development of its principal businesses, which include financial investment, asset management, financial leasing, asset trading platform operation, money lending, financial technology and related financial services. The Company leveraged its capital business to drive its non-capital business and created an "investment + investment bank" model, pooling resources and engaging in a wide range of sectors through investment and research analysis, asset management, resource integration and corporate finance, in order to enhance its overall capabilities to provide integrated financial services, and continue to develop into a leading financial group with full licenses.

Over the Reporting Period, the Group has actively explored and sought high-quality investment opportunities in the countries along the Belt and Road Initiative and in the Guangdong-Hong Kong-Macau Greater Bay Area. During the Reporting Period, the Group has completed a number of financial investments and other corporate actions to expand its business, with the target of becoming a fast-growing first-class investment and financing platform in the Greater China region.

PROSPECT

In 2019, the global economy is expected to continue to be affected by an increasing number of uncertainties in the market, including international trade tensions, the risk pertaining to Brexit, and the potential tightening of monetary policy by the US Federal Reserve. The global economic growth is expected to slow down, while the pace of China's economic slowdown will be moderate, which is attributable to a series of fiscal and monetary stimulus measures by the PRC government to boost the economy.

In the past 40 years since China's reform and opening-up, the economy has maintained an average annual growth rate of 9.5%. Despite the rapid changes in the global economic outlook in 2018, China's economy was still able to achieve a growth rate of 6.6%, and steadily advances from a high-speed growth phase to a high-quality development phase. In the new era of economy in the PRC, the Group will, from a nationwide perspective, continue its attempts to grasp the new market opportunities, closely follow the PRC's national strategy and the development of economic hotspot regions, actively expand its presence in the market, and open up new regional markets. Meanwhile, the Group will comprehensively develop innovative financial technology upgrades to promote innovation in its business model, and continue to promote the development of asset management and other business segments. The Group will actively utilise its flexible and diversified financial service resources and capabilities, continue to explore the market for resources of held by different parties, enhance its cooperation with existing business partners, promote efficient coordination of financial resources within the Group, and strive to achieve high-quality development.

APPRECIATION

I would like to take this opportunity to express my gratitude to the Directors, the management, and all employees. I must also thank the Shareholders and customers of the Company for their unfailing trust and support. We will all work together to utilise the Group's advantages and experience to pursue and share the fruits of our success.

Li Hang
Chairman and Non-Executive Director

28 March 2019

FINANCIAL RESULTS AND BUSINESS REVIEW

As stated in the announcement of the Company dated 21 June 2018, the Board has resolved to change the financial year end date of the Company from 31 March to 31 December with effect from and including the financial year 2018, to align the financial year end date of the Company with the financial year end date of the operating subsidiaries of the Group in the PRC, thereby streamlining the process of preparation of the consolidated financial statements of the Group. Accordingly, the current financial period covers the period of nine months from 1 April 2018 to 31 December 2018, which may not be fully comparable to the results of previous years covering the period of twelve months.

The Board announces that the Group, for the Reporting Period, has recorded a net loss of approximately HK$691,176,000 (for the year ended 31 March 2018: net profit of approximately HK$670,725,000). The net loss is mainly attributable to the provision for significant impairment of financial assets, and a significant decrease of the fair value gains arising from financial assets at fair value through profit or loss due to fluctuations in the stock market.

As at 31 December 2018, the Group recorded total assets of approximately HK$13,377,465,000 (31 March 2018: HK$14,414,673,000), total liabilities of approximately HK$8,499,219,000 (31 March 2018: HK$8,569,849,000), and therefore net assets of approximately HK$4,878,246,000 (31 March 2018: HK$5,844,824,000).

The Company is an investment holding company with its subsidiaries, engaging in the following operating segments during the Reporting Period:

a) Financial leasing

During the Reporting Period, the financial leasing business recorded a loss of approximately HK$465,244,000 (for the year ended 31 March 2018: profit of approximately HK$257,334,000), which was mainly attributable to the impairment of approximately HK$293,016,000, of which goodwill impairment amounted to approximately HK$146,586,000. After years of rapid development and industry adjustment, the financial leasing industry in the PRC has stabilised in terms of the respective strength of the lenders and the intensity of competition in the market, which laid a solid foundation for the further development and growth of the Group in this sector by strengthening its capital base, expanding its operations and exposure in the market, attracting and selecting high quality borrowers, and improving its credit control. With the macro-policy measures to be promulgated by the Central Economic Work Conference to benefit the leasing industry, coupled with the steady advancement of national policies, including the supply-side reform, inclusive finance and the "Belt and Road Initiatives", there will be great development potential for the financial leasing industry in the future.

b) Investment in securities

During the Reporting Period, the Group's securities portfolio recorded an unrealised losses on financial assets measured at fair value through profit or loss of approximately HK$223,223,000 (for the year ended 31 March 2018: unrealised fair value gains on investments of approximately HK$459,713,000) and a realised fair value losses on financial assets of approximately HK$7,535,000 (for the year ended 31 March 2018: realised fair value gains on investments of approximately HK$101,863,000). The unrealised fair value changes had no impact on the Group's cash flow since they were a non-cash item.

c) Money lending

During the Reporting Period, the money lending segment recorded a turnover of approximately HK$83,064,000 (for the year ended 31 March 2018: HK$50,383,000). The increase in turnover was mainly due to the expansion of the business. The loan portfolio amounted to approximately HK$1,332,366,000 as at 31 December 2018 (31 March 2018: HK$1,358,805,000). The Group will maintain a cautious approach for risk management so as to maintain the soundness of its money lending business.

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

d) Financial technology

The Group currently owns 60% shares in Kun Peng International Limited ("Kun Peng"). Kun Peng controls the operation of Shenzhen Honesta New Finance Holding Company Ltd.*（深圳厚生新金融控股有限公司）("Honesta New Finance") and its subsidiaries by way of structured contracts. Honesta New Finance and its subsidiaries are mainly engaged in financial technology, asset management and new media services. The Group conducts the financial technology business through Honesta New Finance, which would facilitate the Company' development in this field and broaden the range of financial services offered to the Group's customers. In the future, Honesta New Finance will continue to create synergy with the existing businesses of the Group and facilitate the Company's development.

During the Reporting Period, the Group also carried out the businesses of operating an asset trading platform, securities brokerage and commercial factoring.

Asset Trading Platform

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

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

FUTURE PROSPECTS

Following the reform by the State Council on the financial regulatory system in the PRC in 2018, coordination and implementation monetary policies and macro-prudential policies are expected to be improve and a regulatory framework which is more consistent with the modern financial system will be gradually established, which will in turn smoothen and stabilise the dynamics in the financial sector in the PRC. It is expected that in the near future, new operating models will be formed in the financial sector in the PRC. With the strong support of Shandong Hi-Speed Group Co., Ltd*（山東高速集團有限公司）("Shandong Hi-Speed Group") which is an indirect controlling shareholder of the Company and by taking full advantage of the access to market and funding provided by the Shandong Hi-Speed Group, the Group will continue to nurture its various financial segments to achieve diversified development.

Under the current macro-economic circumstance which is generally stable while still affected by lurking uncertainties, the PRC has accelerated its pace of economic structure transition to modern, high-end manufacturing industry. With the further implementation of the "Belt and Road Initiative" and the increasing demands for quality of life among consumers in the PRC and Asia generally, the demand for services of financial institutions including leasing will increase significantly as a result of the development of the real economy.

As an important part of the "Belt and Road Initiative", the Guangdong-Hong Kong-Macau Greater Bay Area, with its strengths in respect of economic scale, industry network and geographical location, has the potential to become a world class economic region, and is one of the regions in the PRC with the highest level of economic growth and vibrancy. In the past two years, the development of the Guangdong-Hong Kong-Macau Greater Bay Area has entered an advanced stage, and the central government and the local governments in Guangdong, Hong Kong and Macau have all implemented various relevant policies to facilitate the bay area's development as a crucial growth strategy.

Originated in Shandong, the Group has accumulated years of experience in the Hong Kong capital market. In the future, it will leverage on the unique strengths of Hong Kong and Macao to expand its scope of cooperation with enterprises in the countries in the "Belt and Road Initiative" regions and the Guangdong-Hong Kong-Macao Greater Bay Area in the financial sectors, and actively explore and seek for high-quality investment opportunities, so as to lay a solid foundation for the Group's development.

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

EVENTS AFTER THE END OF THE REPORTING PERIOD

On 15 January 2019, the Group issued US$550,000,000 5.95% guaranteed bonds due 2020. On 19 February 2019, the Group further issued US$50,000,000 5.95% guaranteed bonds due 2020. The issuances of the bonds are a significant step of the Company in gaining recognition in the international finance market and would provide the Company with an additional source of funding for its business development.

Further details about the abovementioned matters are set out in the announcement of the Company dated 9 January 2019 and the formal notices dated 15 January 2019 and 19 February 2019 respectively.

FUNDRAISING ACTIVITIES

The Group did not conduct any fundraising activity during the Reporting Period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2018, the Group's total assets and borrowings were HK$13,377,465,000 and HK$8,085,956,000, respectively. The borrowings of the Group contained bank borrowings, bonds and other borrowings which were approximately HK$1,139,064,000, HK$4,759,422,000 and HK$1,876,433,000, respectively. Details of bank loans and other borrowings of the Group are disclosed in note 28 to the consolidated financial statements. As at 31 December 2018, the Group had an outstanding convertible bond of approximately HK$311,037,000 with a fixed interest rate of 6% per annum, a public bond in an amount of HK$4,739,322,000 with a fixed interest rate of 3.9% per annum and two unsecured bonds for a term of seven years of approximately HK$20,100,000 with a fixed interest rate of 5% per annum. Although the convertible bond, the public bond and other borrowings were denominated in US dollars, the exchange rate was relatively stable and the unsecured bonds were denominated in Hong Kong dollars, thus the Company was not subject to the risks in relation to exchange rate fluctuations. The gearing ratio (total borrowings divided by total assets) as at 31 December 2018 was approximately 60.44% (31 March 2018: approximately 55.70%).

CURRENCY RISK MANAGEMENT

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

During the Reporting Period, the Group has not used any financial instruments for hedging purposes, nor any currency borrowings or other hedging instruments to hedge foreign currency net investments.

PLEDGE OF ASSETS

As at 31 March 2018, except that CB 1 is secured by the share charge of the entire share capital of Hong Kong Leasing (note 29), none of the other assets of the Group were pledged.

As at 31 December 2018, there is a finance lease receivable with a carrying amount of approximately HK$159,563,000 (equivalent to approximately RMB140,418,000) pledged for a loan for approximately HK$132,122,000 (equivalent to approximately RMB116,270,000). The loan period is from 28 November 2018 to 27 November 2021.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

Save as disclosed in note 35 and 42 to the consolidated financial statements, the Group had no other significant capital commitment and contingent liabilities as at 31 December 2018.

SIGNIFICANT INVESTMENTS

Save as disclosed in note 20(vii)(a) to the consolidated financial statements, the Group did not have other significant investments during the Reporting Period.

As at 31 December 2018 and the date of this report, save as disclosed in the section "Future Prospects" on page 9 of this report, the Group did not have any plans for significant investment or acquisition of capital assets in future.

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

On 16 August 2018, the Board exercised its authority under the repurchase mandate, pursuant to which, the Company repurchased 55,170,000 Shares in total on market, at an aggregate consideration of approximately HK$9,997,000 (before brokerage and expenses).

On 15 August 2018, the Board exercised its authority under the repurchase mandate, pursuant to which, the Company repurchased 44,094,000 Shares in total on market, at an aggregate consideration of approximately HK$7,127,000 (before brokerage and expenses).

Save as disclosed above, no purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries for the Reporting Period.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Group had no material acquisitions or disposals of subsidiaries during the Reporting Period.

EMPLOYEES, REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME

As at 31 December 2018, the Group had a workforce, including the Directors and the directors of the Company's subsidiaries, of 579 employees, of which 531 were based in the PRC. Staff costs incurred and charged to profit or loss for the Reporting Period, including Directors' remuneration, were approximately HK$97,400,000 (for the year ended 31 March 2018: approximately HK$60,646,000). The increase in staff costs was in line with the business expansion of the Group.

The Group selects and promotes staff based on their qualification, experience and suitability for the position offered. The Group's remuneration policy aims to retain and motivate staff. Performance of staff is appraised annually to provide a basis for the review of the remuneration package. The Group participates in a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all its employees in Hong Kong.

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

The Group has adopted a series of human resource management initiatives, including providing training programmes and development opportunities for its staff. The Group has established individual training and development record for each of our employees to improve their professional service standards and to keep them updated with the latest knowledge developments and help them develop sufficient professional capability to provide better services for investors and other stakeholders. The Group has also been implementing the "Internal Sharing Plan" in the Group, encouraging our staff to share their expertise and experience with others. In addition, the Group encouraged all employees to participate in financial knowledge training courses organised by various commercial institutions to enrich and improve their understanding of finance. The Group also provided other benefits to the staff in accordance with the prevailing market practice.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

The Group pays a high level of attention to indicators of energy usage and emission. Although the Group is not involved in any manufacturing activities, it adheres to low-carbon travel without hindering the efficient operations of the Group. Employees shall strictly comply with the specifications of travel allowance claim under the daily expense standards. Based on the principles of efficiency and conservation, the Group encourages our employees to choose low-carbon and efficient means of transportation, such as MTR and other public transport. The Group also encourages employees to travel together and take the same flight to allow pick-up in one go and conserve energy.

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

A comprehensive Environmental, Social and Governance Report will be published on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") no later than three months after the publication of the annual report for the Reporting Period.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

AUDIT COMMITTEE

The audit committee of the Board was established in accordance with the requirements of the Code for the purposes of, among others, reviewing and providing supervision over the Group's financial reporting processes and internal controls. The audit committee comprises four independent non-executive Directors. The Group's consolidated results for the Reporting Period have been reviewed by the audit committee of the Board.

RELATIONSHIPS WITH STAKEHOLDERS

The Group recognises that employees are its valuable assets. The Group's employee management focuses on recruiting and developing talents. Staff performance is measured on a regular and structured basis to provide employees with appropriate feedback and to ensure their alignment with the Group's corporate strategy. The Group also understands that maintaining a good long-term relationship with business partners is one of its primary objectives. Accordingly, the management has used its best endeavours to maintain good communications, promptly exchanged ideas and shared business updates with them when appropriate. During the Reporting Period, there was no material or significant dispute between the Group and its customers, suppliers and business partners.

On 10 August 2018, an amended and restated memorandum of association and bye-laws was adopted by the Company to reflect certain amendments to the Rules Governing The Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the relevant Bermuda laws and to make other house-keeping improvements to the existing bye-laws.

* For identification purpose only

Mr. Li Hang, aged 49, was appointed as a non-executive Director and the chairman of the Board on 18 October 2016 and chairman of the nomination committee of the Company on 19 October 2016. He is a member of the Party Committee and a director of Shandong Hi-Speed Group Co., Ltd., the secretary of the Party Committee and chairman of Shandong Bohai Bay Port Group Co., Ltd.*（山東渤海灣港口集團有限公司）, the chairman of Shandong Hi-Speed Everbright Industrial Fund Management Co., Ltd.*（山東高速光控產業投資基金管理有限公司）and a director of Shandong Hi-Speed Company Limited*（山東高速股份有限公司）, Weihai City Commercial Bank Co., Ltd.*（威海市商業銀行股份有限公司）and Shandong Railway Construction Investment Co., Ltd*（山東鐵路建設投資有限公司）. From 1994 to 2005, Mr. Li served a number of key positions in local and overseas offices of China Qingqi Group Co., Ltd.*（中國輕騎集團有限公司）, and subsequently joined Shandong Hi-Speed Group Co., Ltd. in 2005. Mr. Li has over 20 years of experience in corporate management and finance sectors. Mr. Li holds a Doctorate degree in Management from Tongji University. He is a Certified Public Accountant and Senior Accountant in China, a member of American Institute of Certified Public Accountants (AICPA), a member of Chartered Institute of Management Accountants (CIMA), a Certified Assets Manager and a Certified Risks Manager in China.

Dr. Lam Lee G., aged 59, was appointed as a non-executive Director and the vice chairman of the Board on 10 November 2017. Dr. Lam holds Bachelor Degree in Sciences and Mathematics, Master Degrees in Systems Science and Business Administration from the University of Ottawa in Canada, Post-graduate Diploma in Public Administration from Carleton University in Canada, Post-graduate Diploma in English and Hong Kong Law and Honour Degree in Law from Manchester Metropolitan University in the United Kingdom, Master Degree in Law from the University of Wolverhampton in the United Kingdom, Post-graduate Certificate in Law from The City University of Hong Kong, Certificate in Professional Accountancy from the School of Continuing and Professional Studies of The Chinese University of Hong Kong, Master Degree in Public Administration and Doctoral Degree in Philosophy from The University of Hong Kong. As a former member of the Hong Kong Bar Association, Dr. Lam is a Solicitor of the High Court of Hong Kong, an Honorary Fellow of CPA Australia, a Fellow of CMA Australia, a Fellow of the Hong Kong Institute of Arbitrators, an Accredited Mediator of the Centre for Effective Dispute Resolution (CEDR), a Fellow of the Hong Kong Institute of Directors, and an Honorary Fellow of the University of Hong Kong School of Professional and Continuing Education (HKU SPACE).

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

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

Dr. Lam is an independent non-executive director of each of CSI Properties Limited (Stock Code: 497), Glorious Sun Enterprises Limited (Stock Code: 393), Vongroup Limited (Stock Code: 318), Mei Ah Entertainment Group Limited (Stock Code: 391), Elife Holdings Limited (Stock Code: 223), Haitong Securities Company Limited (Stock Code: 6837 and it is also listed on the Shanghai Stock Exchange with Stock Code: 600837), Huarong Investment Stock Corporation Limited (Stock Code: 2277), Hua Long Jin Kong Company Limited (Stock Code: 1682), Kidsland International Holdings Limited (Stock Code: 2122), Hsin Chong Group Holdings Limited (Stock code: 404), and Mingfa Group (International) Company Limited (Stock Code: 846), and Aurum Pacific (China) Group Limited (Stock Code: 8148), and a non-executive Director of each of Sunwah Kingsway Capital Holdings Limited (Stock Code: 188), China LNG Group Limited (Stock Code: 931), National Arts Entertainment and Culture Group Limited (Stock Code: 8228) and Tianda Pharmaceuticals Limited (Stock Code: 455), the shares of all of which are listed on the Stock Exchange. Dr. Lam is also an independent non-executive director of each of China Real Estate Grp Limited (former name Asia-Pacific Strategic Investments Limited, Stock code: 5RA), Top Global Limited (Stock code: BHO), and China Medical (International) Group Limited (Stock code: 5IB), and non-executive director of Singapore eDevelopment Limited (Stock code: 40V), the shares of all of which are listed on the Singapore Exchange. Dr. Lam is an independent non-executive director of Sunwah International Limited (Stock code: SWH) whose shares are listed on the Toronto Stock Exchange, an independent non-executive director of AustChina Holdings Limited (Stock code: AUH) whose shares are listed on the Australian Securities Exchange, and non-executive director of Adamas Finance Asia Limited (Stock code: ADAM) whose shares are listed on the London Securities Exchange.

Dr. Lam was a non-executive director of DTXS Silk Road Investment Holdings Company Limited (Stock code: 620) and Roma Group Limited (Stock code: 8072), and he was also an independent non-executive director of Imagi International Holdings Limited (Stock code: 585) and Xi'an Haitiantian Holdings Company Limited (Stock code: 8227), the shares of all of which are listed on the Stock Exchange, and an independent non-executive director of Vietnam Equity Holding (Stock code: 3MS) whose shares are listed on the Stuttgart Stock Exchange, and Rowsley Limited (Stock code: A50) whose shares are listed on the Singapore Stock Exchange.

Mr. Ji Kecheng, aged 46, was appointed as an executive Director and chief executive officer of the Company and the chairman of the executive committee of the Board on 10 November 2017. He is currently the chief accountant of Shandong Hi-Speed Group Co., Ltd. and serves as a director of Taishan Property & Casualty Insurance Co., Ltd.*（泰山財產保險股份有限公司）and a supervisor of Bohai Ferry Group Co., Ltd. Mr. Ji has accumulated extensive experience in corporate financial management and capital operation from his long-term work in financial management. Previously, Mr. Ji held a position with the Department of Transport of the Shandong Province. In 2001, he joined Shandong Hi-Speed Group Co., Ltd. and held a number of important management positions including deputy director of finance division of Shandong Hi-Speed Group Co., Ltd., chief accountant of Shandong Hi-Speed Rail Transit Group Co., Ltd.*（山東高速軌道交通集團有限公司） and director of financial planning division of Shandong Hi-Speed Group Co., Ltd. Mr. Ji holds a Master's degree in Business Administration from Shandong University and is a Certified Public Accountant and Senior Accountant in China, management accounting consultant of the People's Government of Shandong Province and asset assessment specialist of enterprises administered by the People's Government of Shandong Province.

BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Wang Zhenjiang, aged 42, was appointed as an executive Director and the vice president of the Company on 18 October 2016 and a member of each of the remuneration committee and the executive committee of the Board on 19 October 2016. He is the administrative director and deputy director of the investment development division of Shandong Hi-Speed Group Co., Ltd. Mr. Wang has extensive experience in accounting, banking and investment and served in a number of management positions in Weihai City Commercial Bank Co., Ltd. Mr. Wang holds a Master's degree in Business Administration from Shandong University of Finance and Economics (formerly known as "Shandong University of Finance") and is a Certified Public Accountant in China.

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

Mr. Li Zhen Yu, aged 47, was appointed as an executive Director and a member of the executive committee of the Board on 25 October 2017. He is also a director of certain subsidiaries of the Group. Mr. Li has been general manager of Beijing Jingyu Investment Company Limited*（北京京宇投資有限公司）since March 2015. From March 2011 to April 2015, he served as executive director and chief executive officer of Gemini Investments (Holdings) Limited, a company listed on the Main Board of the Stock Exchange (stock code: 174), as well as general manager of Sino Prosperity Real Estate Fund L.P., a fund jointly established by Gemini Investments (Holdings) Limited and KKR. Since May 2007, he had been secretary of the board, joint company secretary, general manager of the secretary administration department, general manager of the investment department, general manager of the corporate finance division and deputy general manager of the real estate financial affairs division of Sino-Ocean Group Holding Limited (formerly known as "Sino-Ocean Land Holdings Limited"), a company listed on the Main Board of the Stock Exchange (stock code: 3377), being responsible for board affairs, property investment, finance as well as real estate financial affairs. From 1994 to 2007, he served as division chief or department head of the finance department, the president office, the planning department and the strategic development division of China Ocean Shipping Company*（中國遠洋運輸有限公司，formerly known as"中國遠洋運輸（集團）總公司"）, engaged in the financial affairs, secretary administration, strategic planning, structural reform, capital operation and other business. Mr. Li obtained a Bachelor's degree in Accounting from the Central University of Finance and Economics in June 1994 and obtained Finance EMBA degree from the PBC School of Finance, Tsinghua University in 2015.

Mr. Qiu Jianyang, aged 56, was appointed as a non-executive Director of the Company on 11 September 2015. Mr. Qiu has extensive experience in finance management and investment. Mr. Qiu is currently the president of the capital investment department of Century Golden Resources Investment Group Co., Limited*（世紀金源投資集團有限公司）, responsible for investment feasibility analysis, reviewing on business plans and producing investments scheme. Mr. Qiu served as a director of CSC Financial Co., Ltd. Prior to these, Mr. Qiu served as vice president of CITIC Information Technology Investment Co., Ltd*（中信信息科技投資有限公司）and financial manager of the First Branch of China Unicom Limited*（中國聯合網絡通信有限公司第一分公司）. Mr. Qiu is a Certified Public Accountant in China, he served various senior financial management positions in serval large scaled enterprises and has rich investment experience in global financial markets. Mr. Qiu has a wealth of theoretical knowledge and has co-published a treatise entitled "Corporate Financial Accounting Practice"（《公司財務會計實務》）. Mr. Qiu graduated from Hunan University (formerly known as "Hunan College of Finance and Economics") in 1985 with a major in Financial Accounting.

Mr. Lo Man Tuen, G.B.S., JP, aged 70, was appointed as a non-executive Director of the Company on 10 November 2017. Mr. Lo is currently the chairman of Wing Li Group (International) Limited. Mr. Lo also hosts a number of posts such as the chairman of Wing Li Packaging Limited, the chairman of Glory Sign International Limited and an independent non-executive director of Hanergy Thin Film Power Group Limited (stock code: 566), a company listed on the Main Board of the Stock Exchange. In respect of public offices, Mr. Lo is the vice-chairman of All-China Federation of Returned Overseas Chinese and a member of the 9th to 12th National Committee of the Chinese People's Political Consultative Conference. In addition, Mr. Lo is the vice chairman of Sub-committee of 12th Foreign Affairs of CPPCC National Committee and the vice chairman of 11th All-China Federation of Industry and Commerce. In 2013, Mr. Lo was also appointed as the executive director of Hong Kong Association for Promotion of Peaceful Reunification of China. In 2015, Mr. Lo was appointed as the president of China Peaceful Development General Summit of Hong Kong Macao Taiwan Diaspora. Mr. Lo was also nominated as the honorary life chairman of Chinese General Chamber of Commerce of Hong Kong in 2016. In recognition of his years-long contribution to the society, Mr. Lo was awarded the Gold Bauhinia Star, Silver Bauhinia Star, Bronze Bauhinia Star, Medal of Honour and appointed a Justice of the Peace.

Mr. To Shing Chuen, aged 68, was appointed as an independent non-executive Director of the Company on 31 January 2002 and is a member of each of the audit committee, the remuneration committee and the nomination committee of the Company. Mr. To is currently an independent non-executive director of China Touyun Tech Group Limited (formerly known as "China Opto Holdings Limited", stock code: 1332), a company listed on the Main Board of the Stock Exchange. He holds a Bachelor's degree of Arts and has over 20 years of experience in trading, garment and leather industries.

BIOGRAPHY OF THE DIRECTORS AND SENIOR MANAGEMENT

Mr. Cheung Wing Ping, aged 52, was appointed as an independent non-executive Director and a member of the audit committee, nomination committee and remuneration committee of the Board on 17 April 2015, and was appointed as the chairman of remuneration committee of the Company on 26 June 2015 and the chairman of the audit committee of the Company on 10 November 2017. Mr. Cheung is currently an independent non-executive director of Freeman FinTech Corporation Limited (stock code: 279), Enerchina Holdings Limited (stock code: 622) and China Touyun Tech Group Limited (stock code: 1332), all of which are listed companies on the Main Board of the Stock Exchange. Mr. Cheung was formerly an executive director of Eagle Ride Investment Holdings Limited (stock code: 901) from June 2011 to November 2013; and an executive director and an independent non-executive director of Mason Group Holdings Limited (stock code: 273) from July 2013 to September 2016 and October 2009 to June 2013, respectively, all of which are listed companies on the Main Board of the Stock Exchange. He has over 20 years of experience in auditing and accounting fields. He holds a Bachelor's degree in Accountancy with honors from City University of Hong Kong and is a fellow of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants.

Mr. Wang Huixuan, aged 52, was appointed as an independent non-executive Director of the Company and a member of each of the audit committee, remuneration committee and nomination committee of the Board on 10 November 2017. He is currently an executive director and the co-president of Tsinghua Unigroup Co., Ltd., a director of Unisplendour Co., Ltd. (stock code: 938), a company listed on the Main Board of Shenzhen Stock Exchange, and a director of Unigroup Guoxin Microelectronics Co., Ltd. (stock code: 2049), a company listed on the Small and Medium Enterprise Board of Shenzhen Stock Exchange, and a director and the chairman of the board of 500.com Ltd. (stock code: WBAI), a company listed on the New York Stock Exchange. Mr. Wang earlier served as the chairman of the board of directors and an executive director of Unisplendour Technology (Holdings) Limited (stock code: 365), a company listed on the Main Board of the Stock Exchange. Mr. Wang has extensive experience in management, finance and investment from his long-term work in the macro-economic management and finance field. He has published two books on economics and a number of articles in core journals, and has won provincial level and ministry level awards for technological advancement. From 1987 to 2006, Mr. Wang was engaged in macro-economic and social management in local governments, holding a number of posts including secretary to the CPC Urumqi Municipal Committee Office, head of the technology division, member of the CPC Urumqi Municipal Committee, secretary of the CPC Dongshan District Committee of Urumqi and head of the Administration Committee of Midong New District of Urumqi. From 2006 to 2009, Mr. Wang was the head officer of Xinjiang Branch of China Life Insurance Company Limited, Guangdong Branch and Shandong Branch of PICC Life Insurance Company Limited. From 2009 to 2015, Mr. Wang served as the executive director, vice president and a member of the investment committee of PICC Life Insurance Company Limited. From 2015 to 2016, Mr. Wang served as the chairman, CEO and the chairman of the investment committee of PICC Capital Investment Management Company Limited. He holds a Doctorate degree in Business Administration and is a Senior Economist in China.

Mr. Guan Huanfei, aged 61, was appointed as an independent non-executive Director of the Company and a member of the audit committee of the Board on 10 November 2017. Mr. Guan is also currently an independent non-executive director of each of China Nonferrous Mining Corporation Limited (stock code: 1258), Huarong International Financial Holdings Limited (stock code: 993), Sunwah Kingsway Capital Holdings Limited (stock code: 188) and HongDa Financial Holding Limited (stock code: 1822) all are companies listed on the Main Board of the Stock Exchange. During the period from December 2017 to June 2018, Mr. Guan served as a non-executive director of Ping An Securities Group (Holdings) Limited (stock code: 231), a company listed on the Main Board of the Stock Exchange. Mr. Guan had been the chairman emeritus of Culturecom Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code:343) and the chairman of the board of directors of UCAN.COM Group Limited, a subsidiary of Culturecom Holdings Limited from July 2013 to March 2016. Mr. Guan has been an executive director of CCT Land Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 261) since May 2015 and had resigned in September 2017. Mr. Guan was an independent non-executive director of Silver Base Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 886) during the period from March 2008 to January 2011, and he was an executive director and the president of the said company from January 2011 to December 2012. Mr. Guan has extensive experience in finance and insurance industry in Hong Kong and mainland China. He held various senior managerial positions in the People's Insurance Company of China (Jilin Branch), the business department of Hong Kong and Macao Regional Office of China Insurance Group, China Taiping Insurance (HK) Company Limited (formerly known as "Ming An Insurance Company (Hong Kong) Limited") and China Pacific Insurance Co., (H.K.) Limited. He also held offices at the Bank of Communications, including the deputy chairman of the risk asset management committee, the deputy chairman of credit asset management committee, the chairman of loan verification committee, the deputy general manager of the Bank of Communications Hong Kong Branch, a director of Bank of Communications Trustee Limited, the chairman and chief executive of China BOCOM Insurance Company Limited and an executive director and general manager of BoCommLife Insurance Company Limited. He obtained a Doctor degree in Economics in 2000 from Wuhan University and was a postdoctoral researcher in Theoretical Economics with Fudan University from 2000 to 2002. Mr. Guan has been a part-time researcher of the Insurance Research Centre of Fudan University since 2004. He has been appointed as a part-time lecturer of professional degree of Fudan University since 2013. Mr. Guan is an economic and technical consultant of People's Government of Jilin Province.

