金榜集團控股有限公司

GOLDBOND GROUP HOLDINGS LIMITED

(A company incorporated in Hong Kong with limited liability)

Stock Code: 00172

Annual Report 2016/17

This annual report is printed on environmentally friendly paper

Contents

This annual report is printed on soy ink.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

SECRETARY

Ms. Li Yu Lian, Kelly

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

STOCK CODE

00172

REGISTERED OFFICE

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

SHARE REGISTRAR AND TRANSFER OFFICE

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

LEGAL ADVISER

Iu, Lai & Li

PRINCIPAL BANKERS

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

WEBSITES

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

As at 31 March 2017

Goldbond Group Holdings Limited

- **Core Business**
  - Small Loans Financing
  - SME Factoring
  - Trading
- **Real Estate Fund**
  - Allied Golden Capital Fund I (Cayman) Company Limited
- **Investments**
  - China Rongzhong Financial Holdings Company Limited
    - Main Board (Stock code: 03963)
  - Rongzhong Group Limited

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

Five-year Financial Summary

RESULTS

	Year ended 31 March				
	2017	2016	2015	2014	2013
	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Revenue	**81.4**	48.4	67.3	115.4	237.5
(Loss) profit before taxation	**(1,409.4)**	124.6	117.2	150.5	175.6
Taxation	**(13.4)**	(0.1)	1.0	(5.6)	(22.2)
(Loss) profit for the year	**(1,422.8)**	124.5	118.2	144.9	153.4
Other comprehensive (expense) income	**(119.3)**	(103.5)	–	43.6	–
Total comprehensive (expense) income for the year	**(1,542.1)**	21.0	118.2	188.5	153.4
(Loss) profit for the year attributable to:					
Owners of the Company	**(1,422.8)**	124.5	118.2	135.7	119.9
Non-controlling interests	**–**	–	–	9.2	33.5
	(1,422.8)	124.5	118.2	144.9	153.4
Total comprehensive (expense) income for the year attributable to:					
Owners of the Company	**(1,542.1)**	21.0	118.2	173.6	119.9
Non-controlling interests	**–**	–	–	14.9	33.5
	(1,542.1)	21.0	118.2	188.5	153.4
Dividend per Share (HK cents)	**–**	1.5	1.5	1.5	1.5

ASSETS AND LIABILITIES

	As at 31 March				
	2017	2016	2015	2014	2013
	HK$ Million	HK$ Million	HK$ Million	HK$ Million	HK$ Million
Total assets	**790.7**	2,668.9	2,742.1	2,610.5	4,107.2
Total liabilities	**(45.4)**	(344.3)	(408.8)	(358.2)	(1,770.4)
Non-controlling interest	**–**	–	–	–	(220.7)
Equity attributable to owners of the Company	**745.3**	2,324.6	2,333.3	2,252.3	2,116.1
Net asset value per Share (HK cents)	**27.0**	84.2	85.0	82.1	77.1

On behalf of the board of Directors (the "Board") of Goldbond Group Holdings Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2017 (the "Year").

During the Year, the economy of the People's Republic of China ("China") recorded a slower growth rate and the real economy was still under restructuring. The businesses of our joint venture – Rongzhong Group Limited ("Rongzhong Group") and our associate – China Rongzhong Financial Holdings Company Limited ("China Rongzhong") (stock code: 03963) have confronted significant challenges as the quality of their respective loan portfolio declined. As a result, we shared significant losses and suffered from impairment losses on interests in these two companies, and therefore, the loss for the Year amounted to HK$1,422.8 million.

It has been the strategy of the Group to review from time to time the existing business portfolio and explores new potential projects in order to provide new and sustainable drivers for the Group's overall performance. New business activity involving trading of goods (the "Trading Business") has been commenced during the year through the establishment of a wholly-owned subsidiary in Shanghai, China with initial registered capital of RMB10 million. Also, in order to capture and benefit from the opportunities in the real estate markets in the developed countries and leverage on the Board's expertise, the Group participates in a real estate fund and holds a significant interest in the manager of such fund (details as disclosed in the circular of the Company dated 23 June 2015). The manager has successfully completed the first real estate investment in California of the United States in June 2017. The income source of the Group now became more diversified and the Group has stronger capability to resist fluctuation in single product market.

Looking forward, there may still be in-depth adjustment in some of the sectors in China with low production efficiency and excess capacity. In view of the possible deterioration of economic environment in the short term, the Group will adhere to our strategy of proactively stay close to the market, timely adjust the business strategy and prudent management of credit risk so as to maintain stability. Given our solid financial position and diversified investment and loan portfolios, we are confident that we will be able to navigate through the near term uncertainties and grasp business development opportunities.

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

Wong Yu Lung, Charles
Deputy Chairman

Hong Kong, 30 June 2017

Board of Directors

Mr. Wang Jun, aged 76, is the Chairman and executive Director of the Company since April 2007. He was the former Chairman of CITIC Group in Beijing. Mr. Wang graduated from Harbin Engineering Institute in China.

Mr. Wang is currently an independent non-executive director of China Communications Services Corporation Limited, a Company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Wong Yu Lung, Charles, aged 67, is the Deputy Chairman of the Company. He joined the Company in January 2003 and is responsible for corporate strategic planning of the Group. Mr. Wong has over thirty-three years of worldwide experience in the procurement and logistics of consumer products. He is an international entrepreneur of repute and was the president of Pacific Resources Export Limited ("Pacific Resources"). Pacific Resources had been the worldwide exclusive procurement agent for Wal-mart for twelve years until 2002, with annual turnover reaching approximately US$6.5 billion. Throughout his years in operating Pacific Resources and twenty-nine branch offices spreading over the world including the United States of America ("U.S.A."), South America, Central America, Indian Subcontinent, Middle East, Asia and Europe, Mr. Wong has accumulated valuable experience and profound knowledge, in particular, market mechanism and demand, manufacturing industry, financial market, capital investment and asset management.