SENIOR MANAGEMENT

Mr. Liu Yujie

Executive President

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

Mr. Liu Zhijie

Chief Financial Officer

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

Mr. Jiang Yu Guo

Vice President

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

Mr. Liu Yao

Vice Executive President

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

REPORT OF THE DIRECTORS

The Directors present their report together with the audited financial statements of the Group for the Reporting Period.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its subsidiaries are financial leasing, money lending, asset management, operation of an asset trading platform, financial investments, financial technology and related financial services. Details of the particulars of principal subsidiaries are set out in note 44 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The results of the Group for the Reporting Period and the state of affairs of the Company and of the Group at that date are set out in the consolidated financial statements on pages 69 to 76.

The Directors do not recommend the payment of any dividend for the Reporting Period (31 March 2018: Nil).

There are no arrangements under which a Shareholder has waived or agreed to waive any dividends.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out on page 246. This summary does not form part of the audited financial statements.

BUSINESS REVIEW

The business review of the Group for the Reporting Period is set out in the section headed "Management Discussion and Analysis" on pages 7 to 14 of this annual report. This discussion forms part of this report of the Directors.

PROPERTY, PLANT AND EQUIPMENT

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

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 31 to the consolidated financial statements.

EQUITY-LINKED AGREEMENTS

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

(a) Convertible Bonds

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

The closing price of the Shares on the Stock Exchange on 23 January 2018, being the date on which conversion prices were fixed, was HK$0.345 per Share.

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

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

The conditions to be met before the Shares may be issued under CB5 are as follows:

(A) Optional conversion

A holder of CB 5 shall have the right to at any time convert the CB 5 held by it into Shares credited as fully paid subject to certain procedural requirements set out in the convertible bond instrument.

(B) Mandatory conversion

If at any time the average closing price of the Shares for any five (5) consecutive trading days is equal to or greater than HK$0.38, the Tranche A Bonds shall immediately become convertible into the Shares.

Any notice for such mandatory conversion shall be applied ratably to all holders of the Tranche A Bonds based on the initial principal amount of such Tranche A Bonds held by each bondholder, provided that any amount of the Tranche A Bonds which have been converted by any holder of such Tranche A Bonds prior to the date of such notice shall be deducted from such bondholder's pro rata allocation, thereby decreasing the aggregate amount of the Tranche A Bonds which shall be mandatorily converted thereunder.

Further details of convertible bonds issued by the Company during the Reporting Period or subsisting at the end of the Reporting Period are set out in note 29 to the consolidated financial statements.

(b) Share Options

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

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

		Number of share options								
Category/ Name of participant	Date of grant	Outstanding as at 01.04.2018	Granted during the reporting period	Exercised during the reporting period	Lapsed during the reporting period	Cancelled during the reporting period	Outstanding as at 31.12.2018	Vesting period	Validity period of share options	Exercise price of share option (HK$) per share
Director										
Mr. Yau Wai Lung	05.12.2014	169,400,000	–	–	–	–	169,400,000	–	05.12.2014 to 04.12.2024	0.42
Total		169,400,000	–	–	–	–	169,400,000			

Further details of the Share Option Scheme are set out in note 32 to the consolidated financial statements.

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

PROFIT GUARANTEE

Profit guarantee in respect of the acquisition of 100% issued share capital in China Shandong Hi-Speed Hong Kong Leasing Limited

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

Relevant year	Guaranteed Amount
1 September 2015 to 31 August 2016 ("1st Year")	HK$100,000,000
1 September 2016 to 31 August 2017 ("2nd Year")	HK$200,000,000

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

The profit guarantee was met and there was no adjustment for the 1st Year. For the 2nd Year, the audited net profits after tax as shown in audited consolidated accounts for the period from 1 September 2016 to 31 August 2017 of Hong Kong Leasing was less than HK$200,000,000, the Vendors were obligated to sell 1,213,939,394 consideration Shares, as calculated using the formula as stipulated in the S&P Agreement, to the Company at nil consideration.

In light of the above, the Company had issued letters to the Vendors and their guarantors to demand, among others, for execution of the procedure for repurchase of the subject shares. The Company had issued a stop notice pursuant to the Rules of High Court to stop the transfer of the subject Shares and payment of dividend. Nevertheless, neither the Vendors nor the guarantors have fulfilled their obligations under the S&P Agreement. Therefore, the Company has commenced legal proceedings against the Vendors and their guarantors. Further details of the aforesaid legal proceedings are set out in note 43 to the consolidated financial statements.

Profit guarantee in respect of the acquisition of 60% issued share capital of Kun Peng International Limited

On 26 March 2018, the Company completed the acquisition of 60% of the issued share capital in Kun Peng International Limited ("Kun Peng") and in accordance with the terms of the relevant share purchase agreement dated 29 December 2017 (the "Honesta SPA"), Honesta Investment Limited and Mr. Hua Meng jointly and severally agreed that the minimum distributable operating net profit of Shenzhen Cashlai Financial Information Services Co. Ltd.* (深圳錢來網金融信息服務有限公司) ("Cashlai") and Shenzhen Qianhai Honesta Asset Management Company Ltd.* (深圳前海厚生資產管理有限公司) ("Honesta Asset Management") for the years ended/ending 31 December 2018, 2019 and 2020 shall not be less than the amount (the "Minimum Net Profit") set opposite to the relevant year in the table below:

Relevant year	Minimum Net Profit
1 January 2018 to 31 December 2018	RMB32,270,000
1 January 2019 to 31 December 2019	RMB58,170,000
1 January 2020 to 31 December 2020	RMB95,700,000
Total	**RMB186,140,000**

Further details are set out in the Company's announcements dated 29 December 2017 (the "Honesta Announcement") and 26 March 2018.

Based on the unaudited financial statements of Cashlai, Honesta Asset Management and their subsidiaries for the year ended 31 December 2018, the Directors considered that unaudited Minimum Net Profit for the year ended 31 December 2018 would be less than RMB32,270,000. As disclosed in the Honesta Announcement, in the event that Kun Peng fails to achieve the aggregate amount of the Minimum Net Profit during the three financial years ending 31 December 2020, the Company will buy back a portion of the consideration shares at nil consideration upon the financial statements of Kun Peng for the financial year ending 31 December 2020 are available. The number of consideration shares to be bought back shall be calculated in accordance with the formula as stipulated in the Honesta SPA.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings of the Group as at 31 December 2018 are set out in note 28 to the consolidated financial statements.

ISSUE OF DEBENTURES

On 15 January 2019, Coastal Emerald Limited, an indirect wholly-owned subsidiary of the Company, issued 5.95% bonds due 2020 (the "Original Bonds") in an aggregate principal amount of US$550,000,000 to professional investors to raise funds for refinancing and general corporate purposes. The Original Bonds are guaranteed by the Company.

On 19 February 2019, Coastal Emerald Limited further issued 5.95% guaranteed bonds in the principal amount of US$50,000,000 to professional investors. Such bonds were consolidated and formed a single series with the Original Bonds.

After deducting the issuance costs, the Group received net proceeds of approximately US$548,625,000 and approximately US$49,807,000 from the issuance of the series of the Original Bonds.

PRE-EMPTIVE RIGHTS

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

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

During the Reporting Period, the Company repurchased a total of 99,264,000 Shares on the Stock Exchange. Shares repurchased were subsequently cancelled on 13 September 2018. Details of those transactions are as follows:–

Date	Number of Shares purchased	Price per Share Highest *HK$*	 Lowest *HK$*	Total consideration paid *HK$'000*
15 August 2018	44,094,000 Shares	0.19	0.148	7,127 (before brokerage and expenses)
16 August 2018	55,170,000 Shares	0.21	0.16	9,997 (before brokerage and expenses)

The purchase of the Shares during the Reporting Period was effected by the Directors, pursuant to the unconditional and general mandate granted by the Shareholders at the 2018 annual general meeting of the Company with a view to benefiting Shareholders as a whole by enhancing the net asset value per Share and earnings per Share.

Save as disclosed above, neither the Company nor any or its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Reporting Period.

DISTRIBUTABLE RESERVES

Under the Bermuda Companies Act 1981, the Company's contributed surplus of approximately HK$1,524,577,000 may be distributed under certain circumstances. Other than the contributed surplus, the Company does not have any reserves available for distribution in accordance with the Bermuda Companies Act 1981 as at 31 December 2018. In addition, the Company's share premium account of approximately HK$4,784,098,000 as at 31 December 2018 may be distributed in the form of fully paid bonus Shares. Details of the share premium account and reserves are set out in note 45 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, sales to the Group's largest customer and five largest customers accounted for 7.9% and 25.7% of the Group's revenue, respectively. The Group had insignificant amount of purchases. In the opinion of the Board, it is therefore of no value to disclose details of the Group's suppliers. At no time during the Reporting Period had the Directors, their associates or any Shareholder (which to the knowledge of the Directors owns more than 5% of the number of issued Shares) had any interest in these major customers and suppliers.

DIRECTORS

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

Non-executive Director and Chairman

Mr. Li Hang

Non-executive Director and Vice Chairman

Dr. Lam Lee G.

Executive Directors

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

Non-executive Directors

Mr. Qiu Jianyang
Mr. Lo Man Tuen

Independent Non-executive Directors

Mr. To Shing Chuen
Mr. Cheung Wing Ping
Mr. Wang Huixuan
Mr. Guan Huanfei

In accordance with bye-law 99(B) of the Bye-laws of the Company four Directors, namely Mr. Wang Zhenjiang, Mr. Yau Wai Lung, Mr. Li Hang and Mr. Cheung Wing Ping, shall retire from office by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The full biographical details including the changes in information of the Directors pursuant to Rule 13.51B(1) of the Listing Rules and the senior management of the Company have been set out on pages 15 to 23 of this annual report subsequent to specific enquiry by the Company and following confirmation from the Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION

The Company has received from each of the independent non-executive Directors a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and as at the date of this report still considers that all of them to be independent.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

Details of the Directors' remuneration are set out in note 10 to the consolidated financial statements.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the section headed "Related Parties Transactions" in note 36 to the consolidated financial statements, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, any of its holding companies, fellow subsidiaries or subsidiaries was a party, and in which a Director or his/her associate has a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

COMPETING INTERESTS

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

MANAGEMENT CONTRACTS

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

CONNECTED TRANSACTIONS

Save as disclosed under the section headed "Related Parties Transactions" in note 36 to the consolidated financial statements, neither the Company nor any of its subsidiaries has entered into any contract of significance with a controlling Shareholder or any of its subsidiaries, nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of its subsidiaries.

CONTRACTUAL ARRANGEMENTS

On 26 March 2018, the acquisition and subscription of a total of 60% issued shares in Kun Peng was completed. Kun Peng, through Honesta Consultancy Management (Shenzhen) Company Limited*（厚生諮詢管理（深圳）有限公司）("Honesta Consultancy Management") (its indirect wholly-owned subsidiary), controls the operation of Shenzhen Honesta New Finance Holding Company Ltd.*（深圳厚生新金融控股有限公司）("Honesta New Finance"), a company incorporated in the PRC, its subsidiaries and invested entities by way of entering into a number of contracts i.e., the exclusive business cooperation agreement, the exclusive option agreements, the equity pledge agreements, the director's power of attorney, the shareholder's power of attorney, the spouse consent letter and other ancillary documents relating to the contractual arrangements thereunder (collectively the "Structured Contracts") and the registered shareholders (as disclosed below) (the "VIE structure").

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

(i) VIE Structure

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

Honesta New Finance is owned by Mr. Hua Meng*（華猛）, Mr. Guo Yong*（郭勇）, Mr. Cheng Xiaoxin*（程小新）and Shenzhen Honesta Letou Number 8 Investment Management Limited Partnership*（深圳厚生樂投八號投資管理企業（有限合夥））as to 30%, 30%, 19% and 21% respectively.

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

(ii) Reasons for using the VIE Structure

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

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

The Board considers the Structured Entities as significant to the Group as they held the relevant licenses to conduct the Restricted Business.

The Structured Entities recorded revenue and net loss of approximately HK$114 million and HK$13 million for the Reporting Period.

As at 31 December 2018, the Structured Entities recorded total assets of approximately HK$949 million, total liabilities of approximately HK$64 million, and therefore net assets of approximately HK$885 million.

(iv) Risks and mitigation relating to the VIE Structure

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

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

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

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

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

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

Certain provision in the Structured Contracts which may not be enforceable

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

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

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

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

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

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

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

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

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

Mitigation

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

(v) Material changes

During the Reporting Period, there was no material change in the Structured Contracts and/or the circumstances under which they were adopted.

(vi) Unwinding or termination of the Structured Contracts

Up to 31 December 2018, none of the Structured Contracts has been unwound or terminated.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Company's Bye-laws, every Director, auditor, secretary or other officer of the Company and every agent or employee of the Company shall be entitled to be indemnified by the Company out of the assets of the Company against all costs, charges, losses, expenses and liabilities which he may sustain or incur in or about the execution and discharge of his duties or in relation thereto. Such permitted indemnity provision is currently in force and was in force throughout the reporting period.

The Company has arranged for appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

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

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

Long positions in Shares and underlying Shares

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

Notes:

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

2. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 24,452,450,002 Shares as at 31 December 2018.

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the share options granted to Mr. Yau Wai Lung under the Share Option Scheme as disclosed above and in note 32 to the consolidated financial statements, at no time during the reporting period were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any other Directors or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

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

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

Interests or short positions in Shares

Substantial Shareholders	Capacity	Interests in underlying Shares/ equity derivatives	Total number of Shares interested	Percentage of total number of issued Shares *(Note 8)*
Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司) *(Note 1)*	Corporate interest	–	10,459,648,350	42.78%
Li Shao Yu *(Notes 2, 3 & 4)*	Corporate interest	–	4,468,689,650	18.28%
Hao Tian Development Group Limited *(Note 3)*	Corporate interest	–	4,424,559,650	18.09%
Haitong Securities Co., Ltd. *(Note 5)*	Corporate interest	–	1,951,441,372 750,000(S)	7.98%
Huang Shiying *(Note 6)*	Corporate interest Beneficial interest	– –	1,320,000,000 500,000,000	7.44%
Huang Tao *(Note 7)*	Corporate interest Corporate interest	– –	1,320,000,000 401,810,000	7.04%

Notes:

1. Shandong Hi-Speed Group Co., Ltd. was deemed to be interested in the 10,459,648,350 Shares pursuant to the SFO, by virtue of its interests in (i) 5,000,000,000 Shares held by Shandong International (Hong Kong) Limited; and (ii) 5,459,648,350 Shares held by Shandong Hi-Speed (Hong Kong) International Capital Limited, each of which was an indirect wholly-owned subsidiary of Shandong Hi-Speed Group Co., Ltd.

2. Ms. Li Shao Yu was deemed to be interested in the 4,468,689,650 Shares pursuant to the SFO by virtue of her interest in Hao Tian Development Group Limited (stock code 474) ("Hao Tian Development") and TRXY Development (HK) Limited.

3. Ms. Li Shao Yu was also deemed to be interested in the 44,130,000 Shares held by TRXY Development (HK) Limited pursuant to the SFO by virtue of TRX Development (HK) Limited being owned as to 90% and 9% respectively, by Hao Tian Integrated Group Development Limited and Hao Tian Group Holdings Limited, both of which are wholly owned by Ms. Li Shao Yu.

4. Hao Tian Development was deemed to be interested in 4,424,559,650 Shares pursuant to the SFO, by virtue of its interests in (i) 3,434,559,650 Shares held by Hao Tian Management (Hong Kong) Limited; and (ii) 990,000,00 Shares held by Hao Tian International Construction Investment Group Limited (stock code 1341).

5. Haitong Securities Co., Ltd. was deemed to be interested in the 1,951,441,372 Shares pursuant to the SFO, among which, (i) 817,142,856 underlying Shares were issuable under certain convertible bonds issued by the Company and held by Haitong International Asset Management (HK) Limited; and (ii) 750,000 Shares were held by Haitong International Financial Solutions Limited, each of which was an indirect wholly owned subsidiary of Haitong International Securities Group Limited (stock code 665), which was indirectly owned as to 63.08% by Haitong Securities Co., Ltd.

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

7. Mr. Huang Tao was deemed to be interested in 401,810,000 Shares held by Alpha Wealth Global Limited pursuant to the SFO by virtue of his controlling interest in Alpha Wealth Global Limited.

8. The percentage of shareholding was calculated on the basis of the Company's issued share capital of 24,452,450,002 Shares as at 31 December 2018.

9. (S) means short position.

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITORS

HLB Hodgson Impey Cheng Limited will retire and a resolution for their re-appointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Ji Kecheng
Executive Director and Chief Executive Officer

Hong Kong
28 March 2019

* For identification purpose only

CORPORATE GOVERNANCE PRACTICES

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

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

The overall management of the business of the Company is vested in the Board, which assumes the responsibility for leadership and control of the Company and major decision making such as composition and remuneration of the Board and senior management, approval of notifiable and connecting transactions, selection of auditors, and strategic decisions in relation to the Group's business. The Board is collectively responsible for promoting the success of the Company by directing and supervising its affairs. All Directors should make decisions objectively in the interests of the Company and the Shareholders as a whole. The functions of the Board are carried out either directly or through the Board committees. The Board has delegated the power to oversee and make decisions on the daily operational matters of the Group to the management of the Company under the supervision of the Board and/or the Executive Committee.

Board Composition

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

Non-executive Director and Chairman

Mr. Li Hang

Non-executive Director and Vice Chairman

Dr. Lam Lee G.

Executive Directors

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

Non-executive Directors

Mr. Qiu Jianyang
Mr. Lo Man Tuen

Independent Non-executive Directors

Mr. To Shing Chuen
Mr. Cheung Wing Ping
Mr. Wang Huixuan
Mr. Guan Huanfei

Pursuant to Code Provision A.4.2 and Bye-law 99(B) of the Bye-laws, each of Mr. Wang Zhenjiang, Mr. Yau Wai Lung, Mr. Li Hang and Mr. Cheung Wing Ping will retire from office by rotation and be eligible for re-election as Directors at the forthcoming annual general meeting of the Company.

Biographical details of all Directors are set out on pages 15 to 21 of this report. The roles and functions are published on the respective websites of the Stock Exchange and the Company. The members of the Board are experienced individuals having a mix of core competencies in areas of accounting and finance, business management, law, industry knowledge and marketing strategies. The mix of professional skills and experience of the independent non-executive Directors (the "INEDs") is an important element in the proper functioning of the Board. Their participation in Board and committee meetings brings independent judgment and helps to ensure that adequate checks and balances are provided and that the interests of all Shareholders are taken into account. To ensure the Board is in a position to exercise its power in an informed manner, all members of the Board have full and timely access to all relevant information and may take independent professional advice at the Company's expense if necessary.

Board Diversity Policy

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

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

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

Board Practice

During the Reporting Period, there were a total of 6 Board meetings and 2 general meetings held. The attendance of each of the Directors is as follows:

	Attendance	
Name of Directors	**Board meetings**	**General meetings**
Executive Directors		
Mr. Ji Kecheng	6/6	2/2
Mr. Wang Zhenjiang	6/6	2/2
Mr. Yau Wai Lung	6/6	2/2
Mr. Li Zhen Yu	6/6	2/2
Non-executive Directors		
Mr. Li Hang	6/6	2/2
Dr. Lam Lee G.	4/6	2/2
Mr. Qiu Jianyang	6/6	2/2
Mr. Lo Man Tuen	5/6	2/2
Independent Non-executive Directors		
Mr. To Shing Chuen	6/6	2/2
Mr. Cheung Wing Ping	6/6	2/2
Mr. Wang Huixuan	5/6	2/2
Mr. Guan Huanfei	5/6	2/2

The Board meets either in person or through other electronic means of communication to monitor the execution of plans, review the Group's business performance and review financial reporting as well as all other material matters.

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

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

A Directors' and officers' liability insurance for the benefit of the Directors and other officers (including senior management) of the Company was in force during the Reporting Period and up to the date of this report.

Appointment and Re-election of Directors

During the Reporting Period, all of the non-executive Directors, including the INEDs, are appointed for a specific term, and pursuant to bye-law 99(B) of the Bye-laws, not less than one-third of all Directors (both executive and non-executive Directors) shall retire from office by rotation at each annual general meeting of the Company, thus the Company has complied with Code Provision A.4.1.

BOARD'S ACCESS TO INFORMATION

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

DIRECTOR'S CONTINUOUS PROFESSIONAL DEVELOPMENT

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

Name of Directors	Types of trainings
Executive Directors	
Mr. Ji Kecheng	I, II
Mr. Wang Zhenjiang	I, II
Mr. Yau Wai Lung	I, II
Mr. Li Zhen Yu	I, II
Non-executive Directors	
Mr. Li Hang	I, II
Dr. Lam Lee G.	I, II
Mr. Qiu Jianyang	I, II
Mr. Lo Man Tuen	I, II
Independent Non-executive Directors	
Mr. To Shing Chuen	I, II
Mr. Cheung Wing Ping	I, II
Mr. Wang Huixuan	I, II
Mr. Guan Huanfei	I, II

I: Attending training courses and/or seminars conferences.

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

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

During the Reporting Period, the Chairman has held one meeting with the non-executive Directors (including the INEDs) without the executive Directors present.

REMUNERATION COMMITTEE

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

During the Reporting Period, individual attendance of each Remuneration Committee member was as follows:

Name of Remuneration Committee member	Attendance
Mr. Cheung Wing Ping *(INEDs) (chairman)*	1/1
Mr. Wang Zhenjiang *(ED)*	1/1
Mr. Yau Wai Lung *(ED)*	1/1
Mr. To Shing Chuen *(INEDs)*	1/1
Mr. Wang Huixuan *(INEDs)*	0/1

Remuneration of Directors and Senior Management

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

	Number of Individuals
Nil – HK$1,000,000	8
HK$1,000,001 – HK$1,500,000	4
HK$1,500,001 – HK$5,000,000	4

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

NOMINATION COMMITTEE

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

During the Reporting Period, individual attendance of each Nomination Committee member was as follows:

Name of Nomination Committee member	Attendance
Mr. Li Hang *(NED) (chairman)*	1/1
Mr. Yau Wai Lung *(ED)*	1/1
Mr. To Shing Chuen *(INEDs)*	1/1
Mr. Cheung Wing Ping *(INEDs)*	1/1
Mr. Wang Huixuan *(INEDs)*	0/1

AUDIT COMMITTEE

The Company has established the Audit Committee since 2001.

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

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

During the Reporting Period, individual attendance of each Audit Committee member was as follows:

Name of Audit Committee member	Attendance
Mr. Cheung Wing Ping *(INEDs) (Chairman)*	2/2
Mr. To Shing Chuen *(INEDs)*	2/2
Mr. Wang Huixuan *(INEDs)*	1/2
Mr. Guan Huanfei *(INEDs)*	2/2

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

EXECUTIVE COMMITTEE

The Company has established the Executive Committee since 11 February 2015. Pursuant to the terms of reference adopted by the Executive Committee on 11 February 2015, the Executive Committee shall have all the powers and authorities of the Board, except certain matters which require Board's approval. The principal function of the Executive Committee is to evaluate and assess the feasibility of new projects and potential transactions. During the Reporting Period and up to the date of this report, the Executive Committee comprised all executive Directors as detailed in the below table.

During the Reporting Period, individual attendance of each Executive Committee member was as follows:

Name of Executive Committee member	Attendance
Mr. Ji Kecheng *(ED) (Chairman)*	14/14
Mr. Yau Wai Lung *(ED)*	12/14
Mr. Wang Zhenjiang *(ED)*	11/14
Mr. Li Zhen Yu *(ED)*	12/14

AUDITOR'S REMUNERATION

During the Reporting Period, fees payable to the Company's external auditor for non-audit service amounted to approximately HK$250,000 for interim review.

The audit fee for the Reporting Period was HK$3,000,000.

ACCOUNTABILITY FOR THE FINANCIAL STATEMENTS

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Company has undertaken the overall responsibility for the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and established and maintained appropriate and effective Systems. Management is responsible for the design, implementation and monitoring of the Systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, financial reporting, human resources, legal affairs management, and compliance with the Listing Rules.

The Company advocates a sound risk culture, adheres to the management philosophy of risk diversification, continuously establishes and improves a comprehensive risk management system, explores and optimizes risk management models and methods, and improves the professional level of risk management to ensure the long-term and stable development of the Company.

1. Risk management structure

The Company has made full effort to establish a four-level risk management system consisting of the board of directors, management, risk control support department, business department and subsidiaries.

1) The Board

The Board is the highest decision-making body in our risk management structure, ultimately responsible for the overall risk management of the Company.

Under the authority of the Board of the Company, the Company established an Executive Committee and an Audit Committee. Among them,

The Executive Committee is primarily responsible for the Company's overall risk appetite and specifies the strategic structure and resources that are used to support the Company's risk management.

The Audit Committee is mainly responsible for supervising the Company's internal control procedures, checking the effectiveness of the Company's risk management on a regular basis, and proposing risk management recommendations.

2) Management

The Management of the Company bears the main responsibility for the Company's comprehensive risk management, and reviews and approves major issues involving risk management.

The main responsibilities include:

- Review and make decision for the risk management policy system and norms of the Company;
- Review and make decision for the setting and adjustment of risk control indicators for various investment businesses of the Company;
- Review and make decision for the regular risk management report of the Company;
- Review and make decision for the internal audit report of the Company;
- Review and make decision for the management of major risk issues in the business activities of the Company;
- Other duties assigned by the company;

3) Risk control support departments

The risk control support department mainly includes the departments that perform risk management duties such as the Company's Risk Control Department and Legal Affairs Department. Among them,

The Risk Control Department is primarily responsible for the Company's market risk, credit risk, liquidity risk and the risk management of subsidiaries, as well as promoting the implementation of risk-related resolutions of the Company's management.

The Legal Affairs Department is primarily responsible for organizing, identifying, evaluating, and preventing corporate legal risks and avoiding legal risks against the Company.

The Company's other risk control support departments perform corresponding risk management functions within the scope of responsibilities of each department.

4) Business departments and subsidiaries

The Company's business departments and subsidiaries are the frontline defenders against the Company's risk management, and must bear the frontline responsibility for risk management. The Company's business units and subsidiaries establish corresponding internal management systems based on business development status and planning to monitor, evaluate and report on specific business risks. At the same time, when each business is launched, it is necessary to ensure that all business risks are controlled within the scope of authorization.

2. Risk management system

Based on its own business characteristics and operation and management standards, the Company promotes the establishment of a sound risk management system, including risk management methods, and formulates specific risk management measures based on different risk types such as market risk, credit risk, liquidity risk and subsidiary risk, providing clear guidelines and guiding principles for daily risk management. The main specific systems established in 2018 include the Administrative Measures for Overdue Business Risks of the Company (Trial)(《公司逾期業務風險管理辦法(試行)》), Guidelines for Risk Management of Non-standardized Credit Risk Business of the Company (Trial)(《公司非標準化信用風險業務風險管理指引(試行)》), Administrative Measures for Risk Impairment Provision of the Financial Assets of the Company (Trial)(《公司金融資產風險減值準備管理辦法(試行)》), Notice on Strengthening the Risk Management of Subsidiaries(《關於加強子公司風控管理的通知》) and Guidelines for the Management of the Investment Business Archives of the Company(《公司投資業務檔案管理指引》).

3. Risk management function

Based on the overall strategy of the Company, with the goal of establishing a sound risk management system of the Company, the main risk management functions of the Company's Risk Control Department are as follows:

- Identify, measure, monitor, and report on the market risk of the Company
- Identify, measure, monitor, and report on the liquidity risk of the Company
- Identify, measure, monitor, and report on the credit risk of the Company
- Identify, measure, monitor, and report on the subsidiaries' risks
- Conduct comprehensive internal audit on the Company's business departments and subsidiaries

4. Measures against various risks

1) *Market risks*

Market risks refer to those that may cause loss to the Company due to unfavorable changes of market prices, which includes but not limited to equity prices, commodity prices, interest rates, and exchange rates. The businesses of the Company that involve market risks mainly include standardized fixed income investment, stock investment and other proprietary investment businesses.

The Company promotes the establishment of a sound market risk management mechanism and conducts business activities involving market risks on the premise that risks are measurable, controllable and bearable. The Company regularly monitors and reports on market risk, conducts special analysis on risk matters to provide basic information and basis for the decision-making of the Management concerning risks.

2) *Credit risks*

Credit risks refer to those that may cause a loss to the Company due to failures to perform their obligations stipulated in relevant contracts by securities issuers, counterparties and debtors. The credit risks currently faced by the Company are mainly concentrated on the credit risks generated from non-standard businesses.

Prior to the launch of the non-standard business, the Company has established the Guidelines for Risk Management of Non-standardized Credit Risk Businesses of the Company (Trial) (《公司非標準化信用風險業務風險管理指引（試行）》) to clarify the bottom line of business access, risk control requirements, and provide principle guidance for business operation and project review to prevent credit risks.

Specifically, credit risk prevention mainly includes the following aspects: first, develop the negative list of investment business; second, clarify the due diligence procedures and steps and standardize the content of the due diligence report; third, clarify the analysis of the source of repayment and the relevant requirements; fourth, clarify the collateral assessment and the requirements on maximum pledge rate; fifth, clarify the guarantee requirements; sixth, clarify the specific risk control mitigation measures.

After the non-standard business is launched, the Company mainly carries out post-investment management and risk disposal of credit risk by establishing the Administrative Measures for Overdue Business Risks of the Company (Trial)(《公司逾期業務風險管理辦法（試行）》). Specifically, it mainly includes the following aspects: first, clarify the post-investment management process, and regularly improve the post-investment monthly risk report; second, clarify the post-investment early warning mechanism, requiring Business Department, Risk Control Department and Legal Affairs Department to negotiate, confirm and take relevant measures at the earliest time; third, clarify the internal management operation procedures and steps of the Company when there is overdue business.

3） *Liquidity risks*

Liquidity risks refer to those the Company may face when it is not able to obtain sufficient funds in time at reasonable costs to repay debts that are due, fulfill other payment obligations and satisfy the funding requirements for ordinary business operation.

The Company promotes the establishment of a sound liquidity risk management mechanism and regularly evaluates the report. Specific indicators mainly include liquidity coverage ratios.

4） *Subsidiaries' risks*

Subsidiaries are the first units responsible for risk prevention and management during the operation of business. It is mainly responsible for establishing a matching internal management system for subsidiaries and proactively controlling related business risks. At the same time, the Company implements a vertical risk management system for each subsidiary, which requires each of the subsidiaries to report the basic accounting information and risk matters in a timely manner to the Company.

5) *Internal audit*

According to the requirements of the internal control system, the Company conducts internal audits on its subsidiaries on a regular basis and completes relevant internal audit reports. The specific scope mainly includes conducting independent and objective inspection, supervision, evaluation and suggestions on the rationality of the subsidiaries' business, the security and profitability of assets, the soundness and effectiveness of the internal control.

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

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

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

The Company is committed to continuously enhancing existing systems and programs, fostering a risk management culture within the Company and raising awareness of risk management among all employees of the Company.

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

COMPANY SECRETARY

Ms. Chan Lai Ping was appointed as the company secretary of the Company on 21 March 2018 and resigned as the company secretary of the Company with effect from 31 January 2019. In accordance with Rule 3.29 of the Listing Rule, Ms. Chan confirmed that she has taken no less than 15 hours of the relevant professional training during the Reporting Period.

On 26 March 2019, the announcement of appointment of Mr. Tam Chong Cheong Aaron ("Mr. Tam") with effect from 27 March 2019 was made. Mr. Tam holds a Bachelor of Science degree from the University of Hong Kong, a Postgraduate Certificate in Laws from the University of Hong Kong and a Bachelor of Law degree from Peking University of China. He was admitted as solicitor of High Court in 1997, is a member of the Law Society of Hong Kong and holds a current practising certificate. Mr. Tam has previously served as in-house legal counsel of several issuers listed on exchanges of Hong Kong and/or the United States, in which about 5 years also acted as company secretary of issuers listed in Hong Kong. Mr. Tam confirmed that he has taken no less than 15 hours of the relevant professional training during the reporting period.

SHAREHOLDERS' RIGHTS

Shareholders' Enquiries

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

Shareholder's Meetings

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

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

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

Pursuant to the bye-law 57 of the Bye-laws, the Directors may, whenever they think fit, convene a special general meeting. A special general meeting shall also be convened on the written requisition of any 2 or more members holding at the date of the deposit of the requisition in aggregate not less than one-tenth of such of the paid up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company. Such requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the office. If the Directors do not within 21 days from the date of the deposit of such requisition proceed duly to convene a special general meeting, the requisitionists themselves or any of them representing more than one half of the total voting rights of all of them may convene the special general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors, and all reasonable expenses incurred by the requisitionists as a result of the failure of the Directors to convene such a meeting shall be reimbursed to them by the Company.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

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

INVESTOR RELATIONS

Constitutional Documents

The Company has adopted a new Bye-laws at the annual general meeting of the Company held on 10 August 2018. A latest consolidated version of the Memorandum of Association and Bye-laws can be downloaded from the respective websites of the Company and the Stock Exchange.

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

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

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CHINA SHANDONG HI-SPEED FINANCIAL GROUP LIMITED
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of China Shandong Hi-Speed Financial Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 69 to 245, which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine months period from 1 April 2018 to 31 December 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the nine months period from 1 April 2018 to 31 December 2018 in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of finance lease receivables, loans receivables and trade and other receivables	
Refer to notes 22, 23 and 24 to the consolidated financial statements. As at 31 December 2018, the carrying amounts of finance lease receivables, loans receivables and trade and other receivables were approximately HK$2,819,308,000, HK$1,332,366,000 and HK$991,083,000 respectively. Accumulated impairment loss of approximately HK$149,837,000, HK$55,990,000 and HK$76,861,000 was provided for finance lease receivables, loans receivables and trade and other receivables respectively. During the nine months ended 31 December 2018, impairment loss of approximately HK$144,890,000, HK$1,932,000 and HK$64,783,000 was provided for finance lease receivables, loans receivables and trade and other receivables respectively. Management applied judgment in assessing the expected credit losses. Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. Expected credit losses are also estimated by grouping the remaining receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer and its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the receivables. The expected credit loss rates are determined based on historical credit losses experienced and are adjusted to reflect current and forward-looking information affecting the ability of the customers to settle the receivables.	Our procedures in relation to management's impairment assessment of finance lease receivables, loans receivables, and trade and other receivables included, but were not limited to: • Understanding and validating the credit control procedures performed by management, including its procedures on periodic review of aged receivables and assessment on expected credit losses allowance of receivables; • Testing on a sample basis, the accuracy of ageing profile of receivables by checking to the underlying agreements; • Testing on a sample basis, the subsequent settlement of receivables against bank receipts; and • Obtaining management's assessment on the expected credit losses allowance of receivables. Checking management's assessment based on the historical settlement pattern, correspondence with the customers, evidence from external sources including the relevant public search results relating to the financial circumstances of the relevant customers and market research regarding the relevant forward-looking information used in management's assessment. We considered management's conclusion to be consistent with the available information.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of the carrying amount of goodwill and intangible assets	
Refer to note 16 to the consolidated financial statements. The Group has intangible assets including license, computer software and goodwill with carrying amounts of approximately HK$418,197,000, HK$28,828,000 and HK$822,580,000 as at 31 December 2018 respectively, which are allocated to the cash-generating unit ("CGU") represented by financial leasing segment, financial technology segment and unallocated segment. In determining the recoverable amounts of goodwill and intangible assets, the Group engaged an independent professional valuer to perform such valuation. The valuation is determined based on the cash flow projection/value-in-use model for the CGU discounted to their present values and it requires the use of key assumptions, including the discount rate, terminal growth rate, budgeted revenue and gross margin, taking into account the financial budgets approved by the directors of the Company based on the management's experience from the financial leasing segment and financial technology segment, and also management's expectations for the market development. During the nine months ended 31 December 2018, impairment loss of approximately HK$146,586,000 had been recognised on goodwill for Hong Kong Leasing Group CGU. No impairment on other goodwill and intangible assets was recognised to profit or loss.	Our procedures in relation to the management's impairment assessment of the carrying amount of goodwill and intangible assets included, but were not limited to: • Understanding the Group's impairment assessment process, including the impairment model, basis of allocation of goodwill and intangible assets to CGUs, the preparation of the cash flow projections ("Cashflow Forecasts") and key assumptions adopted in these Cashflow Forecasts through enquiries with the independent valuer and management's review process of the work of the independent valuer with respect to the valuation of goodwill and intangible assets; • Evaluating the independent valuer's competence, capabilities and their experiences in conducting valuation of similar goodwill and intangible assets;

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of the carrying amount of goodwill and intangible assets (continued)	
We identified the impairment assessment of goodwill and intangible assets as a key audit matter due to its complexity and the inherent subjectivity arising from the significant management judgment.	• Checking the respective independent valuation reports and discussing the valuation of the carrying amount of goodwill and intangible assets with the management, and together with our own external valuation specialists, where necessary: • evaluating the appropriateness of the valuation models, the preparation of the Cashflow Forecasts and assumptions based on the industry knowledge; • evaluating the appropriateness of the key inputs in the Cashflow Forecasts by independently checking to the relevant external market data and/or relevant historical financial information including budgeted revenue and gross margin, and terminal growth rate by considering the approved financial budgets and the available industry and market data; • comparing the historical cash flows forecast against the performance of CGUs to test the reasonableness of projections; and • checking the mathematical accuracy of valuation calculations. We found the key assumptions were supported by the available information.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of Level 3 financial instruments	
Refer to note 38 to the consolidated financial statements. The financial assets measured at fair value through other comprehensive income and financial assets measured at fair value through profit or loss classified as level 3 under the fair value hierarchy ("Level 3 Financial Instruments"), amounted to approximately HK$1,719,189,000 and HK$601,316,000 as at 31 December 2018. For the nine months ended 31 December 2018, the net fair value gains on financial assets measured at fair value through other comprehensive income is approximately HK$129,189,000 and the net fair value losses on financial assets measured at fair value through profit or loss is approximately HK$190,724,000. In determining the fair values of Level 3 Financial Instruments, the Group engages independent professional valuers to perform valuation of the aforesaid Level 3 Financial Instruments.	Our procedures in relation to valuation of Level 3 Financial Instruments included, but were not limited to: • Obtaining understanding of the valuation models and the processes through enquiries with the independent valuers and management's review process of the work of the independent valuers with respect to the valuation of Level 3 Financial Instruments; • Evaluating the independent valuers' competence, capabilities and their experiences in conducting valuation of similar financial instruments;

KEY AUDIT MATTERS (continued)

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

We identified the valuation of the aforesaid Level 3 Financial Instruments as a key audit matter due to the degree of complexity involved in valuing the financial assets, the significance of the judgment and estimates made by the management in determining the inputs used in the valuation models and the subjectivity in determination of Level 3 fair value given the lack of availability of market-based data.	• Checking the respective independent valuation reports and discussing the valuation of the Level 3 Financial Instruments with the management, and together with our own external valuation specialists, where necessary:
	  • evaluating the appropriateness of the valuation models and assumptions based on the industry knowledge;
	  • evaluating the appropriateness of the key inputs by independently checking to the relevant external market data and/or relevant historical financial information;
	  • checking the mathematical accuracy of valuation calculations; and
	• Making inquiry for the background of the contracted parties and obtaining direct external confirmations from the contracted parties to understand the relevant investments and identifying any conditions that were relevant to the valuation of Level 3 Financial Instruments.
	
	We found the fair values to be consistent with the key assumptions and available information.

OTHER INFORMATION

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

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

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

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

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion. We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Yu Chi Fat
Practicing Certificate Number: P05467

Hong Kong, 28 March 2019

CONSOLIDATED INCOME STATEMENT

For the nine months ended 31 December 2018

	Note	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
REVENUE	6	**427,196**	458,440
COST OF SERVICES		**(127,257)**	(63,738)
Gross profit		**299,939**	394,702
Other income	7	**8,728**	35,912
Other gains and losses, net	7	**(358,479)**	(1,467)
Fair value losses on financial assets measured at fair value through profit or loss, net	9	**(230,758)**	–
Fair value gains on investments at fair value through profit or loss, net	9	**–**	561,576
Employee benefit expenses	9	**(97,400)**	(60,646)
Depreciation	15	**(3,577)**	(10,238)
Minimum lease payments under operating leases		**(16,738)**	(17,108)
Administrative expenses		**(157,822)**	(54,717)
Finance costs	8	**(192,264)**	(121,012)
Share of results of associates	17	**47**	(750)
(LOSS)/PROFIT BEFORE TAX	9	**(748,324)**	726,252
Income tax credit/(expense)	12	**57,148**	(55,527)
(LOSS)/PROFIT FOR THE PERIOD/YEAR		**(691,176)**	670,725
(Loss)/Profit for the period/year attributable to:			
Owners of the Company		**(705,280)**	671,330
Non-controlling interests		**14,104**	(605)
		(691,176)	670,725
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	14	**HK(2.88) cents**	HK3.12 cents

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 31 December 2018

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
(Loss)/Profit for the period/year	**(691,176)**	670,725
Other comprehensive (loss)/income		
Item that will not be classified to profit or loss:		
Fair value changes on investments in equity instruments measured at fair value through other comprehensive income	**129,189**	–
Items that may be reclassified subsequently to profit or loss:		
Fair value change on investment in debt instrument measured at fair value through other comprehensive income	**(2,544)**	–
Fair value changes on available-for-sale investments	**–**	55,024
Exchange difference arising on translation of foreign operations	**(390,583)**	191,659
Total other comprehensive (loss)/income for the period/year	**(263,938)**	246,683
Total comprehensive (loss)/income for the period/year	**(955,114)**	917,408
Total comprehensive (loss)/income for the period/year attributable to:		
Owners of the Company	**(969,218)**	918,013
Non-controlling interests	**14,104**	(605)
	(955,114)	917,408

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	15	**10,011**	12,322
Intangible assets	16	**1,269,605**	1,463,715
Interests in associates	17	**51,703**	47,894
Financial assets measured at fair value through other comprehensive income	18	**1,719,189**	–
Available-for-sale investments	19	**–**	1,936,000
Financial assets measured at fair value through profit or loss	20	**1,789,930**	–
Investments at fair value through profit or loss	21	**–**	1,340,761
Finance lease receivables	22	**1,736,275**	1,950,858
Loans receivables	23	**488,653**	629,883
Total non-current assets		**7,065,366**	7,381,433
CURRENT ASSETS			
Financial assets measured at fair value through other comprehensive income	18	**580,248**	–
Financial assets measured at fair value through profit or loss	20	**2,130,402**	–
Investments at fair value through profit or loss	21	**–**	2,526,583
Finance lease receivables	22	**1,083,033**	1,016,581
Loans receivables	23	**843,713**	728,922
Trade and other receivables	24	**991,083**	1,193,226
Restricted cash	25	**2,222**	12,795
Cash and cash equivalents	26	**681,398**	1,555,133
Total current assets		**6,312,099**	7,033,240
CURRENT LIABILITIES			
Other payables and accruals	27	**203,008**	252,269
Borrowings	28	**5,393,192**	5,267,746
Convertible bonds	29	**311,037**	463,480
Tax payables		**46,166**	69,798
Total current liabilities		**5,953,403**	6,053,293

	Note	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
NET CURRENT ASSETS		**358,696**	979,947
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,424,062**	8,361,380
NON-CURRENT LIABILITIES			
Borrowings	28	**2,381,727**	2,005,744
Convertible bonds	29	**–**	291,885
Other payables and accruals	27	**37,499**	32,408
Deferred tax liabilities	30	**126,590**	186,519
Total non-current liabilities		**2,545,816**	2,516,556
Net assets		**4,878,246**	5,844,824
CAPITAL AND RESERVES			
Issued capital	31	**6,113**	6,138
Reserves		**4,788,913**	5,769,570
Equity attributable to owners of the Company		**4,795,026**	5,775,708
Non-controlling interests		**83,220**	69,116
Total equity		**4,878,246**	5,844,824

The consolidated financial statements were approved and authorised for issued by the board of directors on 28 March 2019 and are signed on its behalf by:

Yau Wai Lung
Director

Ji Kecheng
Director

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

	Attributable to owners of the Company														
	Issued capital HK$'000	Share premium account HK$'000 (Note i)	Share options reserve HK$'000 (Note ii)	Capital redemption reserve HK$'000 (Note iii)	Contributed surplus HK$'000 (Note iv)	Available-for-sale investments revaluation reserve HK$'000 (Note v)	Fair value through other comprehensive income reserve HK$'000 (Note vi)	Convertible bonds reserve HK$'000 (Note vii)	Statutory reserve HK$'000 (Note viii)	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2017	4,797	3,154,542	40,150	1,177	1,524,577	120	-	59,384	20,899	(64,749)	(1,554,228)	3,186,669	-	3,186,669
Profit/(loss) for the year	-	-	-	-	-	-	-	-	-	-	671,330	671,330	(605)	670,725
Other comprehensive income/(loss) for the year:														
Fair value changes on available-for-sale investments	-	-	-	-	-	55,024	-	-	-	-	-	55,024	-	55,024
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	191,659	-	191,659	-	191,659
Other comprehensive income for the year	-	-	-	-	-	55,024	-	-	-	191,659	-	246,683	-	246,683
Total comprehensive income/(loss) for the year	-	-	-	-	-	55,024	-	-	-	191,659	671,330	918,013	(605)	917,408
Acquisition of an available-for-sale investment measured at fair value (note 31 (ii)(a))	1,250	1,528,750	-	-	-	-	-	-	-	-	-	1,530,000	-	1,530,000
Acquisition of subsidiaries (note 31 (ii)(b))	91	117,905	-	-	-	-	-	-	-	-	-	117,996	69,721	187,717
Extinguishment of convertible bonds	-	-	-	-	-	-	-	4,121	-	-	22,680	26,801	-	26,801
Deferred tax arising on issue of convertible bonds (note 30)	-	-	-	-	-	-	-	(3,771)	-	-	-	(3,771)	-	(3,771)
Appropriation of reserve	-	-	-	-	-	-	-	-	17,096	-	(17,096)	-	-	-
At 31 March 2018	6,138	4,801,197	40,150	1,177	1,524,577	55,144	-	59,734	37,995	126,910	(877,314)	5,775,708	69,116	5,844,824

	Attributable to owners of the Company														
	Issued capital HK$'000	**Share premium account HK$'000 (Note i)**	**Share options reserve HK$'000 (Note ii)**	**Capital redemption reserve HK$'000 (Note iii)**	**Contributed surplus HK$'000 (Note iv)**	**Available-for-sale investments revaluation reserve HK$'000 (Note v)**	**Fair value through other comprehensive income reserve HK$'000 (Note vi)**	**Convertible bonds reserve HK$'000 (Note vii)**	**Statutory reserve HK$'000 (Note viii)**	**Translation reserve HK$'000**	**Accumulated losses HK$'000**	**Total HK$'000**	**Non-controlling interests HK$'000**	**Total equity HK$'000**
At 1 April 2018	6,138	4,801,197	40,150	1,177	1,524,577	55,144	-	59,734	37,995	126,910	(877,314)	5,775,708	69,116	5,844,824
Adjustment (note 2)	-	-	-	-	-	(55,144)	54,424	-	-	-	6,380	5,660	-	5,660
At 1 April 2018 (Restated)	6,138	4,801,197	40,150	1,177	1,524,577	-	54,424	59,734	37,995	126,910	(870,934)	5,781,368	69,116	5,850,484
(Loss)/Profit for the period	-	-	-	-	-	-	-	-	-	-	(705,280)	(705,280)	14,104	(691,176)
Other comprehensive income/(loss) for the period:														
Fair value change on investment in equity instrument measured at fair value through other comprehensive income	-	-	-	-	-	-	129,189	-	-	-	-	129,189	-	129,189
Fair value changes on investments in debt instruments measure at fair value through other comprehensive income	-	-	-	-	-	-	(2,544)	-	-	-	-	(2,544)	-	(2,544)
Exchange difference arising on transaction of foreign operations	-	-	-	-	-	-	-	-	-	(390,583)	-	(390,583)	-	(390,583)
Other comprehensive income/(loss) for the period	-	-	-	-	-	-	126,645	-	-	(390,583)	-	(263,938)	-	(263,938)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	126,645	-	-	(390,583)	(705,280)	(969,218)	14,104	(955,114)
Redemption of convertible bonds	-	-	-	-	-	-	-	(40,650)	-	-	40,650	-	-	-
Repurchase of ordinary shares	(25)	(17,099)	-	-	-	-	-	-	-	-	-	(17,124)	-	(17,124)
At 31 December 2018	6,113	4,784,098	40,150	1,177	1,524,577	-	181,069	19,084	37,995	(263,673)	(1,535,564)	4,795,026	83,220	4,878,246

Notes:

(i) Share premium account

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

Notes: (continued)

(ii) Share options reserve

Share options reserve relates to share options granted to employees under new share option scheme. Further information about share-based payments to employees is set out in note 32 below.

(iii) Capital redemption reserve

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

(iv) Contributed surplus

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

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

(v) Available-for-sale investments revaluation reserve

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

(vi) Fair value through other comprehensive income reserve

As at 31 December 2018, the fair value through other comprehensive income reserve included net fair value gains of approximately HK$183,613,000 (1 April 2018: 54,424,000) will not be classified to profit or loss and net fair value losses of approximately HK$2,544,000 (1 April 2018: Nil) may be reclassified subsequently to profit or loss.

(vii) Convertible bonds reserve

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

(viii) Statutory reserve

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

	Note	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before tax		**(748,324)**	726,252
Adjustments for:			
Realised gains on investments at fair value through profit or loss, net		**–**	(116,700)
Unrealised gains on investments at fair value through profit or loss, net	9	**–**	(459,713)
Realised losses on financial assets measured at fair value through profit or loss	9	**7,535**	–
Unrealised losses on financial assets measured at fair value through profit or loss, net	9	**223,223**	–
Amortisation	16	**3,304**	66
Depreciation	15	**3,577**	10,238
Loss on redemption of convertible bonds	7	**–**	16,254
Interest expenses		**277,171**	160,816
Loss on disposal of property, plant and equipment	7	**–**	272
Gain on disposal of a subsidiary	7	**–**	(14,713)
Gains on disposal of interest in subsidiaries resulting in loss of control	7	**–**	(346)
Impairment loss on trade and other receivables	7	**64,783**	–
Impairment loss on goodwill	7	**146,586**	–
Impairment loss on finance lease receivables	7	**144,890**	–
Impairment loss on loans receivables	7	**1,932**	–
Impairment loss on advances to associates	7	**288**	–
Interest income from investments at fair value through profit or loss	6	**–**	(2,811)
Bank interest income	7	**(7,312)**	(4,992)
Share of results of associates	17	**(47)**	750
Operating cash flows before movements in working capital		**117,606**	315,373
Increase in loans receivables		**(13,126)**	(1,290,990)
Increase in investments at fair value through profit or loss held for trading, net		**–**	(951,162)
Decrease in financial assets at fair value through profit or loss		**89,164**	–
Increase in finance lease receivables		**(277,110)**	(2,263,076)
Decrease/(Increase) in trade and other receivables		**86,954**	(672,831)
(Decrease)/Increase in other payables and accruals		**(43,148)**	36,340
Cash used in operations		**(39,660)**	(4,826,346)
Tax paid		**(20,483)**	(1,029)
Net cash used in operating activities		**(60,143)**	(4,827,375)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the nine months ended 31 December 2018

	Note	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	15	**(1,672)**	(7,420)
Purchase of intangible assets	16	**(1,117)**	–
Purchases of investments at fair value through profit or loss		**–**	(779,159)
Purchase of financial assets measured at fair value through other comprehensive income		**(582,792)**	–
Proceeds from disposal of investments at fair value through profit or loss		**–**	70,000
Net cash outflow resulting from purchase of an available-for-sale investment		**–**	(5,576)
Net cash inflow resulting from disposal of a subsidiary	33(a)	**–**	100,361
Net cash inflow resulting from disposal of interest in subsidiaries resulting in loss of control	33(b)	**–**	19,925
Net cash inflow resulting from acquisitions of subsidiaries	33(c)	**693**	41,027
Addition of an associate		**(4,942)**	–
Advances to associates		**–**	(32,002)
Release of restricted cash		**10,573**	45,628
Bank interest income received		**7,312**	4,366
Net cash used in investing activities		**(571,945)**	(542,850)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issue of bonds		**–**	4,628,808
Interest paid		**(194,510)**	(104,154)
Redemption of convertible bonds	29	**(465,776)**	–
New borrowings raised		**1,028,393**	4,661,133
Repayment of borrowings		**(577,213)**	(2,551,907)
Share repurchased	31	**(17,124)**	–
Net cash (used in)/generated from financing activities		**(226,230)**	6,633,880
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(858,318)**	1,263,655
Cash and cash equivalents at the beginning of the period/year		**1,555,133**	220,544
Effect of foreign exchange rate changes		**(15,417)**	70,934
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD/YEAR	26	**681,398**	1,555,133

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

1. CORPORATE INFORMATION

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

During the current financial period, the financial year end date of the Company was changed from 31 March to 31 December because the Company would like to align it with the financial year end date of the operating subsidiaries of the Group, which were incorporated in the PRC and whose accounts are statutorily required to be prepared with a financial year end date of 31 December so as to facilitate the preparation of the consolidated financial statements of the Group. Accordingly, the consolidated financial statements for the current period cover the nine-month period ended 31 December 2018. The corresponding comparative amounts shown for the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover the year ended 31 March 2018 and therefore may not be comparable with amounts shown for the current period.

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

The Company acts as an investment holding company and its subsidiaries principally engaged in various kinds of financial services, including financial leasing, operation of an asset trading platform, investments in securities, money lending, investment holding, online investment and technology-enabled lending services, online new media services and assets management.

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

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

In the current period, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards ("HKFRSs") and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are relevant to its operations and effective for annual periods beginning on or after 1 April 2018. A summary of the new and amendments to HKFRSs are set out as below:

Amendments to HKFRS	Annual Improvements to HKFRSs 2014-2016 Cycle except HKFRS 12 (Amendments)
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Apply HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarification to HKFRS 15 Revenue from Contracts with Customers
HKAS 40 (Amendments)	Transfers of Investment Property
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

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

HKFRS 9 Financial Instruments

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

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

HKFRS 9 Financial Instruments (continued)

(i) Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVTOCI") and at fair value through profit or loss ("FVTPL"). These superseded HKAS 39's categories of held-to maturity investments, loans and receivables, available-for-sale ("AFS") financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial assets is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

Debt instruments

- Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

- FVTOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income. Expected credit losses on those assets are recognised in profit or loss. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

- FVTPL, if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

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

HKFRS 9 Financial Instruments (continued)

(i) Classification of financial assets and financial liabilities (continued)

Equity instruments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and not contingent consideration recognised by an acquirer to which HKFRS 3 applies and on initial recognition of the investment or on initial application of HKFRS 9, the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in note 2 (a).

The measurement categories for all financial liabilities remain the same.

The carrying amounts for all financial liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

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

HKFRS 9 Financial Instruments (continued)

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with an "expected credit loss" ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, restricted cash, finance lease receivables, loans receivables, trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The expected cash shortfalls are discounted using the effective interest rate determined at initial recognition or an approximation thereof for fixed rate financial assets and trade and other receivables where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12 month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are losses that are expected to result from all possible default events over the expected of the items to which the ECL model applies.

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

HKFRS 9 Financial Instruments (continued)

(ii) Credit losses (continued)

Measurement of ECLs (continued)

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments, the Group recognised a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Management applied a three-stage impairment model to assess the credit quality of the loan receivables. The loan receivables are categorised into the following stages by the Group:

Stage 1
Loan receivables have not experienced a significant increase in credit risk since origination and impairment recognised on the basis of 12 months ECL (12-month ECLs).

Stage 2
Loan receivables to customers have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime ECL (Lifetime ECLs non-credit-impaired).

Stage 3
Loan receivables that are in default and considered credit impaired (Lifetime ECLs credit impaired).

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

HKFRS 9 Financial Instruments (continued)

(ii) Credit losses (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers that both quantitative and qualitative information is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- Failure to make payments of principal or interest on their contractual due dates;
- An actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- An actual or expected significant deterioration in the operating results of the debtor; and
- Existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for financial asset at fair value through profit or loss.

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

HKFRS 9 Financial Instruments (continued)

(ii) Credit losses (continued)

Basis of calculation of interest income

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired included the following observable events:

- Significant financial difficulties of the debtor;
- A breach of contract, such as a default or delinquency interest or principal payments;
- It becomes probable that the borrower will enter into bankruptcy or other financial reorganisation;
- Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- The disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

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

HKFRS 9 Financial Instruments (continued)

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated.
- The assessments have been made on the basis of the facts and circumstances that existed as at 1 April 2018 (the date of initial application of HKFRS 9) for the determination of the business model within which a financial asset is held.
- If, at the date of initial application of HKFRS 9, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(a) Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Note	Available-for-sale investments HK$'000	Finance lease receivables HK$'000	Investments at fair value through profit or loss HK$'000	Loans receivables HK$'000	Financial assets measured at FVTOCI HK$'000	Financial assets measured at FVTPL HK$'000	Trade and other receivables HK$'000
Closing balances at 31 March 2018		1,936,000	2,967,439	3,867,344	1,358,805	–	–	1,193,226
Effect arising from initial application of HKFRS 9:								
Reclassification:								
From available-for-sale investments	(i)	(1,936,000)	–	–	–	1,590,000	346,000	–
From investments at fair value through profit or loss	(ii)	–	–	(3,867,344)	–	–	3,867,344	–
Re-measurement:								
Impairment under ECL	(iii)	–	(13,342)	–	(9,236)	–	–	(12,617)
Fair value change	(i)	–	–	–	–	–	40,855	–
Opening balances at 1 April 2018		–	2,954,097	–	1,349,569	1,590,000	4,254,199	1,180,609

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

HKFRS 9 Financial Instruments (continued)

(a) Summary of effects arising from initial application of HKFRS 9 (continued)

(i) Available-for-sale investments

From AFS club membership debenture to financial assets measured at FVTPL

The club membership debenture with fair value of approximately HK$5,200,000 was reclassified from AFS investments to financial assets measured at FVTPL. As a result, the financial asset was reclassified from AFS investments with original carrying amount of approximately HK$5,200,000 to financial assets measured at FVTPL and no remeasurement is required on 1 April 2018 as the AFS investments were measured at fair value as at 31 March 2018. Cumulative fair value gain of approximately HK$720,000 was reclassified from AFS investments revaluation reserve to accumulated losses upon reclassification on 1 April 2018.

From AFS unlisted equity investments to financial assets measured at FVTPL

The unlisted equity investment was reclassified from AFS investments to financial assets measured at FVTPL. As a result, the financial asset was reclassified from AFS unlisted equity investment with original carrying amount of approximately HK$340,800,000 measured at cost less impairment under HKAS 39 to financial assets measured at FVTPL and was remeasured at fair value of approximately HK$381,655,000. Fair value gain of approximately HK$40,855,000 was recognised in accumulated losses upon remeasurement on 1 April 2018.

From AFS unlisted equity investment to financial assets measured FVTOCI

The Group elected to present in other comprehensive income the subsequent change in fair value changes of certain unlisted equity investment previously classified as AFS investment. This investment is not held for trading and not expected to be sold in the foreseeable future. As a result, the financial asset was reclassified from AFS investment with original carrying amount of approximately HK$1,590,000,000 to financial assets measured at FVTOCI and no remeasurement is required on 1 April 2018 as the AFS investment was measured at fair value as at 31 March 2018. Cumulative fair value gain of approximately HK$54,424,000 was reclassified from the AFS revaluation reserve to the FVTOCI reserve upon reclassification on 1 April 2018.