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

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

Mr. Ding Chung Keung, Vincent, aged 47, is the Chief Executive Officer of the Company. He joined the Company in January 2004 and oversees all business operations of the Group. He is also a member of the Company's nomination committee. Mr. Ding is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of Association of Chartered Certified Accountants. He has been in the investment, audit and finance industries for more than twenty years. Mr. Ding holds a bachelor degree in business administration from The Chinese University of Hong Kong.

Prior to joining the Company, Mr. Ding was the managing director of Cheung Tai Hong Holdings Limited (now known as ITC Properties Group Limited) and Capital Estate Limited. He is currently a non-executive director of China Rongzhong Financial Holdings Company Limited. The issued shares of all the aforesaid companies are listed on the Main Board of the Stock Exchange.

Ms. Wong, Michelle Yatyee, aged 36, an executive Director since February 2007. She graduated from University of Southern California, California, the United States of America with a bachelor degree of arts in political science and holds a juris doctorate in law from Whittier Law School, California, the U.S.A.

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

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

Mr. Ma Ho Fai GBS JP, aged 65, joined the Company as an independent non-executive Director in February 2003. He is a member of both the Company's audit committee and the remuneration committee. Mr. Ma is a partner of Woo, Kwan, Lee & Lo and was admitted as a solicitor in Hong Kong, England and Wales, Australian Capital Territory and Singapore. He is also a China-Appointed Attesting Officer in Hong Kong. In addition, he is a Deputy to the 11th National People's Congress of China and a member of the 10th Yunnan Provincial Committee of the Chinese People Political Consultative Conference.

Mr. Cheng Yuk Wo, aged 56, joined the Company as an independent non-executive Director in November 2007. He is also the Chairman of both the Company's audit committee and the remuneration committee and a member of the Company's nomination committee. Mr. Cheng is a fellow of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants and a member of the Institute of Chartered Professional Accountants of Canada. Mr. Cheng holds a Master of Science (Economics) degree in Accounting and Finance and a Bachelor of Arts (Honour) degree in Accounting.

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

Mr. Ng Chi Keung MH, aged 54, was appointed as an independent non-executive Director on 2 December 2011. He is the Chairman of the Company's nomination committee and a member of the Company's audit committee. Mr. Ng holds a Bachelor Degree in Social Sciences from The University of Hong Kong and an Executive Master Degree in Business Administration from The Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.

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

CORPORATE GOVERNANCE PRACTICES

The Board is committed to the maintenance of good corporate governance practices and procedures. The Company believes that good corporate governance provides a framework that is essential for effective management, a healthy corporate culture, successful business growth and enhancing shareholders' value. The corporate governance principles of the Company emphasize a quality Board, sound internal controls, and transparency and accountability to all shareholders. Save as disclosed below, the Company has applied the principles and complied with all code provisions of the Corporate Governance Code ("CG Code") during the Year as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). In respect of code provision E.1.2 of the CG Code, the Company's Chairman was unable to attend the annual general meeting of the Company held on 22 August 2016 (the "2016 AGM") due to health reason.

DIRECTORS' SECURITIES TRANSACTIONS

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

BOARD OF DIRECTORS

– **Composition of the Board**

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

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

Each independent non-executive Director has given an annual confirmation of his independence to the Company, and the Company considers them to be independent under Rule 3.13 of the Listing Rules.

– **Responsibilities of the Board**

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

BOARD OF DIRECTORS (continued)

– **Attendance at Board and General Meeting**

During the Year, a total of four Board meetings and one annual general meeting (i.e. the 2016 AGM) were held and the attendance of each director is set out as follows:

	Number of meetings attended/ held during the Year	
Name of Director during the Year	**Regular Board meetings**	**2016 AGM**
Mr. Wang Jun *(Chairman)*	0/4	0/1
Mr. Wong *(Deputy Chairman)*	4/4	1/1
Mr. Ding Chung Keung, Vincent *(Chief Executive Officer)*	4/4	1/1
Ms. Michelle Wong	4/4	1/1
Mr. Ma Ho Fai GBS JP	4/4	1/1
Mr. Cheng Yuk Wo	4/4	1/1
Mr. Ng Chi Keung MH	4/4	1/1

Though the Chairman was unable to attend the 2016 AGM due to health reason, the Deputy Chairman, the Chief Executive Officer and the auditor had attended the meeting to answer questions at the meeting.

– **Continuing Professional Development**

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

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

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

BOARD OF DIRECTORS (continued)

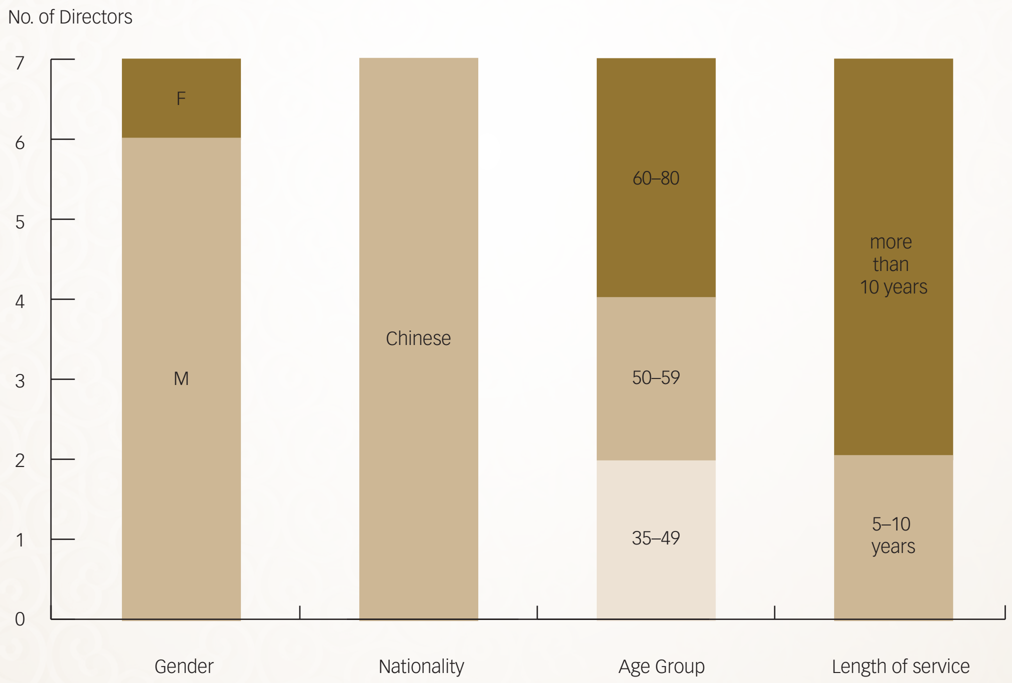
All the Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