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

HKFRS 9 Financial Instruments (continued)

(a) Summary of effects arising from initial application of HKFRS 9 (continued)

(ii) Investments at FVTPL

From investments at FVTPL to financial assets measured at FVTPL

Listed equity investments, held-for-trading listed equity investments and held-for-trading investment funds with fair value of approximately HK$1,340,761,000, HK$721,869,000 and HK$1,804,714,000 respectively. These investments are required to be classified as financial assets measured at FVTPL under HKFRS 9. There was no impact on the amounts recognised in relation to these assets from the application of HKFRS 9.

(iii) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. To measure the ECL, trade and other receivables, restricted cash and cash and cash equivalents have been grouped based on shared credit risk characteristics and their aging. The Group collectively used a provision matrix with appropriate aging groupings to assess level of provision rate.

Loss allowances for other financial assets at amortised cost mainly comprise finance lease receivables and loans receivables which are measured on lifetime ECL basis as those credit risk had increased significantly since initial recognition.

As at 1 April 2018, the additional credit loss allowance of approximately HK$35,195,000 has been recognised against accumulated losses for the Group. The additional loss allowance is charged against the respective assets.

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

HKFRS 9 Financial Instruments (continued)

(a) Summary of effects arising from initial application of HKFRS 9 (continued)

(iii) Impairment under ECL model (continued)

All loss allowances for financial assets including finance lease receivables, loans receivables and trade and other receivables as at 31 March 2018 reconciled to the opening loss allowance as at 1 April 2018 are as follows:

	Finance lease receivables HK$'000	Loans receivables HK$'000	Trade and other receivables HK$'000
At 31 March 2018 – HKAS 39	–	45,000	–
Amounts remeasured through opening accumulated losses	13,342	9,236	12,617
At 1 April 2018	13,342	54,236	12,617

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

HKFRS 9 Financial Instruments (continued)

(a) Summary of effects arising from initial application of HKFRS 9 (continued)

(iii) Impairment under ECL model (continued)

The reserve movement as at 31 March 2018 reconciled to the opening balances as at 1 April 2018 are as follows:

	Available-for-sale investments revaluation reserve HK$'000	Fair value through other comprehensive income reserve HK$'000	Accumulated losses HK$'000
Balance at 31 March 2018	55,144	–	(877,314)
Reclassification			
– AFS club membership to financial assets measured at FVTPL	(720)	–	720
– Available-for-sale investments revaluation reserve to fair value through other comprehensive income reserve	(54,424)	54,424	–
Remeasurement			
– AFS unlisted equity investments to financial assets measured at FVTPL	–	–	40,855
Impairments under ECL			
– Finance lease receivables	–	–	(13,342)
– Loan receivables	–	–	(9,236)
– Trade and other receivables	–	–	(12,617)
At 1 April 2018, as restated	–	54,424	(870,934)

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

HKFRS 9 Financial Instruments (continued)

(b) Reconciliation of statement of financial position balances from HKAS 39 to HKFRS 9

The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. The following table reconciles the carrying amounts of financial assets and financial liabilities upon transition to HKFRS 9 on 1 April 2018:

	At 31 March 2018 HK$'000 (Audited)	HKFRS 9 HK$'000	**At 1 April 2018 HK$'000 (Restated)**
NON-CURRENT ASSETS			
Available-for-sale investments	1,936,000	(1,936,000)	–
Financial assets measured at FVTOCI	–	1,590,000	**1,590,000**
Finance lease receivables	1,950,858	(2,704)	**1,948,154**
Investments at FVTPL	1,340,761	(1,340,761)	–
Financial assets measured at FVTPL	–	1,727,616	**1,727,616**
Loans receivables	629,883	–	**629,883**
CURRENT ASSETS			
Finance lease receivables	1,016,581	(10,638)	**1,005,943**
Investments at FVTPL	2,526,583	(2,526,583)	–
Financial assets measured at FVTPL	–	2,526,583	**2,526,583**
Loans receivables	728,922	(9,236)	**719,686**
Trade and other receivables	1,193,226	(12,617)	**1,180,609**
RESERVES	5,769,570	5,660	**5,775,230**

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

HKFRS 9 Financial Instruments (continued)

(c) Judgments and estimates

In preparing these consolidated financial statements, the management makes judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty was the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2018.

HKFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

HKFRS 15 Revenue from Contracts with Customers (continued)

The Group has adopted HKFRS 15 from 1 April 2018 which resulted in changes in the accounting policies described in Note 3. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules retrospectively. The Group assessed the impacts of adopting HKFRS 15 on its consolidated financial statements. Based on the assessment, the adoption of HKFRS 15 does not have a significant impact on the Group's revenue recognition.

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

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017 Cycle[1]
HKAS 1 and HKAS 8 (Amendments)	Definition of Material[2]
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement[1]
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures[1]
HKFRS 3 (Amendments)	Definition of a Business[5]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation[1]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for annual periods beginning on or after to be determined.
5 Effective for business combination and assets acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

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

HKFRS 16 Leases

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

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

Application of HKFRS 16 will result in the Group's recognition of right-of-use assets and corresponding liabilities in respect of the Group's lease arrangements. These assets and liabilities are currently not required to be recognised but certain relevant information is disclosed as commitments to these consolidated financial statements. As disclosed in note 35 of this annual report, the Group's future minimum lease payments under non-cancellable operating leases of HK$9,128,000 as at 31 December 2018. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group's result, but it is expected that certain portion of the lease commitments will be regarded to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

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

3. SIGNIFICANT ACCOUNTING POLICES

Statement of compliance

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

Basis of preparation

The Group incurred a loss for the period of approximately HK$691,176,000 during the nine months ended 31 December 2018 (year ended 31 March 2018: profit of HK$670,725,000) and net cash outflows from operating activities of approximately HK$60,143,000 (year ended 31 March 2018: HK$4,827,375,000) during the nine months ended 31 December 2018. These condition indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

The directors of the Company have made an assessment and concluded that the Group is able to continue as a going concern for at least the next twelve months from the end of the reporting period and to meet its obligations, as and when they fall due, having regard to the following:

- Upon Coastal Emerald Limited ("Coastal Emerald"), an indirect wholly-owned subsidiary of the Company, issued the Guaranteed Bonds (as defined in note 28 (ii) to the consolidated financial statements), Shandong Hi-Speed Group Co., Ltd. ("Shandong Hi-Speed"), a shareholder of the Company which held 42.78% equity interests of the Company as at the date of this report, entered into a keepwell deed that Shandong Hi-Speed would undertake that it shall cause (i) each of Coastal Emerald and the Company to remain solvent and a going concern at all times under the laws of their respective jurisdictions of incorporation or applicable accounting standards (ii) each of Coastal Emerald and the Company to have consolidated net assets of at least US$1.00 (or its equivalent in any other currency) at all times, and (iii) each of Coastal Emerald and the Company to have sufficient liquidity to ensure timely payment by it of any amounts due and payable in respect of the Guaranteed Bonds. If either Coastal Emerald or the Company at any time determines that it will have insufficient liquidity to meet any of its payment obligations under the Guaranteed Bonds, it shall promptly notify Shandong Hi-Speed of the shortfall and Shandong Hi-Speed will make available, or procure the availability to it before the due date of the relevant payment obligations, funds sufficient to enable it to pay such payment obligations in full as they fall due.

Consequently, the consolidated financial statements have been prepared on a going concern basis. The consolidated financial statements do not include any adjustments that would result should the Group be unable to operate as a going concern.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Basis of preparation (continued)

The consolidated financial statements have been prepared under the historical cost basis, except for financial assets measured at FVTOCI, financial assets measured at FVTPL, investments at FVTPL and certain AFS investments, which have been measured at fair values, as appropriate, as explained in the accounting policies set out below.

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included with Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Basis of consolidation

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

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

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

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

Investments in subsidiaries

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

Interests in associates

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Interests in associates (continued)

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

The requirements of HKFRS 9 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKFRS 9. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Business combinations

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Business combinations (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized 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 another measurement basis required by another standard.

Goodwill

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

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

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

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

Impairment losses on tangible and intangible assets other than goodwill

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Government grants

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

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

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

Contingent liabilities

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

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

Segment Reporting

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Related parties

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Related parties (continued)

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

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

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

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

Property, plant and equipment and depreciation

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Property, plant and equipment and depreciation (continued)

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

Intangible assets (other than goodwill)

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

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

Computer software	5 years

Research and development costs

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

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Leases

(a) Where the Group is the lessor

Finance lease

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

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

Operating lease

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Leases (continued)

(b) Where the Group is the lessee

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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

Interest, dividend and distribution income which are derived from the Group's ordinary course of business are presented as revenue.

For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

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

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in other comprehensive income and accumulated under the heading of financial assets measured at fair value through other comprehensive income reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in note 2) (continued)

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the financial assets measured at fair value through other comprehensive income reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the revenue line item in profit or loss.

(iv) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest, dividend or distribution earned on the financial asset and is included in the profit or loss.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2)

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including advances to associates, finance lease receivables, loans receivables and trade and other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (continued)

(i) Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a finance lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the finance lease receivable in accordance with HKAS 17 Leases.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the expected losses is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (continued)

(v) Measurement and recognition of ECL (continued)

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with note 2) (continued)

(v) Measurement and recognition of ECL (continued)

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with HKFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

Except for investments in debt instruments that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of advances to associates, finance lease receivables, loans receivables and trade and other receivables where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the financial assets measured at fair value through other comprehensive income reserve without reducing the carrying amount of these debt instruments.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Financial assets (continued)

Initial recognition and measurement (before application of HKFRS 9 on 1 April 2018)

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

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

Subsequent measurement (before application of HKFRS 9 on 1 April 2018)

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

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

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

A financial asset is classified as held for trading if:

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Financial assets (continued)

Subsequent measurement (before application of HKFRS 9 on 1 April 2018) (continued)

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

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

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

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

(ii) Loans and receivables

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Financial assets (continued)

Subsequent measurement (before application of HKFRS 9 on 1 April 2018) (continued)

(iii) Available-for-sale financial investments

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

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

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

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018)

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018) (continued)

Financial assets carried at cost

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

Financial assets carried at amortised cost

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

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018) (continued)

Financial assets carried at amortised cost (continued)

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

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

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired. If an available-for-sale asset that is measured at fair value at subsequent reporting dates is impaired, the cumulative loss that had been recognised in other comprehensive income should be reclassified from equity to profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets (continued)

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the financial assets measured at fair value through other comprehensive income reserve is reclassified to profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the available-for-sale investments revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9/HKAS 39 permits the entire combined contract to be designated as at FVTPL.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities (continued)

Financial liabilities at FVTPL (continued)

Upon application of HKFRS 9, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Prior to application of HKFRS 9 on 1 January 2018, financial liabilities designated at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss includes/excludes any interest paid on the financial liability and is included in the "other gains and losses, net" line item.

Financial liabilities at amortised cost

Financial liabilities including borrowings and other payables and accruals are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9 (since 1 April 2018)/ HKAS 37 Provisions, Contingent Liabilities and Contingent Assets (before application of HKFRS 9 on 1 April 2018); and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Convertible bonds

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

At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

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

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

Derivative financial instruments

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

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Derivative financial instruments (continued)

Embedded derivatives (under HKFRS 9 since 1 April 2018)

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Embedded derivatives (before application of HKFRS 9 on 1 April 2018)

Derivatives embedded in non-derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Financial instruments (continued)

Cash and cash equivalents

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

Provisions

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

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

Income tax

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

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Income tax (continued)

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

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

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

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

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2)

Under HKFRS 15, the Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) (continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to a contract are accounted for an presented on a net basis.

(i) Consultancy services and handling fee income

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in note 2) (continued)

(ii) Financial leasing income

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

(iii) Dividend and distribution income

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

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

(iv) Interest income

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

(v) Online new media services income

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

(vi) Management income from fund investment

Revenue from asset management services is recognised over time as the services are provided. Fees for asset management services are calculated based on a fixed percentage of the value of assets managed and deducted from the customer's account balance on a regular basis as mutually agreed.

Performance fees are recognised on the performance fee valuation day of the managed accounts when there is a positive performance for the relevant performance period and it is determined that it will not result in significant reversal in a subsequent period, taking into consideration the relevant basis of calculation for the managed accounts. Performance fees, if any, are deducted from the customer's account balance on a regular basis as mutually agreed.

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Revenue recognition (prior to 1 April 2018)

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

(i) Financial leasing income

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

(ii) Consultancy services and handling fee income

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

(iii) Dividend and distribution income

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

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

(iv) Interest income

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

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Share-based payments

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Retirement benefit scheme

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

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

Borrowing costs

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

Foreign currencies

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

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

3. SIGNIFICANT ACCOUNTING POLICES (continued)

Foreign currencies (continued)

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

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

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

Judgments

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

Classification of financial assets

The Group needs to make judgments on the classification of financial assets as different classification will affect the accounting treatment for the financial assets, financial position and operating results of the Group. The judgments on these classifications depend on the Group's business model for managing the financial assets and the contractual cash has characteristics of the financial assets.

Classification of leases

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Judgments (continued)

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

Shandong (BVI) is classified as a financial assets measured at fair value through other comprehensive income as disclosed in note 18 to the consolidated financial statements although the Group has 40% ownership interest and voting power in Shandong (BVI). Unlike the Group's direct ownership in and operation of other financial leasing business, the directors of the Company intended to leverage on the advantage of ownership and continued management of Shandong (BVI) by Shandong Hi-Speed, a shareholder of the Company which held 42.78% equity interests of the Company as at the date of this report. The Group invested in Shandong (BVI) as a passive investor, and as such instead of acquiring the entire or a controlling interest, the Group only acquired 40% of the issued share capital of Shandong (BVI). The Group does not and is committed that it will not appoint any representative in the board of directors of Shandong (BVI) or any of its subsidiaries. The Group's participation in policy-making processes of Shandong (BVI) is very limited as the relevant activities of Shandong (BVI) is determined by the holder of the 60% issued shares and voting power of Shandong (BVI), being Shandong Hi-Speed. With these facts and circumstances, the directors of the Company concluded that despite the Group owns 40% of the issued share capital and voting power of Shandong (BVI), the Group does not have significant influence over Shandong (BVI). The minority interests in Shandong (BVI) acquired by the Group are just part of its capital investment alongside with its investments in other listed or unlisted securities portfolio.

Consolidation of structured entities

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Judgments (continued)

Consolidation of structured entities (continued)

The directors of the Company concluded that, since the acquisition of the 60% equity interests in Kun Peng International Limited ("Kun Peng") and its subsidiaries (collectively referred to as "Kun Peng Group") (see note 33(c)(ii)), the Group controls the Structured Entities through 厚生諮詢管理(深圳)有限公司 (Honesta Consultancy Management (Shenzhen) Company Limited) ("Honesta Consultancy Management"), an indirect wholly-owned subsidiary of Kun Peng, and the arrangements under a series of agreements, collectively the exclusive business cooperation agreement, the exclusive option agreements, the equity pledge agreements, the director's power of attorney, the shareholder's power of attorney, the spouse consent letter and other ancillary documents relating to the contractual arrangements thereunder (the "Structured Contracts"). Key provisions of the Structured Contracts are as follows:

Exclusive Business Cooperation Agreement

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

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Judgments (continued)

Consolidation of structured entities (continued)

Exclusive Business Cooperation Agreement (continued)

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

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

Exclusive Option Agreements

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

Equity Pledge Agreements

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Judgments (continued)

Consolidation of structured entities (continued)

Director's Power of Attorney

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

Shareholder's Power of Attorney

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

Spouse Consent Letter

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

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

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Judgments (continued)

Consolidation of structured entities (continued)

Spouse Consent Letter (continued)

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

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

As disclosed in note 44 to the consolidated financial statements, Shenzhen Cashlai Financial Information Services Co. Ltd.*（深圳錢來網金融信息服務有限公司）("Cashlai") and its subsidiaries (collectively the "Cashlai Group") are subsidiaries of the Group although the Group has only 36% effective interest and voting rights in Cashlai. Cashlai is a 46% directly-owned subsidiary of Honesta Holding. The remaining 54% shareholding of Cashlai are owned by six limited liabilities partnerships registered in the PRC and an individual. Three of those limited liabilities partnerships entered into an agreement with Honesta Holding to act in concert with Honesta Holding, resulting in Honesta Holding has control over 77% interest in Cashlai.

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Estimation uncertainty

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

Impairment of property, plant and equipment

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

Income taxes

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

Estimated useful lives of property, plant and equipment

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

Impairment loss of intangible assets (including goodwill)

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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

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

Impairment loss on trade and other receivables, loans receivables and finance lease receivables

Prior to 1 April 2018, the Group assesses at the end of each reporting period whether there is objective evidence that a trade and other receivable and loan receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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

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

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Impairment loss on trade and other receivables, loans receivables and finance lease receivables (continued)

Starting from 1 April 2018, the Group uses provision matrix to calculate ECL for trade receivables. The provision rates are based on debtor's aging as groupings of various debtors with common credit risk characteristic. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable, and that is available without undue cost or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables that are credit impaired are assessed for ECL individually.

In respect of loans receivables, finance lease receivables and other receivables, the Group assesses the expected credit losses individually by estimation based on historical credit loss experience, general economic conditions of the relevant industry in which the debtors operate, value of any pledged assets, financial position of the debtor and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

Measurement of fair values of financial assets

The Group has significant amounts of financial assets measured at fair values that are classified as Level 2 and Level 3 fair value measurement under HKFRS 13 Fair Value Measurement. The Group engaged independent valuers to perform the valuation of those financial instruments. As at 31 December 2018, the financial assets that are classified as Level 2 and Level 3 fair value measurement under HKFRS 13 amounted to approximately HK$1,838,681,000 (31 March 2018: HK$1,809,914,000) and HK$2,300,505,000 (31 March 2018: HK$1,824,862,000) respectively. Details of the fair value measurement are set out in note 38 to the consolidated financial statements.

5. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

- all assets are allocated to reportable segments other than unallocated corporate assets such as property, plant and equipment; and

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

5. OPERATING SEGMENT INFORMATION (continued)

	Investments in securities		Money lending		Financial leasing		Financial technology		Unallocated		Consolidated	
	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000	**Nine months ended 31 December 2018 HK$'000**	Year ended 31 March 2018 HK$'000	**Nine months ended 31 December 2018 HK$'000**	Year ended 31 March 2018 HK$'000	**Nine months ended 31 December 2018 HK$'000**	Year ended 31 March 2018 HK$'000	**Nine months ended 31 December 2018 HK$'000**	Year ended 31 March 2018 HK$'000	**Nine months ended 31 December 2018 HK$'000**	Year ended 31 March 2018 HK$'000
Segment revenue:												
Revenue within the scope of HKFRS 15												
Consultancy services income	**23,395**	59,950	**–**	–	**1,150**	258,752	**57,187**	–	**–**	–	**81,732**	318,702
Handing fee income	**–**	–	**–**	–	**34,041**	1,441	**–**	–	**–**	1,009	**34,041**	2,450
Income from asset management and performance	**–**	–	**–**	–	**–**	–	**2,633**	–	**–**	–	**2,633**	–
Online new media services income	**–**	–	**–**	–	**–**	–	**29,466**	1,260	**–**	–	**29,466**	1,260
	23,395	59,950	**–**	–	**35,191**	260,193	**89,286**	1,260	**–**	1,009	**147,872**	322,412
Revenue outside the scope of HKFRS 15												
Financial leasing income	**–**	–	**–**	–	**79,046**	55,986	**–**	–	**–**	–	**79,046**	55,986
Interest income from money lending operations	**–**	–	**83,064**	50,383	**14,840**	5,093	**25,157**	–	**–**	–	**123,061**	55,476
Distribution from financial assets measured at FVTPL	**12,420**	–	**–**	–	**–**	–	**–**	–	**–**	–	**12,420**	–
Distribution from investments at FVTPL	**–**	14,075	**–**	–	**–**	–	**–**	–	**–**	–	**–**	14,075
Dividend income from financial assets measured at FVTPL	**38,375**	–	**–**	–	**–**	–	**–**	–	**–**	–	**38,375**	–
Dividend income from investments at FVTPL	**–**	7,680	**–**	–	**–**	–	**–**	–	**–**	–	**–**	7,680
Interest income from financial assets measured at FVTPL	**8,175**	–	**–**	–	**–**	–	**–**	–	**–**	–	**8,175**	–
Interest income from financial assets measured at FVTOCI	**18,247**	–	**–**	–	**–**	–	**–**	–	**–**	–	**18,247**	–
Interest income from investments at FVTPL	**–**	2,811	**–**	–	**–**	–	**–**	–	**–**	–	**–**	2,811
	77,217	24,566	**83,064**	50,383	**93,886**	61,079	**25,157**	–	**–**	–	**279,324**	136,028
Revenue from external customers	**100,612**	84,516	**83,064**	50,383	**129,077**	321,272	**114,443**	1,260	**–**	1,009	**427,196**	458,440
Segment results	**(84,905)**	583,867	**74,399**	64,906	**(465,244)**	257,334	**26,256**	(1,646)	**–**	–	**(449,494)**	904,461
Reconciliations:												
Unallocated income											**–**	29,725
Unallocated finance costs											**(133,737)**	(102,452)
Unallocated expenses*											**(165,140)**	(104,732)
Share of results of associates											**47**	(750)
(Loss)/Profit before tax											**(748,324)**	726,252

5. OPERATING SEGMENT INFORMATION (continued)

	Investments in securities		Money lending		Financial leasing		Financial technology		Unallocated		Consolidated	
	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
Other segment information:												
Finance costs	(30,875)	(18,560)	(9,966)	–	(17,671)	–	(15)	–	(133,737)	(102,452)	(192,264)	(121,012)
Amortisation	–	–	–	–	–	–	(3,304)	(66)	–	–	(3,304)	(66)
Depreciation	–	–	–	–	(917)	(4,125)	(637)	–	(2,023)	(6,113)	(3,577)	(10,238)
Fair value losses on financial assets measured at FVTPL, net	(230,758)	–	–	–	–	–	–	–	–	–	(230,758)	–
Fair value gains on investments at FVTPL, net	–	561,576	–	–	–	–	–	–	–	–	–	561,576
Impairment loss on goodwill	–	–	–	–	(146,586)	–	–	–	–	–	(146,586)	–
Impairment loss on finance lease receivables	–	–	–	–	(144,890)	–	–	–	–	–	(144,890)	–
Impairment loss on loans receivables	–	–	3,079	–	66	–	(5,077)	–	–	–	(1,932)	–
Impairment loss on trade and other receivables	(59,481)	–	(271)	–	(1,606)	–	(1,212)	–	(2,213)	–	(64,783)	–
Impairment loss on advances to associates	–	–	–	–	–	–	–	–	(288)	–	(288)	–
Loss on disposal of property, plant and equipment	–	–	–	–	–	(47)	–	–	–	(225)	–	(272)
Loss on redemption of convertible bonds	–	–	–	–	–	–	–	–	–	(16,254)	–	(16,254)
Gain on disposal of a subsidiary	–	–	–	–	–	–	–	–	–	14,713	–	14,713
Gain on disposal of interest in subsidiaries resulting in loss of control	–	–	–	–	–	–	–	–	–	346	–	346
Capital expenditure**	–	–	–	465	259	9	1,238	37,211	1,295	6,946	2,792	44,631

* Unallocated expenses mainly included unallocated employee benefit expenses of approximately HK$37,184,000 (year ended 31 March 2018: HK$57,646,000), loss on redemption of convertible bonds of approximately HK$nil (year ended 31 March 2018: HK$16,254,000), exchange loss of approximately HK$69,723,000 (year ended 31 March 2018: gain of approximately HK$23,241,000), legal and professional fee of approximately HK$16,660,000 (year ended 31 March 2018: HK$12,093,000) and depreciation of approximately HK$2,023,000 (year ended 31 March 2018: HK$6,113,000).

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

5. OPERATING SEGMENT INFORMATION (continued)

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

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Segment assets:		
Investments in securities	**7,174,463**	7,214,929
Money lending	**803,832**	1,371,728
Financial leasing	**4,427,582**	5,402,303
Financial technology	**948,975**	365,661
	13,354,852	14,354,621
Unallocated assets	**22,613**	60,052
Total assets	**13,377,465**	14,414,673
Segment liabilities:		
Investments in securities	**4,518,191**	3,756,007
Money lending	**222,256**	527,457
Financial leasing	**2,901,675**	3,086,090
Financial technology	**63,866**	123,668
	7,705,988	7,493,222
Unallocated liabilities	**793,231**	1,076,627
Total liabilities	**8,499,219**	8,569,849

Revenue from external customers

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

5. OPERATING SEGMENT INFORMATION (continued)

Information about major customers

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

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
Customer A[1]	**N/A**	129,531
Customer B[1]	**N/A**	78,661

[1] The revenue earned from Customer A and Customer B are from the segment of money lending and did not contribute over 10% of the total revenue during the nine months ended 31 December 2018.

No customer of the Group for the nine months ended 31 December 2018 has contributed over 10% of the total revenue of the Group.

Geographical information

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

	Revenue from external customers		**Non-current assets** *(note)*	
	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000	**At 31 December 2018 HK$'000**	At 31 March 2018 HK$'000
Hong Kong	**151,866**	135,908	**6,842**	7,388
Other parts of the PRC	**275,330**	322,532	**1,272,774**	1,468,649
	427,196	458,440	**1,279,616**	1,476,037

Note: Non-current assets exclude interests in associates, finance lease receivables, loans receivables, financial assets measured FVTOCI, financial assets measured at FVTPL, AFS investments and investments at FVTPL.

6. REVENUE

Revenue, which is also the Group's turnover, represents consultancy services income; financial leasing income; interest income from money lending operations; handling fee income; distribution, dividend income and interest income from financial assets measured at FVTPL, financial assets measured at FVTOCI and investments at FVTPL; income from asset management and performance; and online new media services income during the period/year.

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
An analysis of revenue is as follows:		
Revenue within the scope of HKFRS 15 (Note (i))		
Consultancy services income (Note (ii))	**81,732**	318,702
Handing fee income	**34,041**	2,450
Income from asset management and performance	**2,633**	–
Online new media services income	**29,466**	1,260
	147,872	322,412
Revenue outside the scope of HKFRS 15		
Financial leasing income	**79,046**	55,986
Interest income from money lending operations	**123,061**	55,476
Distribution from financial assets measured at FVTPL	**12,420**	–
Distribution from investments at FVTPL	**–**	14,075
Dividend income from financial assets measured at FVTPL	**38,375**	–
Dividend income from investments at FVTPL	**–**	7,680
Interest income from financial assets measured at FVTPL	**8,175**	–
Interest income from financial assets measured at FVTOCI	**18,247**	–
Interest income from investments at FVTPL	**–**	2,811
	279,324	136,028
	427,196	458,440

6. REVENUE (continued)

Notes:

(i) Revenue within the scope of HKFRS 15:

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
Recognised at a point in time	**87,363**	280,712
Recognised over time	**60,509**	41,700
	147,872	322,412

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

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

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

(c) financial and taxation analysis.

7. OTHER INCOME AND OTHER GAINS AND LOSSES, NET

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
Other income:		
An analysis of other income is as follows:		
Bank interest income	**7,312**	4,992
Government subsidy (Note)	**300**	415
Compensation income	**–**	6,141
Foreign exchange gain, net	**–**	23,241
Sundry income	**1,116**	1,123
	8,728	35,912
Other gains and losses, net:		
An analysis of other gains and losses, net is as follows:		
Loss on disposal of property, plant and equipment	**–**	(272)
Loss on redemption of convertible bonds (note 29)	**–**	(16,254)
Gain on disposal of a subsidiary (note 33(a))	**–**	14,713
Gains on disposal of interest in subsidiaries resulting in loss of control (note 33(b))	**–**	346
Impairment loss, net of reversal, recognised in respect of:		
Goodwill	**(146,586)**	–
Finance lease receivables	**(144,890)**	–
Loans receivables	**(1,932)**	–
Advances to associates	**(288)**	–
Trade and other receivables	**(64,783)**	–
Total other gains and losses, net	**(358,479)**	(1,467)

Note: This is the one-off subsidy received from the PRC government. There are no unfulfilled conditions or contingencies relating to these subsidies.

8. FINANCE COSTS

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
An analysis of interest expenses is as follows:		
Interest on bank borrowings wholly repayable within five years	**30,946**	7,469
Interest on other borrowings	**49,087**	33,623
Interest on bonds (note 28(ii))	**140,938**	13,297
Amortised interest on convertible bonds (note 29)	**56,200**	88,051
	277,171	142,440
Less: Finance costs included in cost of services	**(84,907)**	(21,428)
Finance costs	**192,264**	121,012

9. (LOSS)/PROFIT BEFORE TAX

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
Auditors' remuneration:		
– Audit services	**3,000**	2,800
– Non-audit services	**250**	1,900
	3,250	4,700
Employee benefit expenses:		
Directors' remuneration:		
– Fees	**3,165**	2,473
– Salaries and allowances	**6,176**	8,964
– Retirement benefit scheme contributions (defined contribution scheme)*	**34**	59
Sub-total	**9,375**	11,496
Other staff's costs:		
– Salaries and allowances	**80,313**	47,006
– Retirement benefit scheme contributions (defined contribution scheme)*	**7,712**	2,144
Sub-total	**88,025**	49,150
Total employee benefit expenses	**97,400**	60,646

9. (LOSS)/PROFIT BEFORE TAX (continued)

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
Sales proceeds from disposal of a fund	**(470,105)**	–
Carrying amount of a fund	**477,640**	–
Realised loss from financial assets measured at FVTPL – a fund (note 20(vii)(c))	**7,535**	–
Unrealised losses from financial assets measured at FVTPL – securities, debentures and funds ,net (note 20 (vii)(b))	**223,223**	–
Fair value losses on financial assets measured at FVTPL – securities, debentures and funds, net	**230,758**	–
Sales proceeds from disposal of securities and bonds	**–**	(1,024,000)
Carrying amount of securities and bonds	**–**	922,137
Realised gains from investments at FVTPL – securities and bonds, net	**–**	(101,863)
Unrealised gains from investments at FVTPL – securities and funds, net	**–**	(459,713)
Fair value gains on investments at FVTPL – securities, bonds and funds, net	**–**	(561,576)
Foreign exchange loss/(gain), net**	**69,723**	(23,241)
Borrowing costs	**12,441**	291
Amortisation	**3,304**	66

Note:

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

** For the nine months ended 31 December 2018, the foreign exchange loss, net is included in administrative expenses (for the year ended 31 March 2018: the foreign exchange gain, net is included in other income).

10. DIRECTORS' REMUNERATION

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

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
Fees	**3,165**	2,473
Other emoluments:		
Salaries, allowances and benefits in kind	**6,176**	8,964
Retirement benefit scheme contributions (defined contribution scheme)	**34**	59
	6,210	9,023
Directors' remuneration included in employee benefit expenses (note 9)	**9,375**	11,496

(a) Independent non-executive directors

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

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
Mr. To Shing Chuen	**135**	140
Mr. Cheung Wing Ping	**135**	140
Mr. Wang Huixuan (Note (i))	**135**	70
Mr. Guan Huanfei (Note (i))	**135**	70
Mr. Chung Yuk Lun (Note (ii))	**–**	74
	540	494

Notes:

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

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

10. DIRECTORS' REMUNERATION (continued)

(a) Independent non-executive directors (continued)

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

There was no arrangement under which INEDs waived or agreed to waive any remuneration during the nine months ended 31 December 2018 (year ended 31 March 2018: nil).

No emoluments have been paid to INEDs as an inducement to join or upon joining the Group or as compensation for loss of office for the nine months ended 31 December 2018 (year ended 31 March 2018: nil).

(b) Non-executive directors

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

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
Mr. Li Hang (Note (i))	**375**	500
Dr. Lam Lee G. (Note (ii))	**1,125**	587
Mr. Qiu Jianyang	**375**	500
Mr. Lo Man Tuen (Note (iii))	**750**	392
	2,625	1,979

Notes:

(i) The fee payable for the years ended 31 March 2017 and 2018 have been fully paid during the nine months ended 31 December 2018.

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

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

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

There was no arrangement under which NEDs waived or agreed to waive any remuneration during the nine months ended 31 December 2018 (year ended 31 March 2018: nil).

No emoluments have been paid to NEDs as an inducement to join or upon joining the Group or as compensation for loss of office for the nine months ended 31 December 2018 (year ended 31 March 2018: nil).

10. DIRECTORS' REMUNERATION (continued)

(c) Executive directors

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

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement benefit scheme contributions HK$'000	Total remunerations HK$'000
Nine months ended 31 December 2018				
Mr. Ji Kecheng (Note (i))	**–**	**2,694**	**6**	**2,700**
Mr. Wang Zhenjiang (Note (ii))	**–**	**–**	**–**	**–**
Mr. Yau Wai Lung	**–**	**1,996**	**14**	**2,010**
Mr. Li Zhen Yu (Note (iii))	**–**	**1,486**	**14**	**1,500**
	–	**6,176**	**34**	**6,210**
Year ended 31 March 2018				
Mr. Ji Kecheng (Note (i))	–	1,410	–	1,410
Mr. Wang Zhenjiang	–	1,690	14	1,704
Mr. Yau Wai Lung	–	2,589	18	2,607
Mr. Li Zhen Yu (Note (iii))	–	766	6	772
Ms. Cheng Yan (Note (iv))	–	1,791	9	1,800
Mr. Ma Chao (Note (v))	–	718	12	730
	–	8,964	59	9,023

Notes:

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

(ii) Mr. Wang Zhenjiang waived his emoluments of approximately HK$1,800,000 for the nine months ended 31 December 2018.

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

(iv) Ms. Cheng Yan resigned from an ED and the chief executive of the Company with effect from 13 September 2017.

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

Except as mentioned in Note (ii), there was no other arrangement under which EDs waived or agreed to waive any remuneration during the nine months ended 31 December 2018 (year ended 31 March 2018: nil).

No emoluments have been paid to EDs as an inducement to join or upon joining the Group or as compensation for loss of office for the nine months ended 31 December 2018 (year ended 31 March 2018: nil).

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

11. FIVE HIGHEST PAID EMPLOYEES

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

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
Salaries and allowances	**7,411**	1,866
Retirement benefit scheme contributions (defined contribution scheme)	**38**	3
	7,449	1,869

The emoluments of the remaining three (year ended 31 March 2018: one) individual fell within the following bands:

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
HK$1,000,001 – HK$2,000,000	**1**	1
HK$2,000,001 – HK$3,000,000	**2**	–

12. INCOME TAX EXPENSE

Hong Kong Profits Tax is calculated at 16.5% (year ended 31 March 2018: 16.5%) of the estimated assessable profits for the nine months ended 31 December 2018.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

12. INCOME TAX EXPENSE (continued)

The PRC Enterprise Income Tax for the PRC subsidiaries are calculated at the PRC Enterprise Income Tax rate of 25% (year ended 31 March 2018: 25%). Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
Current tax		
– Hong Kong Profits Tax	**–**	2,299
– PRC Enterprise Income Tax	**10,102**	67,391
	10,102	69,690
Overprovision in prior years		
– PRC Enterprise Income Tax	**(10,530)**	–
Deferred tax credit (note 30)	**(56,720)**	(14,163)
Total income tax (credit)/expense recognised in consolidated income statement	**(57,148)**	55,527

The income tax expense for the period/year can be reconciled to (loss)/profit before tax for the consolidated income statement as follows:

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
(Loss)/Profit before tax	**(748,324)**	726,252
Tax at the statutory tax rates of different jurisdictions	**(190,669)**	137,258
Tax effect of share of results of associates	**(124)**	124
Tax effect of income not taxable for tax purposes	**(7,506)**	(107,786)
Tax effect of expenses not deductible for tax purposes	**48,065**	26,810
Tax effect of unrecognised deductible temporary differences	**104,247**	415
Utilisation of tax losses previously not recognised	**(5,074)**	(6,997)
Tax effect of tax losses not recognised	**4,443**	5,703
Overprovision in prior years	**(10,530)**	–
Total income tax (credit)/expense recognised in consolidated income statement	**(57,148)**	55,527

13. DIVIDEND

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

14. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
(Loss)/Earnings for the period/year attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share	**(705,280)**	671,330
Number of share ('000)		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	**24,512,008**	21,522,389
Basic and diluted (loss)/earnings per share (in HK cents)	**(2.88)**	3.12

Diluted (loss)/earnings per share did not assume the conversion of convertible bonds and exercise of share options since their assumed conversion and exercise had an anti-dilutive effect on (loss)/earnings per share for the nine months ended 31 December 2018 and year ended 31 March 2018.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Aircraft HK$'000	Total HK$'000
31 December 2018					
At 1 April 2018:					
Cost	10,553	12,614	5,404	–	28,571
Accumulated depreciation	(5,628)	(7,563)	(3,058)	–	(16,249)
Net carrying amounts	4,925	5,051	2,346	–	12,322
At 1 April 2018, net of accumulated depreciation	4,925	5,051	2,346	–	12,322
Acquisition of a subsidiary (note 33(c)(i))	–	3	–	–	3
Additions	165	750	757	–	1,672
Depreciation provided during the period	(1,323)	(1,226)	(1,028)	–	(3,577)
Exchange realignment	(38)	(274)	(97)	–	(409)
At 31 December 2018, net of accumulated depreciation	3,729	4,304	1,978	–	10,011
At 31 December 2018:					
Cost	10,247	12,463	5,998	–	28,708
Accumulated depreciation	(6,518)	(8,159)	(4,020)	–	(18,697)
Net carrying amounts	3,729	4,304	1,978	–	10,011

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvements HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicles HK$'000	Aircraft HK$'000	Total HK$'000
31 March 2018					
At 1 April 2017:					
Cost	9,952	11,296	4,480	156,574	182,302
Accumulated depreciation	(7,681)	(7,459)	(1,745)	(11,848)	(28,733)
Net carrying amounts	2,271	3,837	2,735	144,726	153,569
At 1 April 2017, net of accumulated depreciation	2,271	3,837	2,735	144,726	153,569
Acquisition of subsidiaries (note 33(c)(ii))	–	2,310	828	–	3,138
Additions	5,396	2,024	–	–	7,420
Depreciation provided during the year	(2,654)	(2,773)	(1,260)	(3,551)	(10,238)
Disposals	(207)	(65)	–	–	(272)
Disposal of a subsidiary (note 33(a))	–	–	–	(141,175)	(141,175)
Disposal of partial interest in subsidiaries resulting in loss of control (note 33(b)(i))	–	(470)	–	–	(470)
Exchange realignment	119	188	43	–	350
At 31 March 2018, net of accumulated depreciation	4,925	5,051	2,346	–	12,322
At 31 March 2018:					
Cost	10,553	12,614	5,404	–	28,571
Accumulated depreciation	(5,628)	(7,563)	(3,058)	–	(16,249)
Net carrying amounts	4,925	5,051	2,346	–	12,322

As at 31 December 2018 and 31 March 2018, no items of property, plant and equipment was pledged to secure bank borrowings obtained by the Group.

16. INTANGIBLE ASSETS

	Trading right HK$'000	License HK$'000	Computer software HK$'000	Goodwill HK$'000	Total HK$'000
At 1 April 2017	500	414,537	–	833,232	1,248,269
Acquisition of subsidiaries (note 33(c)(ii))	–	–	34,073	145,429	179,502
Disposals of interest in subsidiaries resulting in loss of control (note 33(b)(i))	(500)	–	–	(11,501)	(12,001)
Amortisation provided during the year	–	–	(66)	–	(66)
Exchange realignment	–	45,220	–	2,791	48,011
At 31 March 2018 and 1 April 2018	–	459,757	34,007	969,951	1,463,715
Additions	–	–	1,117	–	1,117
Acquisition of a subsidiary (note 33 (c)(i))	–	–	–	14,925	14,925
Impairment	–	–	–	(146,586)	(146,586)
Amortisation provided during the period	–	–	(3,304)	–	(3,304)
Exchange realignment	–	(41,560)	(2,992)	(15,710)	(60,262)
At 31 December 2018	**–**	**418,197**	**28,828**	**822,580**	**1,269,605**

Notes:

Impairment testing on goodwill and intangible assets

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

	Goodwill		Intangible assets		Total	
	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000	**At 31 December 2018 HK$'000**	At 31 March 2018 HK$'000	**At 31 December 2018 HK$'000**	At 31 March 2018 HK$'000
Financial technology segment						
– Kun Peng Group CGU	**132,283**	145,429	**28,828**	34,007	**161,111**	179,436
Financial leasing segment						
– Hong Kong Leasing Group CGU	**649,570**	796,156	**418,197**	459,757	**1,067,767**	1,255,913
– China Innovative Finance Zhonghong CGU	**25,802**	28,366	**–**	–	**25,802**	28,366
Unallocated segment						
– Wing Yue CGU	**14,925**	–	**–**	–	**14,925**	–
	822,580	969,951	**447,025**	493,764	**1,269,605**	1,463,715

During the nine months ended 31 December 2018, the management of the Group determines that an impairment loss of approximately HK$146,586,000 was recognised to goodwill allocated to Hong Kong Leasing Group CGU.

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

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

16. INTANGIBLE ASSETS (continued)

Notes: (continued)

Kun Peng Group CGU

The recoverable amount of Kun Peng Group CGU under the financial technology segment, arising from the acquisition of the 60% equity interests in Kun Peng as disclosed in note 33(c)(ii) to the consolidated financial statements, was determined based on a value-in-use calculation and used cash flow projections based on financial budgets approved by the directors of the Company with reliance on the valuation performed by an independent valuer covering a five-year period and pre-tax discount rate from 15.07% to 22.70% (31 March 2018: 20.15%) per annum. Cash flows beyond that five-year period have been extrapolated at 3% (31 March 2018: 3%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Key assumptions used in the preparation of the financial budgets included revenue and gross margin which were determined by the directors of the Company based on past performance and its expectation for market development. The values assigned to key assumptions were based on historical experience, current market condition and approved forecasts and consistent with external information sources. The directors of the Company believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

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

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Goodwill	**132,283**	145,429
Intangible assets		
– Computer software	**28,828**	34,007
	161,111	179,436

16. INTANGIBLE ASSETS (continued)

Notes: (continued)

Hong Kong Leasing Group CGU

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

The recoverable amount of the Hong Kong Leasing Group CGU under the financial leasing segment was determined based on a value-in-use calculation and used cash flow projections based on financial budgets approved by the directors of the Company with reliance on the valuation performed by an independent valuer covering a five-year period and pre-tax discount rates from 17.15% to 19.71% (31 March 2018: 21.75%) per annum. Cash flows beyond that five-year period have been extrapolated at 3% (31 March 2018: 3%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Key assumptions used in the preparation of the financial budgets included revenue and gross margin which were determined by the directors of the Company based on past performance and its expectation for market development. The values assigned to key assumptions were based on historical experience, current market condition and approved forecasts and consistent with external information sources. The directors of the Company considered that due to the global economic growth is expected to slow down, the Group's financial leasing business would be more prudent. The directors, therefore, reduced the financial budgeted revenue estimation, which caused the carrying amount of Hong Kong Leasing Group CGU as at 31 December 2018 exceeds its value in use based on cash flow projections. Accordingly, an impairment loss of approximately HK$146,586,000 (year ended 31 March 2018: nil) was recognised to goodwill allocated to Hong Kong Leasing Group CGU during the nine months ended 31 December 2018. The recoverable amount of the Hong Kong Leasing Group CGU of approximately HK$1,078,166,000 as at 31 December 2018. Any adverse change in the assumptions used in the value-in-use calculation may lead to further impairment loss on the goodwill.

16. INTANGIBLE ASSETS (continued)

Notes: (continued)

Hong Kong Leasing Group CGU (continued)

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

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Goodwill	**649,570**	796,156
Intangible assets		
– Licenses	**418,197**	459,757
	1,067,767	1,255,913

China Innovative Finance Zhonghong CGU

The recoverable amount of China Innovative Finance Zhonghong (Shenzhen) Business Factoring Company Limited ("China Innovative Finance Zhonghong") CGU under the financial leasing segment was determined based on a value-in-use calculation and used cash flow projections based on financial budgets approved by the directors of the Company with reliance on the valuation performed by an independent valuer covering a five year period and a pre-tax discount rate of 16.74% (31 March 2018: 20.76%) per annum. Cash flows beyond that five-year period have been extrapolated at 3% (31 March 2018: 3%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Key assumptions used in the preparation of the financial budgets included revenue and gross margin which were determined by the directors of the Company based on past performance and its expectation for market development. The values assigned to key assumptions were based on historical experience, current market condition and approved forecasts and consistent with external information sources. The directors of the Company believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of the CGU to exceed its recoverable amount.

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

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Goodwill	**25,802**	28,366

16. INTANGIBLE ASSETS (continued)

Notes: (continued)

Wing Yue CGU

The recoverable amount of the Wing Yue CGU under the advisory and asset management business which is included in the unallocated segment arising from the acquisition of the entire equity interests of Hong Kong Wing Yue Asset Management Limited ("Wing Yue") as disclosure in note 33(c)(i) to the consolidated financial statements, was determined based on the fair value less cost to disposal calculation that are classified as Level 2 fair value hierarchy under HKFRS 13. The recoverable amount of the Wing Yue CGU was determined based on the market comparable approach that reflects recent transaction prices for similar licenses corporations.

For the purpose of impairment testing, the carrying amounts of goodwill after impairment loss allocated to the Wing Yue CGU are as follows:

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Goodwill	**14,925**	–

17. INTERESTS IN ASSOCIATES

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Cost of investments, unlisted	**20,727**	16,642
Share of post-acquisition losses and other comprehensive income	**(703)**	(750)
Exchange realignment	**(35)**	–
	19,989	15,892
Advances to associates	**31,714**	32,002
	51,703	47,894
Amount due to an associate (note 27)	**1,530**	3,696

17. INTERESTS IN ASSOCIATES (continued)

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

Name of associate	Place of incorporation/ establishment	Class of share held	Attributable equity interest held by the Group 31 December 2018	Attributable equity interest held by the Group 31 March 2018	Nature of business
China Innovative Finance Securities Limited ("CIFS")	Hong Kong	Ordinary shares	25%	25%	Securities brokerage business
China Innovative Finance Securities (Holdings) Limited	Hong Kong	Ordinary shares	25%	25%	Investment holding
Eternal Billion Holding Group Limited	British Virgin Island ("BVI")	Ordinary shares	25%	25%	Investment holding
Fairy Ambition Limited	Hong Kong	Ordinary shares	25%	25%	Investment holding
Top Wish Holdings Limited	BVI	Ordinary shares	25%	25%	Investment holding
深圳利用投資管理有限公司 (Note (i))	PRC	Registered capital	13%	13%	Investment holding
濟南高厚睿康股權投資基金管理有限公司 (Note (i))	PRC	Registered capital	7%	7%	Investment holding
深圳前海厚生財富管理有限公司 (Note (i))	PRC	Registered capital	16%	N/A	Investment holding

Note:

(i) The above represented effective interest indirectly held by the Group. These entities were associates of non-wholly owned subsidiaries of the Group, which held more than 20% equity interests in them, and therefore the directors of the Company consider that the Company has significant influence over these entities through control of these subsidiaries.

17. INTERESTS IN ASSOCIATES (continued)

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

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

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

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

Aggregate financial information of associates that are not individually material:

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Group's share of results and other comprehensive income/(loss) for the period/year	**47**	(750)
Group's share of total comprehensive income/(loss) for the period/year	**47**	(750)
Group's aggregate interests in these associates and the carrying amounts	**19,989**	15,892

18. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Financial assets measured at FVTOCI under HKFRS 9:

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Non-current asset		
Unlisted equity investment		
– In elsewhere (Notes (i), (ii) and (iii))	**1,719,189**	–
Current assets		
Notes		
– In elsewhere (Notes (ii), (iii) and (iv))	**543,649**	–
Bond		
– In the PRC (Notes (ii), (iii) and (iv))	**36,599**	–
	580,248	–

Notes:

(i) During the year ended 31 March 2018, the Group acquired 40% equity interest in Shandong (BVI) by way of issuance of 5,000,000,000 consideration shares of the Company with the fair value at initial recognition determined to be approximately HK$1,530,000,000 plus respective transaction cost of approximately HK$5,576,000. The directors of the Company consider that the Group has no significant influence over Shandong (BVI) which was classified as AFS investments as at 31 March 2018. On initial application of HKFRS 9, the directors of the Company have elected to designate this equity investment in financial assets measured at FVTOCI.

The fair value of Shandong (BVI) as at 31 December 2018 was approximately HK$1,719,189,000 (1 April 2018: HK$1,590,000,000), which is determined with reference to the valuation report issued by a firm of independent valuers using discounted cash flow method. The fair value gain of approximately HK$129,189,000 (year ended 31 March 2018: HK$54,424,000) on the investment in Shandong (BVI) was recognised in other comprehensive income for the nine months ended 31 December 2018. This is classified as Level 3 fair value measurement under HKFRS 13. Details of the fair value measurement are set out in note 38 to the consolidated financial statements.

18. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Financial assets measured at FVTOCI under HKFRS 9: (continued)

Notes: (continued)

(ii) Details of financial assets measured at FVTOCI

	Number of shares/units held		Percentage of shareholding		Fair value		Percentage to the Group's net assets	
	at 31 December 2018	at 31 March 2018	**at 31 December 2018**	at 31 March 2018	**at 31 December 2018**	at 31 March 2018	**at 31 December 2018**	at 31 March 2018
Nature of investments			**%**	%	**HK$'000**	HK$'000	**%**	%
Non-current asset								
Unlisted equity investment in elsewhere Shandong (BVI)	**20,000**	–	**40**	–	**1,719,189**	–	**35.24**	–
Current assets								
Notes in elsewhere	**N/A**	–	**N/A**	–	**543,649**	–	**11.14**	–
Bond in the PRC Yue Xiu Securities Company Limited	**N/A**	–	**N/A**	–	**36,599**	–	**0.75**	–
					580,248	–		

(iii) Net unrealised gain from financial assets measured at FVTOCI

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
Unrealised gains of financial assets in Hong Kong for the period/year, net	**–**	–
Unrealised gains of financial assets outside Hong Kong (including PRC) for the period/year, net	**126,645**	–
Unrealised gains from financial assets measured at FVTOCI, net	**126,645**	–

18. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Financial assets measured at FVTOCI under HKFRS 9: (continued)

Notes: (continued)

(iv) Details of the debt instruments are as follow:

	Interest rate %	Maturity date	Fair value at 31 December 2018 HK$'000	Fair value at 31 March 2018 HK$'000
Notes in elsewhere				
Haitong International				
Products & Solutions Limited	7.125	May 2021	233,230	–
Guotai Junan Financial				
Products Limited	7.5	Sep 2019	156,574	–
Guotai Junan Financial				
Products Limited	10.5	Jun 2019	153,845	–
Bond in the PRC				
Yue Xiu Securities				
Company Limited	9	Jul 2021	36,599	–
			580,248	–

19. AVAILABLE-FOR-SALE INVESTMENTS

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Club membership debenture, at fair value (Note (i))	–	5,200
Unlisted equity investment, at cost less impairment		
– In elsewhere (Note (ii))	–	340,800
– In the PRC (Note (iii))	–	–
Unlisted equity investment, at fair value at subsequent reporting dates		
– In elsewhere (Note (iv))	–	1,590,000
	–	1,936,000

19. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes:

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

During the year ended 31 March 2018, fair value gain of approximately HK$600,000 on club membership debenture was recognised in other comprehensive income with reference to open market price. This is classified as Level 2 fair value measurement under HKFRS 13. Details of the fair value measurement are set out in note 38 to the consolidated financial statements.

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

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

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

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

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

The fair value of Shandong (BVI) as at 31 March 2018 was approximately HK$1,590,000,000, which is determined with reference to the valuation report issued by a firm of independent valuers using discounted cash flow method. The fair value gain of approximately HK$54,424,000 on the investment in Shandong (BVI) was recognised in other comprehensive income for year ended 31 March 2018. This is classified as Level 3 fair value measurement under HKFRS 13. Details of the fair value measurement are set out in note 38 to the consolidated financial statements.

20. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets measured at FVTPL under HKFRS 9:

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Non-current assets		
Listed equity investments		
– In Hong Kong (Notes (i) and (vii))	**1,440,764**	–
Unlisted equity investments		
– In the PRC (Notes (ii), (iii) and (vii))	**511**	–
– In elsewhere (Notes (iv) and (vii))	**308,365**	–
	308,876	–
Other investments		
– In the PRC (Note (vii))	**34,090**	–
Club membership debenture (Notes (v) and (vii))		
– In Hong Kong	**6,200**	–
Total	**1,789,930**	–
Current assets		
Held-for-trading listed equity investments		
– In Hong Kong (Notes (i) and (vii))	**639,819**	–
Guaranteed structure note		
– In elsewhere	**77,167**	–
Held-for-trading investment funds (Note (vii))		
– In Hong Kong (Note (vii))	**540,419**	–
– In elsewhere (Notes (vi) and (vii))	**600,557**	–
– In the PRC	**36,456**	–
	1,177,432	–
Held-for-trading bonds		
– In Hong Kong (Note (vii))	**235,984**	–
Total	**2,130,402**	–

20. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Financial assets measured at FVTPL under HKFRS 9: (continued)

Notes:

(i) As at 31 December 2018, the listed equity investments were classified as financial assets measured at fair value through profit or loss (31 March 2018: classified as investments at fair value through profit or loss). The fair values of the listed equity investments were determined by quoted prices in active markets.

(ii) As at 31 December 2018, the Group holds 29,951,000 (31 March 2018: 29,951,000) shares of China Yunnan Highway Construction Group Co., Ltd. ("Yunnan Highway"), representing 8.32% (31 March 2018: 8.32%) of its issued share capital. Shares of Yunnan Highway was listed in the National Equities Exchange and Quotations (the "NEEQ") in the PRC during the year ended 31 March 2018 and subsequently delisted in April 2018. As at 31 December 2018, the fair value of Yunnan Highway was Nil (31 March 2018: approximately HK$234,862,000) and an unrealised loss of approximately HK$217,812,000 (year ended 31 March 2018: loss of approximately HK$43,981,000) was recognised in the consolidated income statement during the period. The fair value as at 31 December 2018 was zero because the directors of the Company considered that Yunnan Highway was loss-making and management of the Company has no sufficient reliable information to assess the fair value after the delisting of the investee in April 2018. The fair value as at 31 March 2018 was determined with reference to the valuation report issued by a firm of independent qualified professional valuer using the income approach. This was classified as Level 3 fair value measurement under HKFRS 13. Details of the fair value measurement are set out in note 38 to the consolidated financial statements.

(iii) The Group, through the acquisition of China Innovative Finance Zhonghong, acquired an unlisted equity investment in a private entity engaged in software development and electronic hardware trading with the initial carrying amount approximately RMB684,000 (equivalent to approximately HK$794,000).

The unlisted equity investment was fully impaired in previous years in profit or loss as the directors of the Company considered that as the private entity was loss-making and the recoverable amount of the unlisted equity investment was less than its carrying amount.

(iv) The balance represented an unlisted equity investment in a private entity principally engaged in integrated financial services, securities brokerage services, money lending, securities and other direct investments. The fair value as at 31 December 2018 was determined with reference to the valuation report issued by a firm of independent qualified professional valuer using the market approach. This is classified as Level 3 fair value measurement under HKFRS 13. Details of the fair value measurement are set out in note 38 to the consolidated financial statements.

20. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Financial assets measured at FVTPL under HKFRS 9: (continued)

Notes: (continued)

(v) Club membership debenture is stated at fair value at the end of the reporting period.

During the nine months ended 31 December 2018, fair value gain of approximately HK$1,000,000 (year ended 31 March 2018: fair value gain of available-for-sale investments of approximately HK$600,000) on club membership debenture was recognised in profit or loss with reference to open market price. This is classified as Level 2 fair value measurement under HKFRS 13. Details of the fair value measurement are set out in note 38 to the consolidated financial statements.

(vi) As at 31 December 2018, the Group invested in Altair Asia Investment Limited ("Altair Asia") with carrying amount of HK$20,000,000 (31 March 2018: HK$143,434,000. The Group has a guaranteed return of 15% internal rate of return per annum on its investment in Altair Asia. Pursuant to the terms of the subscriptions of Altair Asia, the Group has issued a written notice to Altair Asia on 4 January 2018 requesting the redemption of the entire participating shares of cost of investment in value of HK$200,000,000 and subsequently on 23 January 2018 agreed to waive its rights to request for early redemption part of the participating shares of HK$140,000,000 on the ground of certain cumulative conditions being met within the prescribed time. Since the conditions of waiver were not fully satisfied and Altair Asia failed to redeem all the participating shares pursuant to the subscription terms, the Company commenced legal proceedings against Altair Asia and its guarantors for the recovery of the investment.

The claim is under legal proceedings as at 31 December 2018 and up to the date of approval of the consolidated financial statements of the Group for the nine months ended 31 December 2018.

Based on the legal opinion from an independent lawyer thereon, the directors of the Company considered that there is strong legal argument to win the case. The Group has engaged an independent professional valuer to assist the Group to assess the fair value of the investment in Altair Asia. Based on the valuation performed, the directors of the Company considered that the fair value of the investment in Altair Asia as at 31 December 2018 would be approximately HK$20,000,000 and therefore an unrealised fair value loss of approximately HK$123,434,000 has been recognised during the nine months ended 31 December 2018.

20. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Financial assets measured at FVTPL under HKFRS 9: (continued)

Notes: (continued)

(vii) (a) Details of financial assets measured at FVTPL

Nature of investments	Number of shares/units held at 31 December 2018	Number of shares/units held at 31 March 2018	Percentage of shareholding at 31 December 2018 %	Percentage of shareholding at 31 March 2018 %	Fair value at 31 December 2018 HK$'000	Fair value at 31 March 2018 HK$'000	Percentage to the Group's net assets at 31 December 2018 %	Percentage to the Group's net assets at 31 March 2018 %
Non-current assets								
Listed equity investment in Hong Kong								
Jiayuan International Group Limited (stock code: 2768)	99,500,227	–	3.96	–	1,440,764	–	29.53	–
Unlisted equity investment in the PRC								
Yunnan Highway	29,951,000	–	8.32	–	–	–	–	–
北京樓宇通信息科技有限公司	900,000	–	9.00	–	511	–	0.01	–
Unlisted equity investment in elsewhere								
Satinu Resources Group Limited	48,000,000	–	4.63	–	308,365	–	6.32	–
					308,876	–		
Other investment in the PRC								
尊瑩1號	N/A	–	N/A	–	34,090	–	0.70	–
Club membership debenture in Hong Kong	N/A	–	N/A	–	6,200	–	0.13	–
					1,789,930	–		
Current assets								
Held-for-trading listed equity investments in Hong Kong								
China Smarter Energy Group Holding Limited (stock code: 1004)	677,736,000	–	7.23	–	542,189	–	11.11	–
Code Agriculture (Holdings) Limited (stock code: 8153)	60,000,000	–	2.24	–	4,440	–	0.09	–
Far East Holdings International Limited (stock code: 36)	11,814,000	–	1.08	–	4,608	–	0.09	–
Hao Tian Development Group Limited (stock code: 474)	385,000,000	–	7.86	–	88,550	–	1.82	–
Huatai Securities Company Limited (stock code: 6886)	2,600	–	0.00	–	32	–	0.00	–
					639,819	–		

20. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Financial assets measured at FVTPL under HKFRS 9: (continued)

Notes: (continued)

(vii) (a) Details of financial assets measured at FVTPL (continued)

Nature of investments	Number of shares/units held at 31 December 2018	Number of shares/units held at 31 March 2018	Percentage of shareholding at 31 December 2018 %	Percentage of shareholding at 31 March 2018 %	Fair value at 31 December 2018 HK$'000	Fair value at 31 March 2018 HK$'000	Percentage to the Group's net assets at 31 December 2018 %	Percentage to the Group's net assets at 31 March 2018 %
Current assets								
Guaranteed structure note issued by Haitong International Products & Solutions Limited	N/A	–	N/A	–	77,167	–	1.58	–
Held-for-trading investment fund in Hong Kong issued by Sinolink Securities (HK) Co. Ltd	N/A	–	N/A	–	540,419	–	11.08	–
Held-for-trading investment funds in elsewhere								
Altair Asia	5,292,982	–	N/A	–	20,000	–	0.41	–
China Times Investments Limited	668,210	–	N/A	–	434,375	–	8.90	–
Haitong International Investment Fund	200,000	–	N/A	–	146,182	–	3.00	–
					600,557	–		
Held-for-trading investment funds in the PRC	N/A	–	N/A	–	36,456	–	0.75	–
Held-for-trading investment bond in Hong Kong Jiarui Investment (Hong Kong) Company Limited	N/A	–	N/A	–	235,984	–	4.84	–
					2,130,402	–		

(b) Net unrealised losses from financial assets measured at FVTPL

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
Unrealised gains of financial assets in Hong Kong for the period/year, net	(182,249)	–
Unrealised losses of financial assets outside Hong Kong (including PRC) for the period/year, net	405,472	–
Unrealised losses from financial assets measured at FVTPL, net (note 9)	223,223	–

20. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Financial assets measured at FVTPL under HKFRS 9: (continued)

Notes: (continued)

(vii) (c) Realised loss from financial assets measured at FVTPL

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
Realised loss of financial assets outside Hong Kong (including PRC) for the period/year	**7,535**	–
Realised loss from financial assets measured at FVTPL (note 9)	**7,535**	–

21. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Investments at FVTPL under HKAS 39:

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Non-current assets		
Listed equity investments		
– In the PRC	–	234,862
– In Hong Kong	–	1,105,899
Total	–	1,340,761
Current assets		
Held-for-trading listed equity investments		
– In Hong Kong	–	721,869
Held-for-trading investments funds		
– In Hong Kong	–	546,828
– In elsewhere	–	1,257,886
	–	1,804,714
Total	–	2,526,583

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

Investments at FVTPL under HKAS 39: (continued)

Note:

(i) Details of investments at FVTPL under HKAS 39.