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

BOARD DIVERSITY POLICY

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

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



CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

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

NON-EXECUTIVE DIRECTORS

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

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

BOARD COMMITTEES

– **Audit Committee**

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

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

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

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

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

BOARD COMMITTEES (continued)

– **Remuneration Committee**

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

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

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

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

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

– **Nomination Committee**

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

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

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

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

BOARD COMMITTEES (continued)

– **Corporate Governance Functions**

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

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

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

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

AUDITOR'S REMUNERATION

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

	Fee paid HK$'000
Audit services	475
Non-audit services	501

– **Director's Responsibilities in Respect of Financial Statements**

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 March 2017.

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

COMPANY SECRETARY

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

COMMUNICATION WITH SHAREHOLDERS

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

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

The annual general meeting and other general meetings of the Company are primary forum for communication between the Company and its shareholders. The Company shall provide shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the Articles and the Listing Rules. The information provided shall be reasonably necessary to enable shareholders to make an informed decision on the proposed resolution(s). At the 2016 AGM, separate resolution was proposed by the chairman of the meeting in respect of each separate issue, including re-election of directors.

SHAREHOLDER'S RIGHTS

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

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

The request:

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

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

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

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

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

SHAREHOLDER'S RIGHTS (continued)

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

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

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

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

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

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

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

The request:

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

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

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

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

SHAREHOLDER'S RIGHTS (continued)

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

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

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

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

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

INVESTOR RELATIONS

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

During the year ended 31 March 2017, there are no change in the Company's constitutional documents.

SCOPE AND REPORTING PERIOD

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

The principal activities of the Group are provision of factoring services (including the collection and management of account receivables and other related advisory services to small and medium-sized enterprises) in Jiangsu Goldbond Factoring Company Limited and small loan and micro-financing services in Yancheng Goldbond Technology Small Loan Co., Limited. This ESG report covers the Group's overall performance in two subject areas, namely, Environmental and Social of the business operations in the offices in Admiralty, Hong Kong; Nanjing and Yancheng in Jiangsu Province, China, from 1 April 2016 to 31 March 2017, unless otherwise stated.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects for the Group to report on for this ESG report, key stakeholders have been involved in engagement sessions including meetings to discuss and to review areas of attention which will help the business meets its potential growth and be prepared for future challenges.

STAKEHOLDERS' FEEDBACK

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

THE GROUP'S SUSTAINABILITY MISSION AND VISION

Mission

To become a major non-bank financial service provider in China and to diversify our profit stream through our position as fund manager (49% shareholding) of an established private equity real estate fund management company and through opportunistic real estate investments in geographically diverse developed economies through the fund.

Vision on Environment, Social, and Governance

To support the business growth of small and medium-sized enterprises in China and to give a more global diverse profit stream through fund management and real estate investments in order to create sustainable value to our shareholders. The Group is also committed to the long-term sustainability of our business development and the communities in which we operate.

A. ENVIRONMENTAL, SOCIAL AND GOVERNANCE POLICY ("ESG POLICY")

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

Environmental

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

- To give due consideration to environmental issues in our corporate decision-making process and actively minimize the impact of our business operations on the environment.
- To continue to improve our environmental performance and comply with applicable environmental laws and standards.
- To reduce energy consumption and improve energy efficiency, conserve resources, use renewable or recyclable materials, minimize the use of paper and dispose of waste in an environmentally responsible manner.
- To raise staff awareness of environmental issues through education and training and enlist their support in improving our environmental performance.

Social

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

- To foster a supportive and quality working environment by upholding employment practices that treat our staff fairly and equally.
- To safeguard the rights and interests of our staff with strict compliance with the applicable laws and will never harm their interests.
- To provide them opportunities for training and development.
- To ensure a healthy and safe workplace and facilitate meaningful communication within the Company.
- To maintain a high standard of integrity, transparency and accountability in our operations, improving our services based on evolving market demands, and promoting sustainable development to our stakeholders.
- To support local initiatives that create effective and lasting benefits to the community through corporate philanthropy and mobilizing our staff to participate in volunteer work.

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

The Company is committed to the continual development of this Policy and its integration into the Company's operations.

B. ENVIRONMENTAL

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

Total floor area coverage for the Group was 1,730.63 m^2.

1. Greenhouse Gas Emission and Use of Resources

(i) Greenhouse Gas Emissions

Scope of Greenhouse Gas Emissions	Emission Sources	Emission[1] (in tCO_2e)	Total Emission (in percentage)
Scope 1			
Direct Emission	Unleaded petrol consumed by Group Owned Fleet	48.48	42%
	Diesel oil consumed by Group Owned Fleet	4.56	4%
Scope 2			
Indirect Emission	Purchased Electricity[2]	47.40	40%
Scope 3			
Other Indirect Emission	Paper Consumption	1.01	14%
	Business Air Travel	15.18	
Total		117.81	

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

Note 2: Combined margin emission factor (average) of 0.88 tCO_2e/MWh was used for purchased electricity in Mainland China.

There were 117.81 tonnes of carbon dioxide equivalent greenhouse gases (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operation in the reporting period. The annual emission intensity was 0.07 tCO_2e/m^2.

B. ENVIRONMENTAL (continued)

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

(ii) Direct Emission

A total of 9,629.55 litres of petrol and 1,644.12 litres of diesel was used for the Group-owned vehicles in the reporting period, contributing to 0.16 kg of sulphur oxides and 53.04 tonnes of carbon dioxide equivalent emission.

(iii) Electricity

The electricity consumption by the Group was 57,076 kWh, with an energy intensity of 32.98 kWh/m^2. The Group encourages staff to adopt energy saving measures through reminders, emails and notices. For example, switching off unnecessary lighting and electronic appliances (including printers, computers and monitors), controlling temperature of air conditioners (at or above 26 degree Celsius) and heater (at or lower than 20 degree Celsius), and ensuring lighting and electronic appliances are turned off after work. The Group also adopted LED light bulbs in its office and will consider to gradually replace all traditional light bulbs with LED light bulbs in the future.

(iv) Water

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

(v) Non-hazardous Waste

The Group generates no hazardous waste in its operation. Non-hazardous waste from the Group's operation is mainly office paper. A total of 210.99 kg of paper has been used for daily office operations such as documents printing and deliverables packaging, contributing to 1.01 tonnes of equivalent carbon dioxide emission.

The Group practices paper saving initiatives, such as adopting duplex printing and printing internal documents with recycling paper. Starting from June 2016, the Group also provides employees with monthly e-Payroll Advice instead of paper forms to reduce paper use at source.

After the Chinese New Year, the Building Management of Hong Kong's office held a recycling campaign to recycle red packet envelops and food packaging boxes from tenants. Staff from the Hong Kong office actively participated in the recycling campaign, in which they recycled their red packet envelopes, candy and biscuit boxes.

(vi) Business Air Travel

The Group has set up teleconference facilities in office to avoid business air travels when possible. When options available, the Group also opts for more direct flight to reduce unnecessary carbon emissions. During the reporting period, employees travelled by air for business meetings, resulting in 15.18 tonnes of equivalent carbon dioxide emission.

B. ENVIRONMENTAL (continued)

2. Go Green Initiatives

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

a. Go Paperless

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

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

b. Energy Saving

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

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

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

d. Reusing Used Envelopes and Office Stationeries

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

e. Green Procurement

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

f. Collection of Waste Paper, Metal and Plastic

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

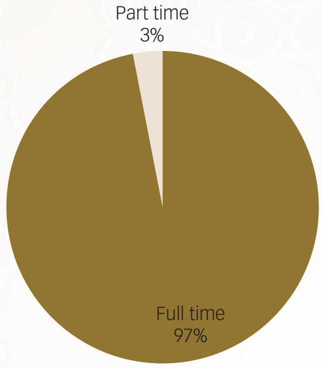
C. SOCIAL

1. Employment and Labour Practices

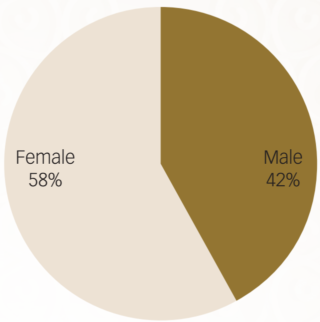
(i) Employment

The offices in the reporting scope had a total number of 31 employees as of 31 March 2017. All employees are from Hong Kong and various provinces in China.

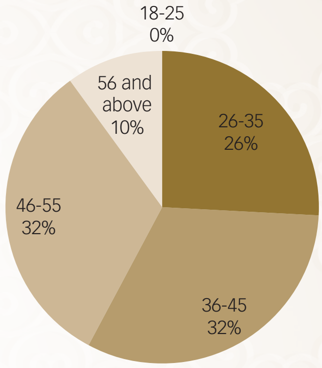
By Employment Type



By Gender



By Age Group



Competitive Compensation and Benefits Package

The Group is committed to safeguarding the rights and interests of its staff with strict compliance with all relevant applicable laws. It provides attractive annual remuneration with discretionary year-end bonus. Salaries are reviewed annually taking into account the employees' overall work performance, attitude, job knowledge, job responsibilities, punctuality, qualification and other relevant factors, the Company's operating results, the prevailing inflation rate, pay scale and other conditions in the market. The standard working hours are around 8-9 hours per day and 40-45 hours per week, with discretion on compensation for overtime work depending on employees' positions and duties. On top of all statutory holidays set by the government, employees are also entitled to annual leave, sick leave, maternity leave, paternity leave, compassionate leave, jury service leave, marriage leave and seminar/conference/training leave. Insurance benefits scheme offered includes employees' compensation insurance, medical insurance, business travel insurance plan, Mandatory Provident Fund (MPF) scheme and social insurance in China. Allowances on mobile phone and transportation are also provided to employees with respective needs.

C. SOCIAL (continued)

1. Employment and Labour Practices (continued)

(i) Employment (continued)

Transfer, Promotion and Dismissal

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

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

Equal Opportunity

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

Employee Communication

To strengthen team spirit and sense of belonging among staff, the Group organizes celebrative activities, voluntary activities and gatherings. In the reporting year, the Group organized the Vegetarian Dinner 2016, Mid-Autumn Festival Dinner 2016, Christmas Buffet Dinner 2016, Annual Chinese Dinner 2017, the Chinese New Year Lion Dance Ceremony 2017 and the Team-building Day 2017. The Group also participated in the Suicide Prevention Services Charity Walk 2017, which will be discussed in the section "Community Investment" of the report.