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

22. FINANCE LEASE RECEIVABLES

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Present value of minimum lease payments receivables	**2,819,308**	2,967,439
Less: Current portion included under current assets	**(1,083,033)**	(1,016,581)
Amounts due after one year included under non-current assets	**1,736,275**	1,950,858

As at 31 December 2018, one of the financial lease receivables was pledged to secure the bank borrowing obtained by the Group (31 March 2018: nil).

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

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Minimum lease payments receivables	**3,126,515**	3,286,573
Less: Unearned finance income related to minimum lease payments receivables	**(307,207)**	(319,134)
Present value of minimum lease payments receivable	**2,819,308**	2,967,439

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

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Within one year	**1,242,401**	1,161,799
In the second year	**906,598**	830,104
In the third to fifth years	**977,516**	1,294,670
	3,126,515	3,286,573

22. FINANCE LEASE RECEIVABLES (continued)

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

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Within one year	**1,083,033**	1,016,581
In the second year	**818,444**	739,486
In the third to fifth years	**917,831**	1,211,372
	2,819,308	2,967,439

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

As at 31 December 2018, included in the Group's finance lease receivables balances are lessees with an aggregate amount of carrying approximately HK$316,739,000 (31 March 2018: HK$8,815,000) which was past due as at the end of the reporting period. In the event that an installment repayment of a finance lease receivable is past due, the entire outstanding balances of the finance lease receivables are deemed as past due.

An aging analysis of the finance lease receivables which had been past due based on the number of past due days is as follows:

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Within 30 days	**344,959**	389
31 days to 90 days	**112,042**	1,277
More than 90 days	**109,212**	7,149
	566,213	8,815

As at 31 December 2018, finance lease receivables were considered credit-impaired when the customers fail to settle according to the settlement terms for more than 90 days after taking into consideration the recoverability of collateral and deposits. As such, as at 31 December 2018, finance lease receivables of approximately HK$109,212,000 was credit-impaired under the lifetime ECL.

Included in the carrying amount of the finance lease receivables as at 31 December 2018 is accumulated impairment losses of approximately HK$149,837,000 (31 March 2018: Nil).

22. FINANCE LEASE RECEIVABLES (continued)

Movement of allowance for impairment losses:

	12m ECL HK$'000	Lifetime ECL not credit-impaired HK$'000	Lifetime ECL credit-impaired HK$'000	Total HK$'000
At 1 April 2017 and 31 March 2018	–	–	–	–
Effect arising from adoption of HKFRS 9	10,637	2,705	–	13,342
At 1 April 2018	10,637	2,705	–	13,342
Movement during the period	(3,444)	77,232	71,102	144,890
Exchange realignment	(186)	(1,755)	(6,454)	(8,395)
At 31 December 2018	**7,007**	**78,182**	**64,648**	**149,837**

22. FINANCE LEASE RECEIVABLES (continued)

The following table sets forth the finance lease receivables (after impairment) attributable to individual customers:

	At 31 December 2018		At 31 March 2018	
	HK$'000	%	HK$'000	%
Customers A[1]	566,587	20.10	624,633	21.05
Customers B	547,684	19.42	624,633	21.05
Customers C	271,096	9.61	374,780	12.63
Customers D	268,299	9.51	362,287	12.21
Customers E[1]	238,805	8.47	749,559	25.26
Customers F	226,593	8.04	–	–
Customers G	226,585	8.04	–	–
Customers H	159,563	5.66	–	–
Customers I	62,306	2.21	68,710	2.32
Customers J	56,648	2.01	–	–
Customers K	50,975	1.81	56,217	1.89
Customers L	50,678	1.80	–	–
Customers M[2]	48,440	1.72	62,463	2.10
Customers N	45,049	1.60	–	–
Customers O[2]	–	0.00	40,409	1.36
Customers P[2]	–	0.00	3,748	0.13
	2,819,308	100.00	2,967,439	100.00

1 Customer A and E are within the same group.

2 Customer M, O and P are within the same group.

22. FINANCE LEASE RECEIVABLES (continued)

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

As at 31 December 2018, the Group's finance lease receivables were secured by collaterals, being plant and machinery, and deposits of approximately HK$50,485,000 (31 March 2018: HK$52,339,000) (note 27). Estimates of fair value of collateral are made during the credit approval process. These estimates of valuations are made at the inception of finance lease, and generally not updated except when the receivable is individually impaired. When a finance lease receivable is identified as impaired, the corresponding fair value of collateral of that receivable is updated by reference to market value such as recent transaction price of the assets.

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

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

Further details of impairment assessment for the nine months ended 31 December 2018 are set out in note 39 to the consolidated financial statements.

As at 31 December 2018, the Group's finance lease receivables of approximately HK$566,587,000 and HK$238,805,000 due from China Tieniu Group Co., Ltd.*（鐵牛集團有限公司）and Hangzhou ESSEN Auto Component Co., Ltd.*（杭州易辰孚特汽車零部件有限公司）respectively, which are controlled under the same controlling party (31 March 2018: HK$624,633,000 and HK$749,559,000). These related finance lease arrangements (on an aggregated basis) constituted a major transaction of the Company and were therefore subject to reporting, announcement and shareholders' approval under Chapter 14 of the Listing Rules. A special general meeting had held on 10 August 2018 and the resolution approving and ratifying the above finance lease arrangements was duly passed by the shareholders of the company.

* *For identification purpose only*

23. LOANS RECEIVABLES

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Loans receivables	**1,388,356**	1,403,805
Less: allowance for impairment loss	**(55,990)**	(45,000)
	1,332,366	1,358,805
Less: amount classified as current assets	**(843,713)**	(728,922)
Non-current portion	**488,653**	629,883

Loans receivables represent receivables arising from the money lending business of the Group, and bear interest at rates ranging from 4% to 20% per annum (31 March 2018: from 4% to 20% per annum). The grants of these loans were approved and monitored by the Group's management.

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Type of borrowers that loans receivables are arising from:		
Individual customers	**223,630**	245,279
Corporate customers	**1,164,726**	1,158,526
	1,388,356	1,403,805
Less: allowance for impairment loss		
Individual customers	**(3,060)**	–
Corporate customers	**(52,930)**	(45,000)
	(55,990)	(45,000)
	1,332,366	1,358,805

23. LOANS RECEIVABLES (continued)

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Analysis of loans receivables by types of collateral:		
Share charges	**604,818**	681,897
Share charge and personal guarantee	**360**	303,582
Personal guarantee and USD bonds	**194,506**	197,034
Unsecured	**532,682**	176,292
	1,332,366	1,358,805

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

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Within 90 days	**248,861**	28,922
91 days to 180 days	**228,867**	500,000
181 days to 1 year	**365,985**	200,000
1 year to 2 years	**488,653**	434,883
More than 2 years	**–**	195,000
	1,332,366	1,358,805

As at 31 December 2018, included in the Group's loans receivables balances are debtors with an aggregate amount of carrying approximately HK$179,820,000 (31 March 2018: HK$3,000,000) which was past due as at the end of the reporting period. In the event that an installment repayment of a loans receivable is past due, the entire outstanding balances of the loans receivables are deemed as past due.

23. LOANS RECEIVABLES (continued)

An aging analysis of the loans receivables which had been past due based on the number of past due days is as follows:

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Within 30 days	–	–
31 days to 90 days	–	–
More than 90 days	**179,460**	3,000
	179,460	3,000

As at 31 December 2018, loans receivables which are past due but not credit-impaired amounted to approximately HK$179,460,000, represented the contractual payments have not been settled by debtors more than 90 days but were considered not to be credit-impaired as the management considered the reputation of these debtors were sound and the loans receivables were secured by collaterals including share charges.

Included in the carrying amount of loans receivables as at 31 December 2018 is accumulated impairment losses of approximately HK$55,990,000 (31 March 2018: HK$45,000,000).

Movement of allowance for impairment losses:

	12m ECL HK$'000	Lifetime ECL not credit-impaired HK$'000	Lifetime ECL credit-impaired HK$'000	Total HK$'000
At 1 April 2017 and 31 March 2018	–	–	45,000	45,000
Effect arising from adoption of HKFRS 9	7,220	2,016	–	9,236
At 1 April 2018	7,220	2,016	45,000	54,236
Movement during the period	1,428	–	504	1,932
Exchange realignment	(178)	–	–	(178)
At 31 December 2018	**8,470**	**2,016**	**45,504**	**55,990**

Further details of impairment assessment for the nine months ended 31 December 2018 are set out in note 39 to the consolidated financial statements.

24. TRADE AND OTHER RECEIVABLES

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Trade receivables (Note i)	**38,028**	14,559
Prepayments	**11,391**	5,838
Deposits (Note ii)	**54,421**	60,528
Advance to an investee company (Note iii)	**–**	15,899
Interest receivables	**68,624**	26,006
Other receivables (Note iv)	**818,619**	1,070,396
	991,083	1,193,226

The Group has a policy of granting trade customers with credit of generally within 90 (31 March 2018: 90) days.

Movement of allowance for impairment losses on trade receivables:

	12m ECL HK$'000	Lifetime ECL not credit-impaired HK$'000	Lifetime ECL credit-impaired HK$'000	Total HK$'000
At 1 April 2017 and 31 March 2018	–	–	–	–
Effect arising from adoption of HKFRS 9	131	–	–	131
At 1 April 2018	131	–	–	131
Movement during the period	470	–	–	470
Exchange realignment	(9)	–	–	(9)
At 31 December 2018	**592**	**–**	**–**	**592**

24. TRADE AND OTHER RECEIVABLES (continued)

Movement of allowance for impairment losses on deposits, advance to an investee company, interest receivables and other receivables:

	12m ECL HK$'000	Lifetime ECL not credit-impaired HK$'000	Lifetime ECL credit-impaired HK$'000	Total HK$'000
At 1 April 2017 and 31 March 2018	–	–	–	–
Effect arising from adoption of HKFRS 9	8,216	1,279	2,991	12,486
At 1 April 2018	8,216	1,279	2,991	12,486
Movement during the period	(2,786)	67,248	(150)	64,312
Exchange realignment	(229)	(34)	(121)	(384)
At 31 December 2018	**5,201**	**68,493**	**2,720**	**76,414**

Further details of impairment assessment for the nine months ended 31 December 2018 are set out in note 39 to the consolidated financial statements.

Notes:

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

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Within 90 days	**30,188**	13,304
91 days to 180 days	**1,559**	118
181 days to 1 year	**637**	1,038
Over 1 year	**5,644**	99
	38,028	14,559

24. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(i) (continued)

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

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Neither past due nor impaired	**38,028**	14,599

(ii) The amount mainly represents:

(a) guarantee deposits of approximately HK$29,461,000 (31 March 2018: HK$33,730,000) paid to various entities in accordance with the cooperation agreements entered into between Shangao Puhui (Shenzhen) Information Services Co., Ltd.* (山高普惠(深圳)信息服務有限公司) (formerly known as Shenzhen Huixin Credit Management Co., Ltd.) ("Shangao Puhui"), an indirect non-wholly-owned subsidiary of Kun Peng, and these entities, for the purpose of Shangao Puhui providing financial guarantee to borrowers that obtained financing from lenders via these entities through Shangao Puhui's money lending referral service business. In the opinion of the directors of the Company, to the best knowledge, belief, information of and after making all reasonable enquiries, these entities are independent third parties of the Group. Shangao Puhui is exposed to the guaranteed loan principal of the borrowers and the respective interests. The Group has assessed the credit worthiness and past payment history of the borrowers, pledge of collaterals and the Group has provided sufficient guarantee deposits in accordance with the cooperation agreements. In the opinion of the directors of the Company, 12 month ECL in respect of these deposits paid of approximately HK$265,000 have been provided as at 31 December 2018; and

(b) rental and utility deposits of approximately HK$5,931,000 (31 March 2018: HK$9,158,000).

(iii) The amount due from Yunnan Highway is unsecured, non-interest bearing and repayable on demand. As at 31 December 2018, the outstanding balance of approximately HK$4,534,000 was past due and the directors of the Company consider that the balance was irrecoverable. Therefore, the balance was fully impaired during the nine months ended 31 December 2018.

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

(a) an amount due from China Hover Dragon Group Limited ("China Hover Dragon") of approximately RMB123,121,000 (equivalent to approximately HK$139,907,000) (31 March 2018: RMB123,121,000 (equivalent to approximately HK$153,811,000)) which had been past due from 30 August 2017.

The amount is secured by the shares issued by the Company upon acquisition of Hong Kong Leasing. Pursuant to the Hong Kong Leasing Sale and Purchase Agreement (as defined in note 43(a)), 737,774,989 shares issued by the Company (the "Bad Debt Repurchase Shares") could be repurchased by the Company from the shareholders of China Hover Dragon at nil consideration.

24. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(iv) (continued)

(a) (continued)

The Bad Debt Repurchase Shares have an aggregate fair value of approximately HK$232,399,000 as at 31 December 2018 (31 March 2018: HK$221,332,497). The directors of the Company considered that the fair value of the Bad Debt Repurchase Shares is higher than the carrying amount of the amount due from China Hover Dragon as at 31 December 2018, therefore, the amount is fully recoverable and no impairment loss has been provided as at 31 December 2018.

The repurchase of the Bad Debt Repurchase Shares is under legal proceedings as at 31 December 2018 and the date of approval of the consolidated financial statements of the Group for the nine months ended 31 December 2018. However, as described in note 43(a), the directors of the Company considered that the Bad Debt Repurchase Shares could be repurchased by the Company at nil consideration. Details of the legal proceeding are disclosed in note 43(a).

The amount due from China Hover Dragon is non-interest bearing;

(b) proceeds with an aggregate amount of approximately HK$590,400,000 (31 March 2018: HK$590,400,000) arising from the disposals of certain investments at FVTPL during the year ended 31 March 2018. These receivables were matured in August 2018. The Group has entered into supplemental agreements with the buyers to extend the maturity date to August 2019. The remaining consideration is interest bearing at 9% per annum and secured by share charges over the entire issued share capital of entities owned the disposed investments.

The directors of the Group considered that the credit risk of the above receivables has slightly increased. The Group has engaged an independent professional valuer to assist the Group to assess fair value of the collateral. Based on the valuation performed, the directors of the Company considered that lifetime ECL in respect of these venders of approximately HK$60,221,000 have been provided during the nine months ended 31 December 2018. The accumulated lifetime ECL in respect of these venders amounted to approximately HK$65,534,000 as at 31 December 2018;

(c) receivables for factoring commercial bills from a customer of approximately HK$32,918,000 (31 March 2018: nil). The receivables are interest bearing at 11% per annum and repayable within one year. 12 month ECL in respect of these receivables of approximately HK$304,000 (31 March 2018: nil) have been provided as at 31 December 2018.

(d) value added tax receivables, net, of approximately HK$29,621,000 (31 March 2018: HK$567,000).

(e) proceed from redemption of an investment fund of HK$60,000,000 outstanding as at 31 March 2018 was fully received by the Group during the nine months ended 31 December 2018; and

(f) proceed of HK$230,000,000 outstanding as at 31 March 2018 arising from the disposal of an investment at FVTPL through CIFS, an associate of the Company as the securities broker of the transaction was fully received by the Group during the nine months ended 31 December 2018.

25. RESTRICTED CASH

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Pledged for factoring loans (Note i)	–	12,120
Restricted bank deposits (Note ii)	2,222	675
	2,222	12,795

Notes:

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

(ii) The Group maintains bank accounts with banks to hold customers' deposits arising from business in asset trading platform.

The restricted bank deposits bear interest at the prevailing market rates except for restricted cash as at 31 March 2018 bear effective interest rates ranged from 2.80% to 4.75% per annum with original maturity of 5 years.

26. CASH AND CASH EQUIVALENTS

Cash and cash equivalents were denominated in the following currencies:

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
HK$	217,991	520,401
RMB	252,788	1,026,032
Singapore Dollar ("SGD")	10	10
United States Dollar ("US$")	210,609	8,690
	681,398	1,555,133

26. CASH AND CASH EQUIVALENTS (continued)

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

As at 31 December 2018, the Group maintained cash and cash equivalents amounting to approximately HK$252,788,000 (31 March 2018: HK$1,026,020,000) in the PRC, the remittance of which is subject to relevant rules and regulations of foreign exchange control promulgated by the PRC government.

27. OTHERS PAYABLES AND ACCRUALS

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Accrued expenses	**35,768**	14,999
Guarantee deposits received from finance lease lessees (note 22)	**50,485**	52,339
Receipt in advance	**23,941**	50,010
Amount due to an associate (note 17)	**1,530**	3,696
Amount due to non-controlling interests	**57**	17,177
Deposits received from customers in trading platform business (Note (i))	**2,761**	3,966
Payable for acquisition of a subsidiary (Note 33(c)(i))	**8,245**	–
Other payables		
– Interest payables (Note (ii))	**3,156**	18,251
– Others (Note (iii))	**114,564**	124,239
	240,507	284,677
Less: amount classified as current liabilities	**(203,008)**	(252,269)
Amount classified as non-current liabilities	**37,499**	32,408

Notes:

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

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

(iii) The amount mainly represents (a) balances received on behalf of customers in the online investment and technology-enabled lending platform in the PRC of approximately HK$13,345,000 (31 March 2018: HK$31,800,000), and (b) other tax payable and surcharge of approximately HK$37,742,000 (31 March 2018: HK$15,980,000).

28. BORROWINGS

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Interest-bearing bank borrowings: (Note (i))		
– portion of bank borrowings due for repayment within one year	**343,174**	374,780
– portion of bank borrowings due for repayment after two years but within five years	**795,890**	436,500
Bonds due for repayment (Note (ii))		
– within one year	**4,739,322**	4,643,113
– after one year	**20,100**	19,244
Other borrowings (Note (iii))		
– within one year	**310,696**	249,853
– after one year	**1,565,737**	1,550,000
	7,774,919	7,273,490
Less: amount classified as current liabilities	**(5,393,192)**	(5,267,746)
Amount classified as non-current liabilities	**2,381,727**	2,005,744
Analysed as:		
Secured (Note (iv))	**134,395**	–
Unsecured	**7,640,524**	7,273,490
	7,774,919	7,273,490

28. BORROWINGS (continued)

Notes:

(i) Interest-bearing bank borrowings

	At 31 December 2018		At 31 March 2018	
	HK$'000	**Effective interest rate**	HK$'000	Effective interest rate
Term loans				
– Variable rate (note 36(a))	**568,169**	**5.655%-6.175%**	374,780	5.65%
Guarantee loans				
– Variable rate (Note (a))	**436,500**	**2.45%-3.53%**	436,500	2.45%
– Fixed rate	**134,395**	**7.99%-8.50%**	–	–
	1,139,064		811,280	

Note:

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

(ii) Bonds

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
At beginning of the period/year	**4,662,357**	20,076
Gross proceeds from issue of guaranteed bonds during the period/year	**–**	4,628,808
Interest charged calculated at effective interest rate (Note)	**140,938**	14,473
Less: Bonds interest paid during the period/year	**(91,675)**	(1,000)
Exchange realignment	**47,802**	–
At end of the period/year	**4,759,422**	4,662,357
Less: amount classified under current liabilities	**(4,739,322)**	(4,643,113)
Non-current liabilities	**20,100**	19,244

28. BORROWINGS (continued)

Notes: (continued)

(ii) Bonds (continued)

Note:

The interests charged are calculated at effective interest rate and have been included in cost of services of approximately HK$63,399,000 (year ended 31 March 2018: HK$6,880,000) in related to financing for the money lending and financial leasing business and finance costs of approximately HK$77,539,000 (year ended 31 March 2018: HK$7,593,000) (note 8).

On 6 March 2018, Coastal Emerald Limited ("Coastal Emerald"), an indirect wholly-owned subsidiary of the Company, issued 3.9% guaranteed bonds in the principal amount of US$400,000,000 guaranteed by the Company and with the benefit of a keepwell deed by Shandong Hi-Speed (the "Original Guaranteed Bonds") to the independent third parties. On 13 March 2018, Coastal Emerald further issued an additional 3.9% guaranteed bonds in the principal amount of US$200,000,000 (the "Additional Guaranteed Bonds") to the independent third parties. The Additional Guaranteed Bonds were consolidated to form a single series with the Original Guaranteed Bonds. The Original Guaranteed Bonds and the Additional Guaranteed Bonds (collectively the "Guaranteed Bonds") in an aggregate amount of US$600,000,000 (equivalent to approximately HK$4,642,130,000) will mature on 3 March 2019. Further details are set out in the announcements of the Company dated 5 March 2018, 6 March 2018 and 12 March 2018. Under the keepwell deed, Shandong Hi-Speed undertakes that it shall cause each of Coastal Emerald and the Company to have sufficient liquidity to ensure timely payment by it of any amounts due and payable in respect of the Guaranteed Bonds. If either Coastal Emerald or the Company at any time determines that it will have insufficient liquidity to meet any of its payment obligations under the Guaranteed Bonds, Shandong Hi-Speed will make available, or procure the availability to it before the due date of the relevant payment obligations, funds sufficient to enable it to pay such payment obligations in full as they fall due.

As at 31 December 2018 and 31 March 2018, the Group has other two outstanding bonds in an aggregate amount of approximately HK$20,100,000 (31 March 2018: HK$20,227,000), including (a) a 5% unsecured seven-year straight bond with principal amount of HK$10,000,000 to an independent third party. The final maturity of the bond issued is in the year ending 31 December 2020; and (b) a 5% unsecured seven-year straight bond with principal amount of HK$10,000,000 to an independent third party. The final maturity of the bond issued is in the year ending 31 December 2021.

28. BORROWINGS (continued)

Notes: (continued)

(iii) Other borrowings

As at 31 December 2018, the Group has four outstanding other borrowings including, (a) a borrowing with an amount of USD200,000,000 (equivalent to approximately HK$1,565,737,000) from a subsidiary of Shandong Hi-Speed, which is unsecured, bear interest at 4.5% per annum and repayable in year ending 31 December 2020. The directors of the Company considered that the above borrowings were conducted on normal commercial terms or better; (b) two borrowings with an amount of USD9,825,700 (equivalent to approximately HK$76,922,000) and USD10,000,000 (equivalent to approximately HK$78,287,000) from a securities company, which are unsecured, bear interest at 2.6% plus 3-month LIBOR rate and 3% plus 3-month LIBOR rate per annum respectively and repayable in year ending 31 December 2019; and (c) a borrowing with an amount of USD19,861,175 (equivalent to approximately HK$155,487,000) from a securities company, which are unsecured, bear interest at 5.186% per annum and repayable in year ending 31 December 2019.

As at 31 March 2018, the Group has two outstanding other borrowings advanced from certain affiliates of Shandong Hi-Speed (note 36(a)), including (a) an entrusted loan of an amount of RMB200,000,000 (equivalent to approximately HK$249,853,000) from an associate of Shandong Hi-Speed, which is unsecured, bears interest at 9% per annum and fully repaid during the nine months ended 31 December 2018; and (b) a loan of an amount of USD200,000,000 (equivalent to approximately HK$1,550,000,000) from a subsidiary of Shandong Hi-Speed, which is unsecured, bear interest at 4.5% per annum and repayable in year ending 31 December 2020. The directors of the Company considered that the above borrowings were conducted on normal commercial terms or better.

(iv) As at 31 December 2018, bank borrowing of approximately HK$132,122,000 (31 March 2018: nil) was secured by a finance lease receivable and bank borrowing of approximately HK$2,273,000 (31 March 2018: nil) was secured by director of the subsidiary and the subsidiary of the Group. (note 34).

29. CONVERTIBLE BONDS

During the nine months ended 31 December 2018, the Company had fully redeemed the convertible bond 1 ("CB 1") and convertible bond 4 ("CB 4"). During the year ended 31 March 2018, the Company had fully redeemed the convertible bond 2 ("CB 2") and issued convertible bond 5 ("CB 5").

CB 1

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

The CB 1 bears interest from the date of issue at 8% per annum on the principal amount of the convertible bonds and payment to be made on the maturity date. The CB 1 is secured by a share charge of the entire share capital of Hong Kong Leasing.

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

CB 2

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

The CB 2 bears interest from and including the issue date at 8% per annum payable every six months in arrears on 22 June and 22 December in each year commencing from 22 June 2016. The CB 2 contains two components: liability and equity elements. The equity element is presented in equity heading "convertible bonds reserve". The effective interest rate of the liability component on initial recognition is 10.60% per annum.

29. CONVERTIBLE BONDS (continued)

CB 4

On 16 August 2016, the Company issued 8% USD-denominated convertible bonds with the aggregate principal amount of US$40,000,000 (equivalent to approximately HK$310,000,000). The proceed of the CB 4 was used to redeem the convertible bond 3 which bears interest at 7% and was issued on 31 December 2015 ("CB 3") in full in an aggregate amount of US$40,000,000 (equivalent to approximately HK$310,000,000). Each bond entitles the holder to convert to Company's ordinary share at a conversion price of HK$0.72 and maturity on 16 August 2018. On 17 October 2016 and 5 January 2017, the Company early redeemed the CB 4 in the principal amount of US$10,000,000 and US$20,000,000 (equivalent to approximately HK$77,500,000 and HK$155,000,000) and recognised losses of approximately HK$6,884,000 and HK$12,096,000 in profit or loss for the year ended 31 March 2017 respectively. The remaining principal amount of the CB4 of US$10,000,000 was fully redeemed by the Company in August 2018. Details of the CB 4 are set out in the Company's announcements dated 27 July 2016, 16 August 2016, 7 December 2016 and 5 January 2017.

The CB 4 bears interest at 8% per annum payable in arrears every six months after the date of issue.

The CB 4 contains two components: liability and equity elements. The equity element is presented in equity heading "convertible bonds reserve". The effective interest rate of the liability component on initial recognition is 13.19% per annum.

CB 5

On 6 February 2018, the Company issued 6% USD-denominated convertible bonds with the aggregate principal amount of US$40,000,000 (equivalent to approximately HK$310,000,000). The proceed of the CB 5 was used to redeem the CB 2 in full in an aggregate amount of US$40,000,000 (equivalent to approximately HK$310,000,000). CB 5 is divided into two tranches, namely Tranche A Bonds and Tranche B Bonds. Tranche A Bonds in the principal amount of US$20,000,000 (equivalent to approximately HK$155,000,000) entitles the holder to convert to the Company's ordinary shares at a conversion price of HK$0.35 and Tranche B Bonds in the principal amount of US$20,000,000 (equivalent to approximately HK$155,000,000) entitles the holder to convert to the Company's ordinary shares at a conversion price of HK$0.42. If the average closing price of the shares of the Company for any five consecutive trading days is equal to or greater than HK$0.38, the Tranche A Bonds shall immediately become convertible into shares of the Company. Both the maturity date of Tranche A Bonds and Tranche B Bonds are on 6 August 2019. Details of the CB 5 are set out in the Company's announcements dated 23 January 2018 and 6 February 2018.

The CB 5 bears interest at 6% per annum payable in arrears every six months after the date of issue.

The CB 5 contains two components: liability and equity elements. The equity element is presented in equity heading "convertible bonds reserve". The effective interest rate of the liability component on initial recognition is 11.32% per annum.

29. CONVERTIBLE BONDS (continued)

CB 1, CB 2, CB 4 and CB 5 ("All CBs")

All CBs may be converted into shares of the Company at any time on or after issue date up to the close of business on the maturity date.

Unless previously redeemed, converted, purchased or cancelled, the Company will redeem each CB at its principal amount with accrued and unpaid interest thereon on the maturity date.

The information of all CBs is presented as follows:

	CB1 HK$'000	CB2 HK$'000	CB4 HK$'000	CB5 HK$'000
Principal amounts: – as at issue date	387,500	310,000	310,000	310,000
Interest:	8% p.a. payable semi-annually	8% p.a. payable semi-annually	8% p.a. payable semi-annually	6% p.a. payable semi-annually
Issue date:	28 October 2015	24 December 2015	16 August 2016	6 February 2018
Maturity date:	28 October 2018	24 December 2018	16 August 2018	6 August 2019
Conversion price per share:	HK$0.68	HK$0.72	HK$0.72	HK$0.35 (Tranche A Bonds)/ HK$0.42 (Tranche B Bonds)

29. CONVERTIBLE BONDS (continued)

CB 1, CB 2, CB 4 and CB 5 ("All CBs") (continued)

The convertible bonds recognised in the statement of financial position were calculated as follows:

	CB1 HK$'000	CB2 HK$'000	CB4 HK$'000	CB5 HK$'000	Total HK$'000
Principal amounts:					
Liability component	345,789	287,564	282,113	287,145	1,202,611
Equity component	41,711	22,436	27,887	22,855	114,889
Redeemed	(387,500)	(310,000)	(310,000)	–	(1,007,500)
Nominal value of CB					
– as at issue date	387,500	310,000	310,000	310,000	1,317,500
At 1 April 2017	371,404	298,215	73,903	–	743,522
Liability component at issue date	–	–	–	287,145	287,145
Imputed interest charge (note 8)	45,511	27,938	9,862	4,740	88,051
Interest paid and payable	(31,000)	(28,461)	(6,200)	–	(65,661)
Redemption	–	(297,692)	–	–	(297,692)
At 31 March 2018 and 1 April 2018	385,915	–	77,565	291,885	755,365
Imputed interest charge (note 8)	27,064	–	3,811	25,325	56,200
Interest paid and payable	(25,479)	–	(3,100)	(9,300)	(37,879)
Redemption	(387,500)	–	(78,276)	–	(465,776)
Exchange realignment	–	–	–	3,127	3,127
At 31 December 2018	**–**	**–**	**–**	**311,037**	**311,037**

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Analysed for reporting purpose as:		
Non-current	**–**	291,885
Current	**311,037**	463,480
	311,037	755,365

As at 31 December 2018, the fair value of liability component of the CB 5 was approximately HK$308,215,000 (31 March 2018: CB 1, CB 4 and CB 5 were approximately HK$394,017,000, HK$77,406,000 and HK$291,350,000 respectively).