C. SOCIAL (continued)

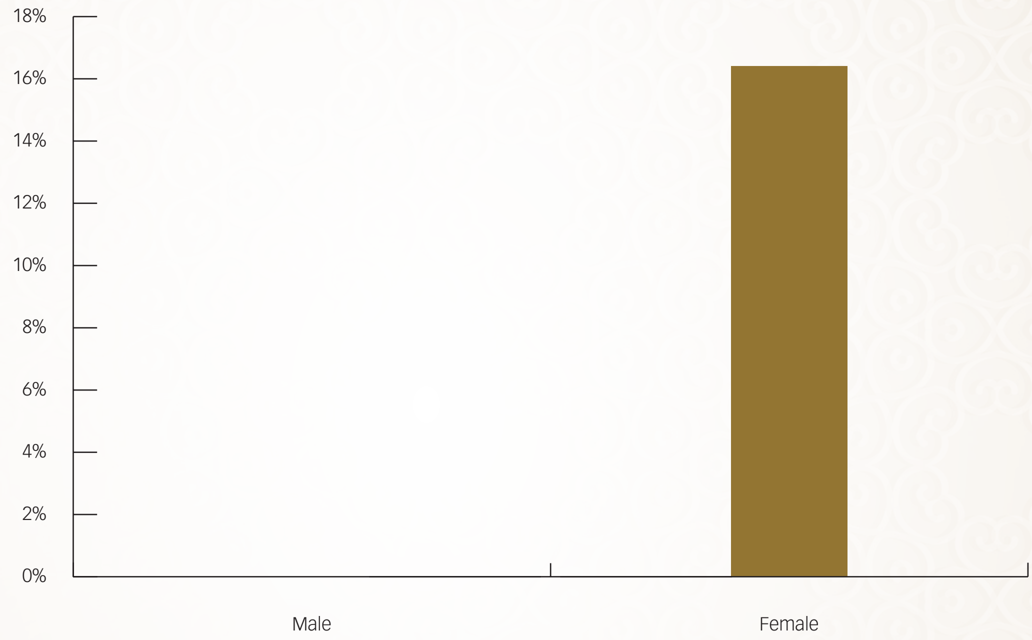
1. Employment and Labour Practices (continued)

(i) Employment (continued)

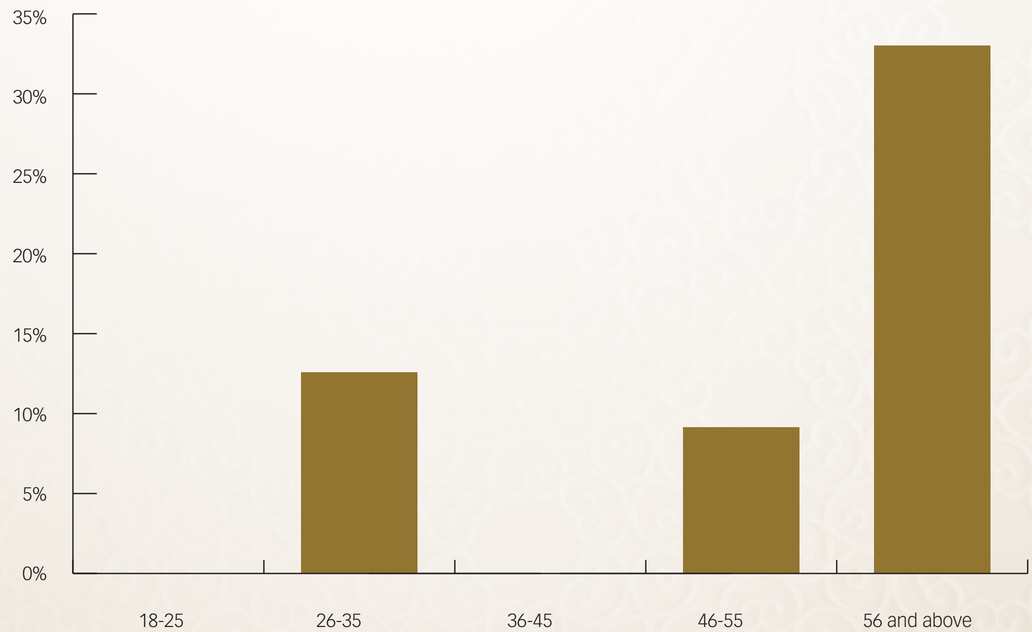
Turnover

The Group considers its staff as valuable wealth and the foundation for its business development. To retain talents, it will continue to uphold its employment practices to treat its staff fairly and equally. The annual turnover rates (categorized by different gender and age groups) in the reporting period are as follows:

Turnover Rates By Gender



Turnover Rates By Age Group



C. SOCIAL (continued)

1. Employment and Labour Practices (continued)

(ii) Employee Health and Safety

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

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

The guideline is circulated to all employees through email. In the reporting period, the Group participated in a series of fire safety activities (including fire drill, fire safety knowledge seminar, promotion on fire safety knowledge handbook and office health and safety check) organized by the Building Management of the offices. In cases of injury by accident or infection by disease in the course of work duties, staff members should report to the Administration Department as soon as possible after immediate proper first aid treatment. The accident will then be reported to the Labour Department and relevant insurer as appropriate.

Occupational Health and Safety Data	**2016/17**
Work related fatality	0
Work injury cases >3 days	0
Work injury cases <3 days	0
Lost days due to work injury	0

C. SOCIAL (continued)

1. Employment and Labour Practices (continued)

(iii) Development and Training

The Group recognizes the importance of providing opportunities for training and development to employees. It supports employees to attend continuing professional development courses or conferences organized by professional bodies, such as trainings related to accounting management, accounting standards for business enterprises, tax management, enterprise income tax, risk control, sustainable development and cybersecurity laws.

A total of 106 hours training courses was conducted in the reporting period.

	2016/17
Percentage of Employees Trained by Gender	
– Male	60%
– Female	40%
Percentage of Employees Trained by Employee Category	
– Senior Management	27%
– Middle Management	7%
– Other Employees	67%
Average Training Hours Completed per Employee by Gender	
– Male	3 hours
– Female	14 hours
Average Training Hours Completed per Employee by Employee Category	
– Senior Management	4 hours
– Middle Management	24 hours
– Other Employees	7 hours

(iv) Labour Standard

In pursuant to the Employment Ordinance of the Laws of Hong Kong in terms of employment management and the Labour Law of China, there was no child nor forced labour in the Group's operation.

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

C. SOCIAL (continued)

2. Operating Practices

(i) Supply Chain Management

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

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

(ii) Product Responsibility

Intellectual Property Rights

To protect intellectual property of computer software, the Group does not allow employees to use their personal notebook and/or computer in the workplace, unless prior written approval is obtained from the management as set forth by the staff handbook. Employees are also strictly prohibited form installing any unauthorized and/or pirated software in the Company provided notebooks, computers, servers and/or other electronic devices without the consent of the management. If extra hardware, software and/or licenses are needed, employee should directly submit a requisition to seek proper approval from the management. Violation of the above regulations may result in disciplinary actions including immediate termination of employment without any compensation and notice.

Confidentiality

Employees shall make every effort in providing adequate awareness and physical protection when handling the Group's trade secrets, proprietary information or confidential data. Such information shall be held in strictest confidence and shall not be disclosed to any person, firm or corporation except as necessary in carrying his or her duties for the Group with such third party. Information including enquiries concerning the Company or the Group, its customers, business partners, existing and/or former employees should be directed to the appropriate party for proper handling. A breach of the above confidentiality provisions will result in disciplinary actions or dismissal without compensation.

Email Usage Monitoring

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

C. SOCIAL (continued)

2. Operating Practices (continued)

(ii) Product Responsibility (continued)

Complaints Handling

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

(iii) Anti-corruption

The Group adheres to a high standard of integrity, transparency and accountability in its operations. In accordance to the staff handbook, employee shall not be engaged in any work or be involved in any business either along or jointly with any other person or persons, or with a company directly or indirectly for reward or receipt of commission or fee, without obtaining prior permission from the company. He or she is not allowed to solicit or accept for his or her personal benefit any advantage in money or in kind from any parties having business relations with the Company. Employee is also prohibited to invite any of the parties having business relations with the Company to attend their personal banquets, dinner parties and/or personal gathering. In case of suspected corruption or other criminal offences, a report will be made to the Hong Kong Independent Commission Against Corruption (ICAC) or the appropriate authorities. Any employee in breach of this regulation is liable to be summarily dismissed and may render himself or herself liable to prosecution under Section 9 of the Prevention of Bribery Ordinance, Chapter 201 of the Laws of Hong Kong. The Group has set up whistleblowing policy for employees to raise concerns related to improprieties. The policy established scope of reporting, reporting procedures, investigation procedures and actions to be taken when handling untrue allegations and false report. China operations also posted whistleblowing reminders publicly to provide channels for the public to report any improprieties of the Company and its staff.

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

3. Community Investment

(i) Used Book Recycling Campaign 2016

The Building Management of the Hong Kong's office coordinated a book recycling campaign with World Vision Hong Kong and Aeon Stores (Hong Kong) Company Limited in from 4 July to 20 July 2016, collecting books (including reference books, secondary school text books, novels and reading books) for resale in Star Atrium, 1/F, Hollywood Plaza, Diamond Hill from 4 August to 15 August 2016. The campaign aimed to raise funds for Tianjin Wuqing Children Rehabilitation Centre. Staff donated a total of 17 books to the Building Management of the Hong Kong's office.

(ii) Suicide Prevention Services Charity Walk 2017

On 5 March 2017, the Group's staff and their family members (a total of 5 people) participated in the Suicide Prevention Services Charity Walk 2017, walking from Aberdeen Country Park to Wan Chai Gap Park. The Group donated a total of HKD10,000 to the organizer, Suicide Prevention Services, which aims to help suicidal to relieve their distress or despair and regain their will to live on.

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

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

The Company is an investment holding company incorporated in Hong Kong. The principal activities and other particulars of its subsidiaries are set out in Note 34 to the consolidated financial statements.

RESULTS AND DIVIDEND

The results of the Group for the Year and the state of the Group's and the Company's affairs as at 31 March 2017 are set out in the consolidated financial statements on pages 54 to 118.

The Board do not recommend the payment of dividend in respect of the Year (2016: HK1.5 cents).

SEGMENT INFORMATION

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

FINANCIAL INFORMATION

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

EQUIPMENT

Details of movements in equipment of the Group are set out in Note 14 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Movement during the Year in the reserves of the Group is set out in the consolidated statement of changes in equity on page 57 of this annual report and movement in the reserves of the Company is set out in Note 25 to the consolidated financial statements.

As at 31 March 2017, the Company had no distributable reserve (2016: HK$869.963 million).

BANK BORROWING

As at 31 March 2017, the Group had no bank borrowing.

SHARE CAPITAL

Details of the share capital of the Company during the Year are set out in Note 24 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

During the Year, the five largest customers of the Group, including the Group's joint venture, accounted for approximately 98% (2016: 96%) of the Group's revenue and the largest customer accounted for approximately 70% (2016: 59%) of the Group's revenue.

During the Year, the Group had only three suppliers, accounted for 100% (2016: nil) of the Group's purchases and the largest supplier accounted for 38% (2016: nil) of the Group's purchases.

RETIREMENT BENEFIT SCHEME

The Group operates a mandatory provident fund scheme. Particulars of which are set out in Note 32 to the consolidated financial statements.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2017, the Group had 36 staff located in both Hong Kong and China. The Group remunerates these employees based on their performance, experience and prevailing industry practices. Other benefits offered to these employees include medical insurance, retirement scheme and training subsidies. In addition, the Group has set up a share option scheme for the purpose of providing incentives to the eligible employees.

DIRECTORS OF SUBSIDIARIES

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

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

BUSINESS REVIEW

The Group is principally engaged in the provision of financing services and trading of goods in Hong Kong and China and holds interests in a joint venture and associates. The Group, headquartered in Hong Kong, has office in Shanghai, Nanjing and Yancheng, forming a good client service network.

CORE BUSINESS

Financing

– ***Small loan financing***

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

In view of the slow-down of the economy in third-tier cities like Yancheng, the Group sought to regularly review and adjust its operating strategy. Over the past three years, the Group prudently promoted the small loan financing business among high quality customers to ensure that the newly released loans were more effectively safeguarded. As a result, the average interest rate of our loan portfolio and the revenue from the small loan financing business dropped. The income from small loan financing for the Year was HK$0.5 million. The Group decided to reduce the investment in the small loan financing and capital reduction of US$14.7 million has been completed. Financial resources have been diverted to other businesses with better growth potential, such as factoring.