30. DEFERRED TAX LIABILITIES

	Convertible bonds HK$'000	Financial assets measured at FVTPL/ investments at FVTPL HK$'000	Fair value adjustments arising from business combination (Note (i)) HK$'000	Total HK$'000
At 1 April 2017	4,421	75,490	111,832	191,743
Issuance of convertible bonds	3,771	–	–	3,771
Disposal of interest in subsidiaries resulting in loss of control (note 33(b))	–	–	(82)	(82)
Credited to profit or loss for the year (note 12)	(4,952)	(9,211)	–	(14,163)
Exchange realignment	–	5,250	–	5,250
At 31 March 2018 and 1 April 2018	3,240	71,529	111,750	186,519
Redemption of convertible bonds (note 12)	(251)	–	–	(251)
Credited to profit or loss for the period (note 12)	(2,644)	(53,825)	–	(56,469)
Exchange realignment	–	(3,209)	–	(3,209)
At 31 December 2018	**345**	**14,495**	**111,750**	**126,590**

Note:

(i) As at 31 December 2018, the deferred tax liabilities on fair value adjustments arising from business combination of approximately HK$111,750,000 (31 March 2018: HK$111,750,000) represent the deferred tax effect on the fair value movement of licenses arose from the acquisition of Hong Kong Leasing.

At 31 December 2018, the Group had tax losses arising in Hong Kong of approximately HK$208,014,000 (31 March 2018: HK$52,348,000) that are subject to the agreement by the Hong Kong Inland Revenue Department and are available indefinitely for offsetting against future taxable profits arising in Hong Kong of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of those losses due to the unpredictability of future taxable profit streams of those companies and, accordingly, in the opinion of the directors of the Company, it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

31. ISSUED CAPITAL

Authorised and issued capital

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Authorised Capital:		
2,000,000,000,000 (31 March 2018: 2,000,000,000,000) ordinary shares of HK$0.00025 (31 March 2018: HK$0.00025) each	**500,000**	500,000
Issued and fully paid:		
24,452,450,002 (31 March 2018: 24,551,714,002) ordinary shares of HK$0.00025 (31 March 2018: HK$0.00025) each	**6,113**	6,138

A summary of the movements in the Company's issued ordinary share capital and share premium account is as follows:

	Notes	Number of shares in issue/ (repurchased)	Issued/ (repurchased) capital HK$'000	Share premium account HK$'000	Total HK$'000
At 1 April 2017		19,188,648,437	4,797	3,154,542	3,159,339
Shares issued	(ii)	5,363,065,565	1,341	1,646,655	1,647,996
At 31 March 2018 and 1 April 2018		24,551,714,002	6,138	4,801,197	4,807,335
Shares repurchased and cancelled	(i)	(99,264,000)	(25)	(17,099)	(17,124)
At 31 December 2018		**24,452,450,002**	**6,113**	**4,784,098**	**4,790,211**

31. ISSUED CAPITAL (continued)

Authorised and issued capital (continued)

Notes:

(i) During the nine months ended 31 December 2018, the Company repurchased 99,264,000 shares at prices ranging from HK$0.148 to HK$0.21 per share at a total consideration of approximately HK$17,124,000 (before brokerage and expenses in amount of HK$25,000). The 99,264,000 repurchased ordinary shares were cancelled during the period. The premium of approximately HK$17,099,000 paid on the repurchase of such shares was debited to share premium account.

(ii) During the year ended 31 March 2018, the Company issued an aggregate number of 5,363,065,565 shares of the Company, which represented the following:

(a) 5,000,000,000 consideration shares issued on 13 October 2017 which arose from the completion of the major and connected transaction in relation to the acquisition of 40% equity interest in Shandong (BVI) pursuant to the sale and purchase agreement. Further details were set out in the Company's announcements dated 25 April 2017, 16 May 2017, 30 June 2017, 18 August 2017, 29 September 2017, 13 October 2017 and the circular dated 27 July 2017 and note 19 to the consolidated financial statements.

(b) 363,065,565 consideration shares issued on 26 March 2018 which arose from the completion of the transaction in relation to the acquisition of 60% equity interest in Kun Peng pursuant to the sale and purchase agreement. Further details were set out in the Company's announcements dated 29 December 2017 and 26 March 2018 and note 33(c)(ii) to the consolidated financial statements.

Capital management

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

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

As at 31 December 2018 and 31 March 2018, a subsidiary of the Group licensed by the development of the Shenzhen Municipal Government Financial Services Office is required to maintain a minimum registered share capital of RMB100,000,000 at all times.

31. ISSUED CAPITAL (continued)

Capital management (continued)

Save as disclosed above, no changes were made in the objectives, policies or processes for managing capital during the nine months ended 31 December 2018 and the year ended 31 March 2018.

The Group monitors capital using a gearing ratio, which is total borrowings divided by total assets. Total borrowings represent borrowings and convertible bonds. The Group's policy is to maintain the gearing ratio at a reasonable level. The gearing ratios at the end of the reporting periods were as follows:

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Total borrowings	**8,085,956**	8,028,855
Total assets	**13,377,465**	14,414,673
Gearing ratio	**60.44%**	55.70%

32. SHARE OPTION SCHEME

The Company's share option scheme ("Old Share Option Scheme") was adopted pursuant to an ordinary resolution passed at a special general meeting of the Company held on 28 September 2004 for the primary purpose providing incentives to selected participants for their contribution to the Group, and has expired on 27 September 2014. On 18 August 2014, the Company adopted a new share option scheme (the "New Share Option Scheme") pursuant to an ordinary resolution passed at the annual general meeting of the Company and the New Share Option Scheme has been effective immediately after the Old Share Option Scheme expired. The New Share Option Scheme will remain in force for a period of 10 years until 27 September 2024. Under the New Share Option Scheme, the board of directors of the Company may grant options to the Company's directors, including the INEDs, and other employees of the Group and of the Group's investee entities, and any adviser or agent engaged by any member of the Group or any investee entity.

The maximum number of unexercised share options permitted to be granted under the New Share Option Scheme was an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue as at 25 September 2014 on which refreshment of the scheme mandate limit was approved at the special general meeting. As at the date of this annual report, the total number of shares available for issue under the New Share Option Scheme is 1,694,371,824 shares of the Company, representing 6.93% of the issued share capital of the Company. The maximum number of shares issuable under share options to each eligible participant in the New Share Option Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

Under the New Share Option Scheme, the offer of a grant of share options may be accepted within 15 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. There is no provision as to the minimum period for which the share options must be held or the performance targets which must be achieved before the share options can be exercised. The exercise period of the share options granted is determinable by the directors of the Company and commences on the date of grant and ends on a date which is not later than 10 years from the date of offer of the share options or the expiry date of the New Share Option Scheme, if earlier.

32. SHARE OPTION SCHEME (continued)

The exercise price of share options is determinable by the directors of the Company, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of the Company's shares. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Details of the share options granted under New Share Option Scheme are as follows:

	Number of share option*						Adjusted price of the Company's shares**			
Name of participant	At 1 April 2018 '000	Granted during the period '000	Adjustment due to subdivision '000	At 31 December 2018 '000	Date of grant of share options	Exercise period of share options	Adjusted exercise price of share options* HK$ per share	At grant date of share options HK$ per share	Immediately before the exercise date HK$ per share	At exercise date of share options HK$ per share
Mr. Yau Wai Lung	**169,400**	**–**	**–**	**169,400**	**5-12-2014**	**5-12-2014 to 4-12-2024**	**0.42**	**0.405**	**N/A**	**N/A**

	Number of share option*						Adjusted price of the Company's shares**			
Name of participant	At 1 April 2017 '000	Granted during the year '000	Adjustment due to subdivision '000	At 31 March 2018 '000	Date of grant of share options	Exercise period of share options	Adjusted exercise price of share options* HK$ per share	At grant date of share options HK$ per share	Immediately before the exercise date HK$ per share	At exercise date of share options HK$ per share
Mr. Yau Wai Lung	169,400	–	–	169,400	5-12-2014	5-12-2014 to 4-12-2024	0.42	0.405	N/A	N/A

* The exercise price and the number of share options are subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The price of the Company's shares disclosed as at the date of grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options after the adjustment due to share subdivision.

32. SHARE OPTION SCHEME (continued)

The estimated fair value of the share options granted on 5 December 2014 was HK$0.948 per share option before adjustment due to share subdivision. The fair value was calculated using the Binomial Model. The inputs into the model were as follows:

	5 December 2014
Expected volatility (%) (Note i)	104.81
Risk-free interest rate (%)	1.73
Option life (year)	10
Dividend yield (%)	0
Weighted average share price before adjustment due to share subdivision (HK$ per share)	1.62
Exercise multiple (Note ii)	2.47

Notes:

(i) The expected volatility is determined based on the historical volatility of the share prices of the Company.

(ii) The exercise multiple defines the early exercise strategy.

No vesting conditions are set for the share options granted on 5 December 2014.

Because the Binomial Model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

For the nine months ended 31 December 2018 and year ended 31 March 2018, there is no share-based payment expenses as the Company did not grant any share options in that period/year.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Disposal of a subsidiary

For the year ended 31 March 2018

Disposal of Park Rise Investments Limited ("Park Rise")

On 31 March 2017, the Group entered into a sale and purchase agreement with Leading Fortune International Group Limited ("Leading Fortune"), a wholly-owned company of Mr. Yau Wai Lung, an executive director of the Company, pursuant to which the Group agreed to sell and Leading Fortune agreed to purchase the entire issued share capital of Park Rise, an indirect wholly-owned subsidiary of the Company. All conditions precedent in the agreement have been fulfilled during the year ended 31 March 2018 and the disposal of Park Rise was completed on 11 August 2017. The cash consideration was determined at HK$100,680,000 with reference to the completion accounts of Park Rise. The net assets of Park Rise at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment (note 15)	141,175
Other receivables	3,058
Cash and cash equivalents	319
Borrowings	(58,585)
	85,967
Gain on disposal of Park Rise (note 7)	14,713
Consideration satisfied by cash in respect of disposal of the Park Rise	100,680
Net cash inflow arising on disposal:	
Cash consideration received	100,680
Less: cash and cash equivalents disposal of	(319)
	100,361

Gain on disposal of Park Rise of approximately HK$14,713,000 (note 7) has been included in the consolidated income statement for the year ended 31 March 2018.

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

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Disposal of interest in subsidiaries resulting in loss of control

For the year ended 31 March 2018

(i) Disposal of Top Wish Holdings Limited ("Top Wish")

On 11 October 2017, the Group entered into a sale and purchase agreement with the independent third parties ("Top Wish Purchasers"), pursuant to which the Group agreed to sell and Top Wish Purchasers agreed to purchase the 75% issued share capital of Top Wish, an indirect wholly-owned subsidiary of the Company and its subsidiaries (collectively referred to as the "Top Wish Group"). All conditions precedent in the agreement have been fulfilled during the year ended 31 March 2018 and the disposal of the Top Wish Group was completed on 11 October 2017. The cash consideration was determined at HK$21,075,000 with reference to the completion accounts of the Top Wish Group. The net assets of Top Wish Group at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment (note 15)	470
Intangible assets (note 16)	500
Other receivables	14,908
Cash and cash equivalents	1,208
Other payables and accruals	(580)
	16,506
Attributable goodwill (note 16)	11,501
Less: fair value of 25% residual interest of Top Wish Group	(7,002)
Gain on disposal of Top Wish Group	70
Consideration satisfied by cash in respect of disposal of the Top Wish Group	21,075
Net cash inflow arising on disposal:	
Cash consideration received	21,075
Less: cash and cash equivalents disposal of	(1,208)
	19,867

This transaction was accounted for as disposal of interest in a subsidiary resulting in loss of control. Subsequent to the disposal, the remaining 25% equity interest in Top Wish is still held by the Group under significant influence and became an associate of the Group (note 17).

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(b) Disposal of interest in subsidiaries resulting in loss of control (continued)

For the year ended 31 March 2018 (continued)

(ii) Disposal of Eternal Billion Holding Group Limited ("Eternal Billion")

On 11 October 2017, the Group entered into a sale and purchase agreement with the independent third parties ("Eternal Billion Purchasers"), pursuant to which the Group agreed to sell and Eternal Billion Purchasers agreed to purchase the 75% entire issued share capital of Eternal Billion, an indirect wholly-owned subsidiary of the Company and its subsidiaries (collectively referred to as the "Eternal Billion Group"). All conditions precedent in the agreement have been fulfilled during the year ended 31 March 2018 and the disposal of the Eternal Billion Group was completed on 11 October 2017. The cash consideration was determined at HK$750,000 with reference to the completion accounts of Eternal Billion Group. The net assets of Eternal Billion Group at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Cash and cash equivalents	692
Other payables and accruals	(60)
	632
Less: fair value of 25% residual interest of Eternal Billion Group	(158)
Gain on disposal of Eternal Billion Group	276
Consideration satisfied by cash in respect of disposal of the Eternal Billion Group	750
Net cash inflow arising on disposal:	
Cash consideration received	750
Less: cash and cash equivalents disposal of	(692)
	58

This transaction was accounted for as disposal of interest in a subsidiary resulting in loss of control. Subsequent to the disposal, the remaining 25% equity interest in Eternal Billion are still held by the Group under significant influence and became an associate of the Group (note 17).

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Acquisition of subsidiaries

For the nine months ended 31 December 2018

(i) Acquisition of Wing Yue

On 27 December 2018, the Group acquired the entire share capital of Wing Yue from an independent third party pursuant to a sale and purchase agreement dated 10 March 2017 and a supplemental agreement date on 27 December 2018 at a total consideration of approximately HK$15,745,000.

Wing Yue is principally engaged in advisory and assets management business. The consideration was settled by cash of approximately HK$7,500,000 was paid in prior year and the remaining of approximately HK$8,245,000 was fully settled in January 2019.

As a result of the acquisition, the Group expects to diversify its business to capture the benefits from the trend of investment in securities. Goodwill of approximately HK$14,925,000 arising from the acquisition is attributable as a separate CGU under the unallocated segment of the Group.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Acquisition of subsidiaries (continued)

For the nine months ended 31 December 2018 (continued)

(i) Acquisition of Wing Yue (continued)

The following table summarises the consideration paid for the acquisition and the amounts of assets acquired and liabilities assumed recognised at the date of acquisition.

	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed at fair value:	
Property, plant and equipment (note 15)	3
Other receivables	176
Cash and cash equivalents	693
Other payables and accruals	(52)
	820
Goodwill (note 16)	14,925
	15,745
Total consideration satisfied by:	
Cash consideration	15,745
Net cash outflow arising on the acquisition of Wing Yue:	
Cash consideration paid	(7,500)
Cash consideration payable (Note 27)	(8,245)
Cash and cash equivalents acquired	693
	(15,052)

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Acquisition of subsidiaries (continued)

For the nine months ended 31 December 2018 (continued)

(i) Acquisition of Wing Yue (continued)

The fair value of the identifiable assets acquired and liabilities assumed have been arrived at on the basis of the valuation of Wing Yue at data of acquisition carried out by Peak Vision Appraisals Limited, an independent valuer not connected with the Group.

The fair value of other receivables at the date of acquisition approximated to the gross contractual amount and amounted to approximately HK$176,000.

Goodwill was determined as the excess of the consideration over the fair values of the identifiable assets acquired and liabilities assumed as at the completion date. Goodwill arose in the acquisition of Wing Yue because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Wing Yue. These benefits were not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The directors of the Company have assessed the recoverable amount of the goodwill based on the higher of fair value less costs of disposal and value in use and determined that there is no impairment of the goodwill at the date of acquisition and at the end of the reporting period. Details of the assessment at the end of the reporting period are set out in note 16 to the consolidated financial statements.

None of the goodwill arising on the acquisition was expected to be deductible for tax purposes.

During the nine months ended 31 December 2018, no revenue and net profit have been contributed by Wing Yue to the consolidated income statement from the date of acquisition to 31 December 2018. Had the acquisition been completed on 1 April 2018, the consolidated income statement of the Group would have instead included revenue of approximately HK$431,406,000 and loss of approximately HK$690,574,000.

* *For identification purpose only*

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Acquisition of subsidiaries (continued)

For the year ended 31 March 2018

(ii) Acquisition of Kun Peng

On 29 December 2017, Coastal Silk Limited ("Coastal Silk"), an indirect wholly-owned subsidiary of the Company, entered into a share purchase agreement (the "Share Purchase Agreement") with Honesta Investment Limited ("Honesta Investment"), as vendor, Kun Peng and Mr. Hua, pursuant to which (i) Coastal Silk agreed to subscribe for, and Kun Peng agreed to allot and issue, 12,500 new shares in Kun Peng, representing 25% of the then share capital of Kun Peng and 20% of the share capital as enlarged by the new shares to be allotted and issued by Kun Peng, at a cash consideration of RMB50,000,000 (equivalent to approximately HK$62,463,000) (the "Share Subscription"); and (ii) Honesta Investment agreed to sell, and Coastal Silk agreed to purchase, 25,000 shares in Kun Peng, representing 50% of the then share capital of Kun Peng and 40% of the share capital as enlarged by the new shares to be allotted and issued by Kun Peng in accordance with Share Subscription, at a consideration satisfied by way of allotment and issue of 363,065,565 shares of the Company (the "Consideration Shares") (the "Share Acquisition") (note 31(ii)(b)) (collectively the "Kun Peng Acquisition"). Upon completion of the Kun Peng Acquisition on 26 March 2018, Kun Peng was held by the Group as 60%-owned subsidiary.

Kun Peng Group is principally engaged in the Restricted Businesses in the PRC which is attributable to the financial technology segment of the Group after its acquisition. Further details were set out in the Company's announcements dated 29 December 2017 and 26 March 2018, note 4 to the consolidated financial statements and "Contractual Arrangement" Section in the "Report of the directors".

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Acquisition of subsidiaries (continued)

For the year ended 31 March 2018 (continued)

(ii) Acquisition of Kun Peng (continued)

The following table summarises the consideration paid for the acquisition and the amounts of assets acquired and liabilities assumed recognised at the date of acquisition.

	HK$'000
Recognised amounts of identifiable assets acquired and liabilities assumed at fair value:	
Property, plant and equipment (note 15)	3,138
Intangible assets (note 16)	34,073
Interests in associates	9,482
Trade and other receivables	87,126
Cash and cash equivalents	103,490
Other payables and accruals	(132,120)
Tax payables	(438)
	104,751
Less: non-controlling interests at proportionate share of net assets acquired	(69,721)
Goodwill (note 16)	145,429
	180,459
Total consideration satisfied by:	
Cash consideration paid	62,463
Consideration Shares based on quoted market price at acquisition date (note 31(ii)(b))	117,996
	180,459
Net cash inflow arising on the acquisition of Kun Peng:	
Cash consideration paid	(62,463)
Cash and cash equivalents acquired	103,490
	41,027

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Acquisition of subsidiaries (continued)

For the year ended 31 March 2018 (continued)

(ii) Acquisition of Kun Peng (continued)

Acquisition related costs of approximately HK$180,000 were charged to administrative expenses in the consolidated income statement for the year ended 31 March 2018.

The fair value of the identifiable assets acquired and liabilities assumed have been arrived at on the basis of the valuation of Kun Peng at data of acquisition carried out by Crowe Horwath First Trust Appraisal Pte Ltd., an independent valuer not connected with the Group.

Pursuant to the Share Purchase Agreement, Honesta Investment and Mr. Hua jointly and severally agree that an aggregate minimum distributable operating net profit of certain subsidiaries of Kun Peng, including Cashlai, Shenzhen Qianhai Honesta Asset Management Company Ltd. ("Honesta Asset Management"), and their subsidiaries (the "Minimum Net Profit") for the years ending 31 December 2018, 2019 and 2020 will be RMB32,270,000, RMB58,170,000 and RMB95,700,000 respectively. In the event that Cashlai, Honesta Asset Management and their subsidiaries fail to achieve the above aggregate Minimum Net Profit during the three financial years ending 31 December 2020, the Company will buy back a portion of the Consideration Shares at nil consideration based on the shortfall of the net profit upon the financial statements of the financial year ending 31 December 2020 are ready, subject to the approval of the Securities and Futures Commission and compliance with the Code of Share Buy-backs and all regulatory requirements or compensate the Group the shortfall in cash. In the opinion of the directors of the Company, the fair value of such contingent consideration, being the right to buy back the Considerations Shares at nil consideration, is insignificant at initial recognition and at the end of the reporting period.

Trade and other receivables mainly included trade receivables of approximately HK$14,571,000 and guarantee deposits paid to various independent entities under the money lending referral service business of approximately HK$33,730,000 (see description on note 24(ii)(a)).

The fair value of trade and other receivables at the date of acquisition approximated to the gross contractual amount and amounted to approximately HK$87,126,000.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Acquisition of subsidiaries (continued)

For the year ended 31 March 2018 (continued)

(ii) Acquisition of Kun Peng (continued)

Goodwill was determined as the excess of the consideration and the amount of noncontrolling interest of Kun Peng over the fair values of the identifiable assets acquired and liabilities assumed as at the completion date. Goodwill arose in the acquisition of Kun Peng because the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Kun Peng. These benefits were not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The directors of the Company have assessed the recoverable amount of the goodwill based on the higher of fair value less costs of disposal and value in use and determined that there is no impairment of the goodwill at the date of acquisition and at the end of the reporting period. Details of the assessment at the end of the reporting period are set out in note 16 to the consolidated financial statements.

None of the goodwill arising on the acquisition was expected to be deductible for tax purposes.

During the year ended 31 March 2018, the consolidated income statement included revenue of Kun Peng Group from the date of acquisition to 31 March 2018 of approximately HK$1,261,000. Kun Peng Group also contributed a loss of approximately HK$1,513,000 over the same period. Had the acquisition been completed on 1 April 2017, the consolidated income statement of the Group would have instead included revenue of approximately HK$551,841,000 and profit of approximately HK$668,349,000.

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(d) Major non-cash transactions

Save as disclosed elsewhere in these consolidated financial statements, the Group entered into the following major non-cash transactions:

(i) For the year ended 31 March 2018, the Group disposed of an investment at fair value through profit or loss through CIFS, an associate of the Group, which is the securities broker. The proceed of HK$230,000,000 arising from the disposal was settled after the end of the reporting period.

(ii) For the year ended 31 March 2018, the Group settled CB 2 by the issuance of CB 5. Further details are set out in note 29 to the consolidated financial statements.

34. PLEDGE OF ASSETS

As at 31 March 2018, except that CB 1 is secured by the share charge of the entire share capital of Hong Kong Leasing (note 29), none of the other assets of the Group were pledged.

As at 31 December 2018, there is a finance lease receivable with a carrying amount of approximately HK$159,563,000 (equivalent to approximately RMB140,418,000) pledged for a loan for approximately HK$132,122,000 (equivalent to approximately RMB116,270,000). The loan period is from 28 November 2018 to 27 November 2021.

35. COMMITMENTS

Operating lease arrangements

As lessee

The Group leases certain properties under operating lease arrangements, with leases negotiated for initial terms ranging from one to three years (31 March 2018: one to three years).

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Within one year	**9,128**	9,618
In the second to fifth years, inclusive	**–**	6,530
	9,128	16,148

35. COMMITMENTS (continued)

Capital commitments

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

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Acquisition of a company	–	7,500
Contracted for acquisition of intangible asset - software	358	–
	358	7,500

36. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the period.

(a) Transactions and balances with affiliates of Shandong Hi-Speed

As at 31 December 2018, the Company is 42.78% (31 March 2018: 42.60%) owned by Shandong Hi-Speed, a company established by the Shandong Provincial Government as a wholly state-owned enterprise. Save as disclosed to the consolidated financial statements, The Group entered into the following material transactions with the affiliates of Shandong Hi-Speed:

Balances with affiliates of Shandong Hi-Speed

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
With a bank, which is a subsidiary of Shandong Hi-Speed		
– bank deposits	26,778	249,087
– interest-bearing bank borrowing (note 28(i))	568,169	374,780
Other borrowings (note 28(iii)) from		
– an associate of Shandong Hi-Speed	–	249,853
– a subsidiary of Shandong Hi-Speed	1,565,737	1,550,000

36. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions and balances with affiliates of Shandong Hi-Speed (continued)

Save as disclosed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties during the period.

Transactions with affiliates of Shandong Hi-Speed

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
With a bank, which is a subsidiary of Shandong Hi-Speed		
– bank interest income	**(495)**	(15)
– interest expenses on bank borrowing (note 28(i))	**15,117**	3,221
– sale of loans receivables	**23,295**	–
Interest expenses on other borrowings (note 28(iii)) to		
– an associate of Shandong Hi-Speed	**52,382**	4,435
– a subsidiary of Shandong Hi-Speed	**56,553**	18,047
Interest income on loan receivables from		
– an associate of Shandong Hi-Speed	**–**	403

(b) Transactions and balances with other government-related entities in the PRC

During the nine months ended 31 December 2018 and year ended 31 March 2018, certain bank deposits, cash and cash equivalents and bank borrowings as of 31 December 2018 and 31 March 2018 and the relevant interest earned or paid during the period are transacted with banks and other financial institutions controlled by the PRC government. In the opinion of the directors of the Company, all such transactions were conducted in the ordinary course of business and on normal commercial terms.

36. RELATED PARTY TRANSACTIONS (continued)

(c) Transactions and balances with a company controlled by a former director of the Company

As at 31 December 2018, the Group has an amount due from China Hover Dragon, in which Mr. Ji Kewei, the former director of the Company, has interest in it, of approximately HK$139,907,000 (31 March 2018: HK$153,811,000). Further details are set out in note 24(iv)(a) to the consolidated financial statements.

(d) Balances with non-controlling interests

As at 31 December 2018, included in "Other payables and accruals" in the consolidated statement of financial position was an aggregate amount due to the non-controlling interests of an amount of approximately HK$57,000 (31 March 2018: HK$17,177,000) (note 27).

(e) Transactions and balances with an associate

As at 31 March 2018, included in "Trade and other receivables" in the consolidated statement of financial position was an amount due from an associate, namely CIFS, of an amount of HK$230,000,000 (note 24(iv)(f)), which was the proceed arising from the disposal of an investment at fair value through profit or loss in which CIFS was the securities broker of the transaction under normal commercial terms and conditions. The Group paid HK$312,000 commission fee arising from the transaction to CIFS during the year ended 31 March 2018.

(f) Compensation of key management personnel of the Group:

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
Short-term employee benefits	**7,186**	3,857

Further details of directors' emoluments and the five highest paid employees are included in notes 10 and 11, respectively, to the consolidated financial statements.

37. FINANCIAL INSTRUMENTS BY CATEGORY

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

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
Financial assets		
Financial assets measured at FVTOCI	**2,299,437**	–
Financial assets measured at FVTPL	**3,920,332**	–
Amortised cost	**5,814,986**	–
AFS investments		
– at cost	**–**	340,800
– at fair value	**–**	1,595,200
Investments at FVTPL		
– held for trading	**–**	721,869
– designated as FVTPL	**–**	3,145,475
Loans and receivables (including restricted cash and cash and cash equivalents)	**–**	7,081,560
	12,034,755	12,884,904
Financial liabilities		
Amortised cost	**8,326,463**	8,313,532

38. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS

(a) Fair value of financial assets that are measured at fair value

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation model(s) and inputs used).

Items	Fair value as at 31 December 2018 HK$'000	31 March 2018 HK$'000	Fair value hierarchy	Valuation technique(s)	Significant unobservable inputs
Financial asset measured at FVTOCI					
Unlisted equity investment					
– in elsewhere	**1,719,189**	–	Level 3	Discounted cash flow	Growth rate: 9% (31 March 2018: N/A) Gross margin rate: 74.8% (31 March 2018: N/A) Discount rate: 10.3% (31 March 2018: N/A) (Note) Terminal growth rate: 3.0% (31 March 2018: N/A) (Note)
Notes					
- in elsewhere	**543,649**	–	Level 2	Latest transaction price	N/A
Bond					
– in the PRC	**36,599**	–	Level 2	Latest transaction price	N/A
Available-for-sale investments					
Club membership debenture	**–**	5,200	Level 2	Market comparison	N/A
Unlisted equity investment					
– in elsewhere	**–**	1,590,000	Level 3	Discounted cash flow	Growth rate: N/A (31 March 2018: 13.6% – 23%) Gross margin rate: N/A (31 March 2018: 89.3%) Discount rate: N/A (31 March 2018: 15.6%) (Note) Terminal growth rate: N/A (31 March 2018: 3.0%) (Note)

38. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

(a) Fair value of financial assets that are measured at fair value (continued)

Items	Fair value as at 31 December 2018 HK$'000	31 March 2018 HK$'000	Fair value hierarchy	Valuation technique(s)	Significant unobservable inputs
Financial assets measured at FVTPL					
Listed equity investments					
– in Hong Kong	**2,080,583**	–	Level 1	Quoted price in active markets	N/A
Unlisted equity investments					
– in the PRC	**511**	–	Level 3	Net assets value	N/A
– in elsewhere	**308,365**	–	Level 3	Market approach	Discount for lack of control: 4% (31 March 2018: N/A) (Note)
Other investment					
– in the PRC	**34,090**	–	Level 2	Latest transaction price	N/A
Club membership debenture					
– in Hong Kong	**6,200**	–	Level 2	Market comparison	N/A
Investment funds					
– in Hong Kong	**540,419**	–	Level 2	Latest transaction price	N/A
– in elsewhere	**580,557**	–	Level 2	Latest transaction price	N/A
	20,000	–	Level 3	Discounted cash flow	Discount rate: 1.79% (31 March 2018: N/A) (Note)
– in PRC	**36,456**	–	Level 3	Discounted cash flow	Discount rate: 9.39% – 9.64% (31 March 2018: N/A) (Note)
Bond					
– in Hong Kong	**235,984**	–	Level 3	Hull white model	Discount rate: 10.56%– 11.35% (31 March 2018: N/A) (Note)
Guaranteed structure notes					
– in elsewhere	**77,167**	–	Level 2	Market comparison	N/A

38. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

(a) Fair value of financial assets that are measured at fair value (continued)

Items	Fair value as at 31 December 2018 HK$'000	31 March 2018 HK$'000	Fair value hierarchy	Valuation technique(s)	Significant unobservable inputs
Investments at FVTPL					
Listed equity investments					
– in the PRC	–	234,862	Level 3	Discounted cash flow#	Growth rate: N/A (31 March 2018: 3% – 5%) Gross margin rate: N/A (31 March 2018 86.1% – 86.8%) Discount rate: N/A (31 March 2018: 9.3%) (Note) Terminal growth rate: N/A (31 Mar 2018: 3.0%) (Note)
– in Hong Kong	–	1,827,768	Level 1	Quoted price in active markets	N/A
Investment fund					
– in Hong Kong	–	546,828	Level 2	Latest transaction price	N/A
– in elsewhere	–	1,257,886	Level 2	Latest transaction price	N/A

The investment was listed in the NEEQ as at 31 March 2018 which was not considered as an active market as there were minimal transactions in the NEEQ. Therefore, a discounted cash flow approach was adopted in determining the fair value of the investment.

38. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (CONTINUED)

(a) Fair value of financial assets that are measured at fair value (continued)

Note:

The following table details the Group's sensitivity to the increase and decrease in discount rate, terminal growth rate and discount for lack of control, with all other variables held constant, on the Group's profit or loss and other comprehensive income for the nine months ended 31 December 2018 and year ended 31 March 2018:

Nine months ended 31 December 2018

	Increased/ (decreased)	(Increase)/ decrease in loss HK$'000	(Increase)/ decrease in other comprehensive loss HK$'000
Discount rate increased by	**10%**	**(5,116)**	**(299,363)**
Discount rate decreased by	**(10%)**	**5,243**	**397,864**
Terminal growth rate increased by	**10%**	**–**	**87,532**
Terminal growth rate decreased by	**(10%)**	**–**	**(80,623)**
Discount for lack of control increased by	**10%**	**(1,285)**	**–**
Discount for lack of control decreased by	**(10%)**	**1,285**	**–**

Year ended 31 March 2018

	Increased/ (decreased)	Increase/ (decrease) in profit HK$'000	Increase/ (decrease) in other comprehensive income HK$'000
Discount rate increased by	10%	(18,857)	(163,019)
Discount rate decreased by	(10%)	24,750	218,842
Terminal growth rate increased by	10%	5,893	26,993
Terminal growth rate decreased by	(10%)	(5,893)	(17,910)
Discount for lack of control increased by	10%	–	–
Discount for lack of control decreased by	(10%)	–	–

During the nine months ended 31 December 2018 and year ended 31 March 2018, the Group did not have any financial assets transferred between Level 1, Level 2 and Level 3 fair value measurement.

38. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

(a) Fair value of financial assets that are measured at fair value (continued)

Financial assets measured at fair value:

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
At 31 December 2018				
Financial assets measured at FVTOCI	**–**	**580,248**	**1,719,189**	**2,299,437**
Financial assets measured at FVTPL	**2,080,583**	**1,238,433**	**601,316**	**3,920,332**
	2,080,583	**1,818,681**	**2,320,505**	**6,219,769**
At 31 March 2018				
AFS investments	–	5,200	1,590,000	1,595,200
Investments at FVTPL	1,827,768	1,804,714	234,862	3,867,344
	1,827,768	1,809,914	1,824,862	5,462,544

38. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

(a) Fair value of financial assets that are measured at fair value (continued)

Financial assets measured at fair value: (continued)

The movement during the period/year in the balances of Level 3 fair value measurement is as follows:

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
Financial assets measured at FVTOCI		
At beginning of the period/year	**1,590,000**	–
Fair value gain	**129,189**	–
At end of the period/year	**1,719,189**	–
Financial assets measured at FVTPL		
At beginning of the period/year	**525,089**	–
Acquisition	**266,951**	–
Fair value loss, net	**(190,724)**	–
At end of the period/year	**601,316**	–
AFS investments		
At beginning of the period/year	–	–
Acquisition	–	1,535,576
Fair value gain	–	54,424
At end of the period/year	–	1,590,000
Investments at FVTPL		
At beginning of the period/year	–	913,822
Disposal	–	(660,026)
Fair value loss, net	–	(43,981)
Exchange realignment	–	25,047
At end of the period/year	–	234,862

38. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

(b) Fair value measurement and valuation process

The management of the Group is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of a financial asset or a financial liability, the Group uses market observable data to the extent it is available. When Level 1 inputs are not available, the Group engaged independent qualified external valuers to perform the valuation. The management of the Group works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management of the Group reports to EDs of the Company semi-annually to explain the cause of fluctuations in the fair value of the financial assets and financial liabilities.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments comprise loans receivables, finance lease receivables, trade and other receivables, advances to associates, financial assets measured at FVTOCI, financial assets measured at FVTPL, AFS investments, investments at FVTPL, restricted cash, cash and cash equivalents, other payables and accruals, amount due to an associate, convertible bonds and borrowings. Details of these financial instruments are disclosed in respective notes. The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk, foreign currency risk and equity price risk as further detailed below. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing financial assets and liabilities. As at 31 December 2018, certain of the Group's finance lease receivables, loans receivables, convertible bonds and borrowings are at fixed rate. Although subject to interest rate risk, they are not remeasured in the consolidated financial statements in response to changes in interest rates and therefore change in interest rate risk variables would not affect reported profit or loss in the short term. Variable-rate borrowings amounted to approximately HK$1,136,791,000 out of the total borrowings of approximately HK$8,085,956,000 (31 March 2018: HK$811,280,000 out of the total borrowings of approximately HK$8,028,855,000). The Group currently does not have interest rate hedging policy. However, the management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk (continued)

Sensitivity analysis

An increase of 50 basis points in interest rates at the reporting date would have increased or decreased loss (year ended 31 March 2018: decreased or increased profit) for the period by the amounts shown below. This analysis assumes that all other variables remain constant.

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000
Variable-rate borrowings	**5,023**	2,182

There was no material impact to the other components of equity for the nine months ended 31 December 2018 and year ended 31 March 2018.

Credit risk

As at 31 December 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to the failure to perform an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets including loans receivables, finance lease receivables, financial assets measured at FVTOCI, financial assets measured at FVTPL, FVTOCI, trade and other receivables, advances to associates bank balances and restricted cash as stated in the consolidated statement of financial position.

The Group's finance lease receivables and loans receivable arise from the ordinary course of business of the Group and are closely monitored by the EDs in charge of the Group's finance lease operation and money lending operation on an ongoing basis. In order to minimise the credit risk, the Group has established policies and systems for the monitoring and control of credit risk. The management has delegated different divisions responsible for determination of credit limits, credit approvals and other monitoring processes to ensure that follow-up action is taken to recover overdue debts. The Board has overall responsibility for the Group's credit policies and oversees the credit quality of the Group's advance portfolio. In addition, management reviews the recoverable amount of finance lease receivables and loans receivables individually or collectively at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, management considers that the Group's credit risk is significantly reduced. Further quantitative data in respect of the Group's exposure to credit risk arising from finance lease receivables and loans receivables are disclosed in notes 22 and 23 to the consolidated financial statements respectively.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

The Group also monitors the credit rating and market news of the issuers of respective equity, debts and unlisted financial products for any indication of potential credit deterioration.

The Group applies with simplified approach to provide for expected credit losses presented by IFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The Group has performed historical analysis and identified the economic variable credit risk and expected credit loss. This considers available reasonable and supportive forwarding-looking. At the end of the reporting period, the trade receivables of the Group relate to a large number of diversified customers. There was no significant concentration of credit risk.

Other receivables and advances to associates relating to accounts that are long overdue with significant amounts, known insolvencies or non-response to collection activities, they are assessed individually for impairment allowance. The Group recognised the provision for expected credit losses by assessing the credit risk characteristics of debtor, discount rate and the likelihood of recovery and considering the prevailing economic conditions.

In relation to the Group's bank deposits and restricted cash, the Group limits its exposure to credit risk by placing deposits with financial institution with high credit rating and no recent history of default. The directors of the Company consider that the Group's credit risk on the deposits is low. Management continues to monitor the position and will take appropriate action if their ratings are changed.

Liquidity risk

The Group's liquidity risk is managed by management on an ongoing basis by the raising of loans and/or equity fundings to meet expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, if any, to ensure that it maintains sufficient reserves of cash and bank balances to meet its liquidity requirements in the short and long terms.

As part of its ordinary brokerage activities, the Group is also exposed to liquidity risk arising from timing difference between settlements with clearing houses or brokers and customers. The goal of liquidity risk management is to ensure the Group maintains adequate liquid capital to fund its business commitments as well as to comply with the relevant FRR applying to the licensed subsidiary.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

The maturity profile of the Group's financial liabilities as at end of the reporting period, based on the contractual undiscounted payments, is as follows:

	At 31 December 2018				
	On demand/ less than 3 months HK$'000	**3 to less than 12 months HK$'000**	**1 to 5 years HK$'000**	**Total undiscounted cash flows HK$'000**	**Total carrying amount HK$'000**
Financial liabilities includes in other payables and accruals	**188,287**	**14,721**	**37,499**	**240,507**	**240,507**
Borrowings:					
– bonds	**8,594**	**4,784,278**	**976**	**4,793,848**	**4,759,422**
– interest-bearing bank borrowings	**9,262**	**598,228**	**591,319**	**1,198,809**	**1,139,064**
– other borrowings	**17,615**	**208,053**	**1,944,934**	**2,170,602**	**1,876,433**
Convertible bonds	**2,805**	**8,416**	**313,147**	**324,368**	**311,037**
	226,563	**5,613,696**	**2,887,875**	**8,728,134**	**8,326,463**

	At 31 March 2018				
	On demand/ less than 3 months HK$'000	3 to less than 12 months HK$'000	1 to 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
Financial liabilities includes in other payables and accruals	233,976	18,293	32,408	284,677	284,677
Borrowings:					
– bonds	42,370	4,770,225	20,974	4,833,569	4,662,357
– interest-bearing bank borrowings	7,085	396,034	447,089	850,208	811,280
– other borrowings	21,763	315,143	1,670,125	2,007,031	1,799,853
Convertible bonds	9,688	494,062	316,458	820,208	755,365
	314,882	5,993,757	2,487,054	8,795,693	8,313,532

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk

Certain cash and cash equivalents and financial assets included in trade and other receivables are denominated in HK$ and RMB, currencies other than functional currencies of respective group entities. The Group currently does not have a foreign currency hedging policy. However, the management of the Group will monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

With transaction in the US$, the impact of it is insignificant as the HK$ is pegged to US$. Therefore, no sensitivity analysis was presented.

The carrying amounts of the Group's foreign currency denominated monetary assets at end of the reporting period are approximately as follows:

	At 31 December 2018		At 31 March 2018	
	RMB against HK$	**HK$ against RMB**	RMB against HK$	HK$ against RMB
	HK$'000	**HK$'000**	HK$'000	HK$'000
Cash and cash equivalents	**–**	**6**	–	25

The following table details the Group's sensitivity analysis for increase and decrease in the functional currencies of the respective group entities against relevant foreign currencies and all other variables were held constant.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	Strengthen/ (weaken by) %	Increase/ (decrease) in equity HK$'000	Decrease/ (increase) in profit after tax HK$'000
Nine months ended 31 December 2018			
HK$ strengthen against RMB by	**5**	–	–
HK$ weaken against RMB by	**(5)**	–	–
Year ended 31 March 2018			
HK$ strengthen against RMB by	5	1	1
HK$ weaken against RMB by	(5)	(1)	(1)

The sensitivity rate used above represents management's assessment of the reasonably possible change in foreign exchange rates. The analysis is performed on the same basis for 31 March 2018.

Equity price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investments classified as held for trading equity investments (notes 20 and 21) as at 31 December 2018 and 31 March 2018. The Group's listed investments are listed on the Hong Kong Stock Exchange and are valued at quoted market prices at the end of the reporting period. The management managed this exposure by maintaining a portfolio of investments with different risks. The management considers that there is no significant equity price risk for Yunnan Highway and other investments in unlisted equity securities and those investments were excluded for sensitivity analysis.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Equity price risk (continued)

The following table demonstrates the sensitivity to every 15% (31 March 2018: 15%) change in equity prices of the listed equity investments, with all other variables held constant, based on their carrying amounts at the end of the reporting period.

	Increase/ (decrease) in equity prices %	Carrying amount of equity investments HK$'000	Increase/ (decrease) in equity HK$'000	Decrease/ (increase) in profit after tax HK$'000
Nine months ended 31 December 2018				
Investments listed in:				
– Hong Kong	**15**	**2,080,583**	**343,296**	**343,296**
Year ended 31 March 2018				
Investments listed in:				
– Hong Kong	15	1,827,768	229,776	229,776

The sensitivity analysis above had been determined based on the exposure to equity price risks as at 31 December 2018 and 31 March 2018. For sensitivity analysis purpose, 15% (31 March 2018: 15%) was used as the sensitivity rate for the nine months ended 31 December 2018 as a result of the volatile financial markets. In management's opinion, the sensitivity analysis was unrepresentative of the inherent equity price risk as it only reflects the impact of equity price changes to equity securities held as at the end of the reporting period.

40. EVENTS AFTER THE END OF THE REPORTING PERIOD

As at 31 December 2018, the Group held 99,500,227 shares of Jiayuan International Group Limited ("Jiayuan International") (stock code: 2768). The Group had classified these investments as financial assets measured at FVTPL and its fair value measurement as at 31 December 2018 was determined based on its quoted market price of HK$14.48 per share, representing fair value of approximately HK$1,440,764,000 (note 20(vi)(a)). As at the date of approval of the consolidated financial statements of the Group for the year ended 31 December 2018, the quoted market price of Jiayuan International was significantly reduced to HK$4.12 per share, representing a fair value loss of approximately HK$1,030,822,000 subsequent to 31 December 2018, which effects would be included in consolidated profit or loss for the year ending 31 December 2019.

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Borrowings HK$'000	**Liability component of convertible bonds** HK$'000	**Interest payable** HK$'000	**Total** HK$'000
At 1 April 2017	531,419	743,522	767	1,275,708
Financing cash flows	6,738,034	(65,661)	(38,493)	6,633,880
Exchange adjustments	62,622	–	(16,788)	45,834
Disposal of a subsidiary (note 33(a))	(58,585)	–	–	(58,585)
Extinguishment of convertible bonds	–	(10,547)	–	(10,547)
Total interest expenses	–	88,051	72,765	160,816
At 31 March 2018 and 1 April 2018	7,273,490	755,365	18,251	8,047,106
Financing cash flows	451,180	(465,776)	(194,510)	(209,106)
Exchange adjustments	50,249	(34,772)	(41,536)	(26,059)
Total interest expenses	–	56,220	220,951	277,171
At 31 December 2018	**7,774,919**	**311,037**	**3,156**	**8,089,112**

42. CONTINGENT LIABILITIES

As disclosed in note 24(ii)(a) to the consolidated financial statements, during the nine months ended 31 December 2018 and year ended 31 March 2018, Shangao Puhui entered into cooperation agreements with various independent entities for the purpose of Shangao Puhui providing financial guarantees on behalf of borrowers that obtained financing from lenders via these entities through Shangao Puhui's money lending referral service business. Shangao Puhui is exposed to the guaranteed loan principal of the borrowers and the respective interests.

As at 31 December 2018, the guaranteed loan principal was amounted to approximately HK$780,802,000 (31 March 2018: HK$708,346,000). Shangao Puhui provided guarantee deposits of approximately HK$29,461,000 (31 March 2018: HK$33,730,000) to these entities (note 24(ii)(a)). The Group has assessed the credit worthiness and past payment history of the borrowers, pledge of collaterals and the Group has provided sufficient guarantee deposits in accordance with the cooperation agreements. In the opinion of the directors of the Company, the fair value of the provision for guaranteed liabilities to the Group is insignificant as at the dates of grants of the financial guarantees and the expected credit losses on these financial guarantees were insignificant as at 31 March 2018 and 31 December 2018.

43. PROFIT GUARANTEE

(a) Hong Kong Leasing

Pursuant to a share purchase agreement entered into by Shinning Seas Limited ("Shinning Seas"), a wholly owned subsidiary of the Company, the Company, China Hover Dragon, Mr. Gao, Mr. Wang and Mr. Ji dated 8 April 2015 and as varied by a supplemental agreement dated 29 July 2015 (together, the "Hong Kong Leasing Sale and Purchase Agreement"), Shinning Seas has agreed to buy and China Hover Dragon and Mr. Gao (collectively as the "Vendors") have agreed to sell the entire issued share capital of Hong Kong Leasing at a consideration of approximately HK$1,581,945,000. The acquisition was completed on 1 September 2015 (the "Acquisition Date"). The consideration was settled by way of allotment and issue of 2,361,112,121 shares (the "Base Consideration Shares") of the Company (equivalent to an aggregate amount of approximately HK$1,581,945,000 based on the closing price on 1 September 2015 of HK$0.67 per share as quoted on the Stock Exchange). There was an arrangement of profits guarantee from the Vendors that if the audited net profits after tax of the relevant year of Hong Kong Leasing is less than the guaranteed amounts (as disclosed below), the base consideration for the acquisition shall be reduced by way of repurchase by the Company of part of the consideration shares.

Relevant year	Guaranteed Amount
1 September 2015 to 31 August 2016 ("1st Year")	HK$100,000,000
1 September 2016 to 31 August 2017 ("2nd Year")	HK$200,000,000

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

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

43. PROFIT GUARANTEE (continued)

(a) Hong Kong Leasing (continued)

A stop notice had been served by the Company on 16 March 2018 pursuant to the Rules of High Court to stop the transfer of 1,951,714,383 ordinary shares of the Company (including the Profit Guarantee Shares and the Bad Debt Repurchase Shares (note 24(iv)(a)) held by the shareholders of China Hover Dragon ("Subject Shares"), and payment of dividend. The Group has commenced an action in the High Court of Hong Kong on 31 July 2018 against China Hover Dragon (as 1st Defendant), Mr. Gao Chuanyi ("Mr. Gao") (as 2nd Defendant), Chinanet Consultancy Limited ("Chinanet", a shareholder of China Hover Dragon) (as 3rd Defendant), Ms. Wang Zi Yi ("Ms. Wang") (as 4th Defendant)) and Mr. Ji Kewei ("Mr. Ji") (as 5th Defendant) for, among others, the release of and deliver up of possession of the shares certificates for the Subject Shares. The action is at pleadings stage. After the service of the said writ on China Hover Dragon, Chinanet, Ms. Wang and Mr. Ji, a defence and counterclaim (the "Defence and Counterclaim") was filed by China Hover Dragon, Chinanet, Ms. Wang and Mr. Ji. The Company has yet to commence an application for leave to issue concurrent writ and serve the same out of jurisdiction against Mr. Gao.

The repurchase of the Profit Guarantee Shares and the Bad Debt Repurchase Shares are under legal proceedings as at 31 December 2018 and the date of approval of the consolidated financial statements of the Group for the nine months ended 31 December 2018.

Based on the understanding of the directors of the Company on the Defence and Counterclaim and a legal opinion from an independent lawyer thereon, the directors of the Company considered that China Hover Dragon, Chinanet, Mr. Wang and Mr. Ji have no disagreement on the Bad Debt Repurchase Shares, and therefore the Bad Debt Repurchase Shares could be repurchased by the Company at nil consideration. However, there is disagreement on the Profit Guarantee Shares. The directors of the Company considered that the repurchase of the Profit Guarantee Shares is uncertain as at 31 December 2018 and the date of approval of the consolidated financial statements of the Group for the nine months ended 31 December 2018.

43. PROFIT GUARANTEE (continued)

(b) Kun Peng

Pursuant to the Share Purchase Agreement, Honesta Investment and Mr. Hua jointly and severally agree that the Minimum Net Profit for the year ended 31 December 2018 and years ending 31 December 2019 and 2020 will be RMB32,270,000, RMB58,170,000 and RMB95,700,000 respectively. In the event that Cashlai, Honesta Asset Management and their subsidiaries fail to achieve the above aggregate Minimum Net Profit during the three financial years ending 31 December 2020, the Company will buy back a portion of the Consideration Shares at nil consideration based on the shortfall of the net profit upon the financial statements of the financial year ending 31 December 2020 are ready, subject to the approval of the Securities and Futures Commission and compliance with the Code of Share Buy-backs and all regulatory requirements or compensate the Group the shortfall in cash.

In the opinion of the directors of the Company, the fair value of such contingent consideration, being the right to buy back the Considerations Shares at nil consideration, is insignificant at initial recognition and at 31 March 2018.

Based on the unaudited financial statements of Cashlai, Honesta Asset Management and their subsidiaries for the year ended 31 December 2018, the directors of the Company considered that unaudited Minimum Net Profit for the year ended 31 December 2018 would be less than RMB32,270,000. However, the directors of the Company considered that aggregate Minimum Net Profit during the three financial years ending 31 December 2020 is subjected to future performance of Cashlai, Honesta Asset Management, their subsidiaries and performance risks of the counter-parties. Therefore, it is determined that the fair value of such contingent consideration at 31 December 2018 is insignificant.

44. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31 December 2018 and 31 March 2018 are as follows:

			Attributable equity interest held by the Company				
			Directly		Indirectly		
Name	Place of Incorporation/ establishment	Issued and fully paid ordinary share capital/ registered capital	31 December 2018	31 March 2018	31 December 2018	31 March 2018	Principal activities
C.I.F. Financial Limited	Hong Kong	HK$530,000,001 and US$50,000,000	–	–	100%	100%	Money lending
China Shandong Hi-Speed Hong Kong Leasing Limited	Hong Kong	HK$310,000,000	–	–	100%	100%	Investment holding
Heritage Management (Hong Kong) Company Limited	Hong Kong	HK$2	–	–	100%	100%	Provision of corporate services
Prostar Hong Kong Limited	Hong Kong	HK$2	100%	100%	–	–	Provision of corporate services
Mass Nation Investments Limited	BVI	US$1	–	–	100%	100%	Investment holding
Safe Castle Limited	BVI	US$1	–	–	100%	100%	Investment in securities
Viewlock Limited	BVI	US$1	100%	100%	–	–	Investment in securities
Coastal Silk Limited	BVI	US$1	–	–	100%	100%	Investment holding
Coastal Emerald Limited	BVI	US$1	–	–	100%	100%	Issuer of Guaranteed Bonds
山高融資租賃(上海)有限公司	PRC	RMB500,000,000	–	–	100%	100%	Provision of financial leasing
山高國際融資租賃(深圳)有限公司	PRC	US$48,000,000	–	–	100%	100%	Provision of financial leasing
山高融資租賃(北京)有限公司	PRC	RMB500,000,000	–	–	100%	100%	Provision of financial leasing
深圳亞太租賃資產交易中心有限公司	PRC	RMB100,000,000	–	–	100%	100%	Provision of asset trading platform
山高國際商業保理(深圳)有限公司	PRC	RMB100,300,000	–	–	100%	100%	Provision of business factoring
中新金(深圳)投資有限公司*	PRC	US$874,000	–	–	100%	100%	Investment holding
山高(深圳)投資有限公司*	PRC	RMB2,000,000,000	–	–	100%	100%	Provision of financial leasing
深圳前海厚生資產管理有限公司#	PRC	RMB30,000,000	–	–	36%	36%	Provision of asset management in PRC
Cashlai#	PRC	RMB45,920,001	–	–	36%	36%	Provision for online investment and technology–enabled lending services
Shangao Puhui#	PRC	RMB30,000,000	–	–	36%	36%	Provision for investment management

* The company is a wholly foreign-owned company established in the PRC.

\# The above represented effective interest indirectly held by the Group. These entities were subsidiaries of Kun Peng, a 60%-owned subsidiary of the Group and therefore the directors of the Company consider that the Company can exercise control over these entities through control of Kun Peng.

45. THE STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) The statement of financial position of the Company

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1**	1
Amounts due from subsidiaries	**11,790,545**	10,557,146
Available-for-sale investments	**–**	5,200
Financial assets measured at FVTPL	**1,446,964**	–
Advances to associates	**31,714**	32,002
Investments at fair value through profit or loss	**–**	1,105,899
Total non-current assets	**13,269,224**	11,700,248
CURRENT ASSETS		
Prepayments and other receivables	**20,655**	259,034
Cash and cash equivalents	**433,563**	517,160
Total current assets	**454,218**	776,194
CURRENT LIABILITIES		
Other payables and accruals	**5,362**	42,112
Convertible bonds	**311,037**	463,480
Amounts due to subsidiaries	**6,130,457**	4,657,549
Borrowings	**–**	983
Total current liabilities	**6,446,856**	5,164,124
NET CURRENT LIABILITIES	**(5,992,638)**	(4,387,930)
Total assets less current liabilities	**7,276,586**	7,312,318

45. THE STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(a) The statement of financial position of the Company (continued)

	At 31 December 2018 HK$'000	At 31 March 2018 HK$'000
NON-CURRENT LIABILITIES		
Borrowings	**2,002,237**	2,005,744
Convertible bonds	**20,100**	291,885
Deferred tax liabilities	**345**	3,240
Total non-current liabilities	**2,022,682**	2,300,869
Net assets	**5,253,904**	5,011,449
CAPITAL AND RESERVES		
Issued capital	**6,113**	6,138
Reserves	**5,247,791**	5,005,311
Total equity	**5,253,904**	5,011,449

Approved and authorised for issued by the board of directors on 28 March 2019 and are signed on its behalf by:

Yau Wai Lung
Director

Ji Kecheng
Director

45. THE STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(b) Reserve movement of the Company

	Issued capital HK$'000	Share premium account HK$'000 (note i)	Share options reserve HK$'000 (note ii)	Capital redemption reserve HK$'000 (note iii)	Contributed surplus HK$'000 (note iv)	Available-for-sale investments revaluation reserve HK$'000 (note v)	Convertible bonds reserve HK$'000 (note vi)	Accumulated losses HK$'000	Total equity HK$'000
At 1 April 2017	4,797	3,154,542	40,150	1,177	1,524,577	120	59,384	(2,011,363)	2,773,384
Profit for the year	–	–	–	–	–	–	–	566,439	566,439
Other comprehensive income for the year:									
Changes in fair value of an available-for-sale investment	–	–	–	–	–	600	–	–	600
Total comprehensive income for the year	–	–	–	–	–	600	–	566,439	567,039
Acquisition of an available-for-sale investment measured at fair value (note 31 (ii)(a))	1,250	1,528,750	–	–	–	–	–	–	1,530,000
Acquisition of subsidiaries (note 31 (ii)(b))	91	117,905	–	–	–	–	–	–	117,996
Extinguishment of convertible bonds	–	–	–	–	–	–	4,121	22,680	26,801
Deferred tax arising on issue of convertible bonds (note 30)	–	–	–	–	–	–	(3,771)	–	(3,771)
At 31 March 2018	6,138	4,801,197	40,150	1,177	1,524,577	720	59,734	(1,422,244)	5,011,449
Adjustment	–	–	–	–	–	(720)	–	377	(343)
At 1 April 2018 (Restated)	6,138	4,801,197	40,150	1,177	1,524,577	–	59,734	(1,421,867)	5,011,106
Profit and total comprehensive income for the period	–	–	–	–	–	–	–	259,922	259,922
Redemption of convertible bonds	–	–	–	–	–	–	(40,650)	40,650	–
Repurchase of ordinary shares	(25)	(17,099)	–	–	–	–	–	–	(17,124)
At 31 December 2018	**6,113**	**4,784,098**	**40,150**	**1,177**	**1,524,577**	**–**	**19,084**	**(1,121,295)**	**5,253,904**

45. THE STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (continued)

(b) Reserve movement of the Company (continued)

Notes:

(i) Share premium account

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

(ii) Share options reserve

Share options reserve relates to share options granted to employees under New Share Option Scheme. Further information about share-based payments to employees is set out in note 32 above.

(iii) Capital redemption reserve

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

(iv) Contributed surplus

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

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

(v) Available-for-sale investments revaluation reserve

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

(vi) Convertible bonds reserve

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

46. APPROVAL FOR CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 28 March 2019.

FIVE YEAR FINANCIAL SUMMARY

For the nine months ended 31 December 2018

A summary of the results and of the assets and liabilities of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. Accordingly, certain prior year comparative amounts have been reclassified and restated to confirm to the current year's presentation.

RESULTS

	Nine months ended 31 December 2018 HK$'000	Year ended 31 March 2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
Continuing operations					
REVENUE	**427,196**	458,440	193,511	96,992	3,797
(LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	**(748,324)**	726,252	190,798	111,939	(27,653)
Income tax credit/(expense)	**57,148**	(55,527)	(31,442)	(41,459)	(5,280)
(LOSS)/PROFIT FOR THE PERIOD/YEAR FROM CONTINUING OPERATIONS	**(691,176)**	670,725	159,356	70,480	(32,933)
Discontinued operations					
Profit/(loss) for the period/year from discontinued operations	**–**	–	–	1,216	(95,794)
(LOSS)/PROFIT FOR THE PERIOD/YEAR	**(691,176)**	670,725	159,356	71,696	(128,727)
(Loss)/profit for the period/year attributable to:					
Owners of the Company	**(705,280)**	671,330	159,356	71,696	(128,727)
Non-controlling interests	**14,104**	(605)	–	–	–
	(691,176)	670,725	159,356	71,696	(128,727)

ASSETS AND LIABILITIES

	As at 31 December 2018 HK$'000	As at 31 March 2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000
TOTAL ASSETS	**13,377,465**	14,414,673	4,735,830	5,897,307	1,644,249
TOTAL LIABILITIES	**(8,499,219)**	(8,569,849)	(1,549,161)	(2,737,952)	(223,176)
NET ASSETS	**4,878,246**	5,844,824	3,186,669	3,159,355	1,421,073