– ***Loans to Rongzhong Group and Yong Hua International Ltd. ("Yong Hua")***

The Group granted a revolving loan facility to Rongzhong Group for the development of its financing service business in China and details of the loan were disclosed in the circular of the Company dated 23 September 2011. According to and subject to the terms of the shareholders' agreement of Rongzhong Group dated 26 October 2011 and the respective shareholders' resolutions in relation to the arrangement of subscription of additional shares in Rongzhong Group at subscription prices of HK$315.2 million and HK$128.8 million, respectively by Perfect Honour Limited ("Perfect Honour", a wholly-owned subsidiary of the Company) and Yong Hua ("Subscriptions"), part of the loan to Rongzhong Group ("RZG Loan") in the total sum of HK$444 million was assigned to Perfect Honour and Yong Hua to make up the Subscriptions. At the request of Yong Hua, the Group agreed to provide a loan facility ("Loan Facility") in the sum of HK$128.8 million to Yong Hua for the settlement of amount payable under the above-mentioned assignment of the RZG Loan to Yong Hua. Details of the Loan Facility were disclosed in the announcement of the Company dated 18 April 2016. The Loan Facility was drawn down by Yong Hua in April 2016, and the loan assignments and the Subscriptions were completed.

Upon completion of the Subscriptions, the carrying value of RZG Loan decreased to HK$44.4 million and such amount was fully impaired during the Year (2016: HK$483.2 million) as Rongzhong Group has a net liabilities of HK$193.0 million as at 31 March 2017 which indicates that its loan repayment ability has significantly declined.

CORE BUSINESS (continued)

Factoring

The Group established the factoring headquarters in Nanjing, Jiangsu Province, China in late 2014 with the approval from the Ministry of Commerce of China. The operating vehicle, Jiangsu Goldbond Factoring Co., Ltd., with a registered capital of RMB50 million, is authorised to offer factoring services including collection and management of account receivables and other related advisory services. The factoring business has achieved satisfactory growth and acquired account receivables of over RMB500 million since its commencement of business, with a focus on account receivables due by large state-owned enterprises or listed companies. The success of this strategy has been demonstrated by the ability to maintain healthy and strong asset quality.

During the Year, the factoring service segment realised revenue of HK$15.4 million (2016: HK$16.6 million). After two years of pilot run, the Board decided to allocate more resources to this segment in the coming years.

Trading

The Group commences trading of goods through the establishment of a wholly-owned subsidiary – Shanghai Goldbond Trading Company Limited ("Shanghai Goldbond") with an initial registered capital of RMB10 million.

During the Year, the trading segment realised revenue of HK$56.7 million (2016: nil). The revenue source of the Group now became more diversified and the Group has stronger capability to resist fluctuation in single product market. The Board expects that the Group's trading business will enable the Group to expand its business network and market reach which may bring synergy effect to the Group's other businesses e.g. factoring, expand its existing business portfolio, diversify the revenue streams and possibly enhance the Group's financial performance.

INVESTMENTS

Interest in a joint venture: Rongzhong Group

Rongzhong Group and its subsidiaries ("Rongzhong Group Companies") are principally engaged in the provision of non-bank financial services, comprising small loan financing, loan guarantee, bill financing and financial consulting services to SMEs and individuals in various cities in China. The business model of Rongzhong Group Companies is premised on the fact that SMEs are generally underserved by the banking industry because commercial banks in China have been reluctant to lend to SMEs without credit support, such as third-party guarantees, or adequate collateral of tangible assets. This has created opportunities for Rongzhong Group Companies to develop and expand their businesses over the last decade. A substantial amount of capital and ongoing funding are required to support the growth of the loan portfolio.

INVESTMENTS (continued)

Interest in a joint venture: Rongzhong Group (continued)

With the slowdown in economic growth in China, Rongzhong Group Companies, like many corporations in the industry, experience a significant increase in interest or principal payment defaults and extension applications by their customers. The quality of loan portfolio of Rongzhong Group Companies declined significantly in the Year. The impairment loss on accounts receivable and advances provided to customers of Rongzhong Group Companies amounted to HK$2,910.3 million in the Year, representing an increase of HK$2,657.3 million over previous year. The situation persisted and aggravated this Year mainly because certain of Rongzhong Group's selected customers ("Selected Customers", with loans balance of HK$3,415.7 million before impairment loss as at 31 March 2017), which had been an important growth driver for Rongzhong Group's financing business over the years, extended their repayment plans. Although the Selected Customers are still conducting normal business operations, impairment reviews still had to be carried out by Rongzhong Group as required by Hong Kong Accounting Standard 36 ("HKAS 36"). In accordance with HKAS 36, the amount of the impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of the loan which is more than 35% per annum for the loans to Selected Customers). In estimating the future cash flows for the loans made to the Selected Customers, the management of Rongzhong Group took into account, among others, the estimated market value of real estate assets held by the Selected Customers as valued by professional valuer of RMB3,380.9 million as at 30 September 2016. Significant lendings to the Selected Customers, coupled with expected delay in repayment and more importantly, high effective interest rate used in discounting estimated future cash flows resulted in the substantial impairment loss of HK$2,505.2 million recorded for the loans made to the Selected Customers for the Year. As a result of the above, Rongzhong Group incurred net loss attributable to the owners of the company of HK$2,494.8 million for the Year (2016: profit of HK$199.4 million) and the Group recorded a shared loss of HK$999.5 million of such loss for the Year (2016: share of profit of HK$77.0 million).

Rongzhong Group Companies obtained a substantial portion of funding from commercial banks. The Rongzhong Group Companies' total bank and other borrowings amounted to HK$1,440.6 million (2016: HK$1,339.2 million) of which HK$1,440.6 million (2016: HK$424.0 million) were classified as current liabilities. In view of the downturn in businesses and industries where the SME customers of Rongzhong Group Companies are engaged in and the increase in credit risks associated with the loan portfolio of Rongzhong Group Companies, existing and potential lenders are less willing to arrange for re-financing or new financing to Rongzhong Group Companies. Coupled with delinquent loan repayments by its customers as mentioned above, Rongzhong Group Companies were not able to effectively match the relative maturities of their advances provided to customers and borrowings from the commercial banks, which resulted in net liquidity shortfalls. As at 31 March 2017, bank and other borrowings of Rongzhong Group Companies in the amount of RMB185.5 million were overdue; and if the condition were to be identified as an act of default under the relevant cross-default terms contained in Rongzhong Group Companies other borrowing agreements, this situation would cause an aggregate of borrowings up to RMB1,096.6 million to become immediately repayable by Rongzhong Group Companies. However, the unrestricted cash and cash equivalents of Rongzhong Group Companies amounted to HK$2.9 million only as at 31 March 2017. Rongzhong Group Companies are facing the most difficult market conditions in recent years.

INVESTMENTS (continued)

Interest in a joint venture: Rongzhong Group (continued)

A series of steps have been taken by the management of Rongzhong Group to mitigate the liquidity pressure and improve the liquidity and financial position of Rongzhong Group Companies. The management of Rongzhong Group has negotiated with the relevant bank and other financial institution to refinance its existing debts, implemented more pro-active debt collecting measures and implemented certain cost-saving measures.

However, the auditor engaged by Rongzhong Group for the Year stated in the audit report of its consolidated financial statements that due to significance of the uncertainties associated with the going concern basis of preparation of the consolidated financial statements of Rongzhong Group, they do not express an opinion on the consolidated financial statements of the Rongzhong Group.

The Board considered that the operating environment for Rongzhong Group Companies is expected to remain difficult. On 31 March 2017, the Board carried out impairment review on the carrying amount of the Group's interest in the joint venture by comparing its recoverable amount estimated using value in use with its carrying amount. In determining the value in use of the investment, the Group estimated the present value of the estimated future cash flows expected to be generated by Rongzhong Group, including cash flows from the operations of the joint venture and estimated terminal value at a discount rate of 22.7% (2016: 18.6%) for Rongzhong Group. The Board has given careful consideration to, among others, the performance, deteriorating financial (including but not limited to net liabilities of HK$193.0 million) and liquidity condition of Rongzhong Group Companies and their available sources of financing in assessing the recoverable amount of the Group's interest in Rongzhong Group. Based on the assessment, the recoverable amount of the interest in the joint venture is lower than its carrying amount. Hence, an impairment, net of other gain, of HK$250.4 million on the interest in the joint venture was recognised as loss in the consolidated statement of profit or loss and other comprehensive income for the Year.

Interest in an associate: China Rongzhong

China Rongzhong and its subsidiaries ("China Rongzhong Group"), primarily engages in finance leasing business through Rongzhong International Financial Leasing Co., Ltd. ("Rongzhong Finance Lease"). Rongzhong Finance Lease is a leading finance leasing company in Hubei Province, China, providing finance lease services to customers in various key industries in Hubei Province, including laser processing, plastics, industrial processing, textile and garments and hotel and leisure. On 28 January 2016, the shares of China Rongzhong were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Listing"). Upon Listing, the Group's interest in China Rongzhong has been diluted from 47.94% to 34.86% and China Rongzhong became an associate (previously a joint venture) of the Group.

The revenue of China Rongzhong Group for the Year was HK$183.7 million (2016: HK$205.0 million), which decreased by HK$21.3 million or 10% compared to previous period. This was mainly because of the decrease in interest-earning finance lease portfolio and the lower average interest rate for the new finance leases granted.

China Rongzhong Group experienced higher level of impairment loss on its finance lease receivables in the amount of HK$333.6 million for the Year (2016: HK$9.5 million) as the quality of its finance lease portfolio declined. As a result, China Rongzhong Group reported a net loss attributable to the owners of the company of HK$277.2 million. The Group's share of loss of China Rongzhong Group for the Year was HK$96.6 million (2016: share of profit of HK$23.2 million, of which HK$18.9 million was included in share of profit of joint ventures and HK$4.3 million was included in share of profit of associates).

INVESTMENTS (continued)

Interest in an associate: China Rongzhong (continued)

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

The Board considered that the operating environment for China Rongzhong Group is expected to remain challenging as the liquidity pressure on China Rongzhong Group will relieve only upon improvement in conditions in the markets where the SME customers of China Rongzhong Group operate. On 31 March 2017, the Board carried out an impairment review on the carrying amount of China Rongzhong by comparing the recoverable amount with the carrying amount of the investment in China Rongzhong. Fair value less costs of disposal, measured using the quoted price for China Rongzhong as at 31 March 2017, was used as the recoverable amount of the investment in China Rongzhong according to relevant accounting standard and as such amount is higher than the value in use of such investment (calculated based on the present value of the estimated future cash flows expected to be generated by the associate, including cash flows from the operations of the associate and estimated terminal value at a discount rate of 19.0% (2016: 18.5%)). Based on the assessment, the recoverable amount of China Rongzhong is lower than its carrying amount. Hence, an impairment loss of HK$20.7 million on the interest in China Rongzhong was recognised as loss in the consolidated statement of profit or loss and other comprehensive income for the Year.

FUTURE DEVELOPMENT OF BUSINESS

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

EVENT AFTER THE REPORTING PERIOD

Save as disclosed in Note 35 of the consolidated financial statements, the Group had no other significant subsequent event after the reporting period.

FINANCIAL REVIEW

Revenue

The Group realised revenue for the Year of HK$81.4 million, representing an increase of 68% from HK$48.4 million as recorded in the previous year. The increase was mainly contributed by the revenue derived from the newly commenced trading business of the Group of HK$56.7 million, partially offset by the decrease in revenue from the financing segment as (i) the Group prudently promoted lower margin loans among high quality customers for stable return and better safeguard of asset as the China economy slows down; and (ii) the carrying value of loans to Rongzhong Group significantly decreased from HK$483.2 million to HK$44.4 million with completion of the Subscriptions.

Staff costs

Staff costs of the Group amounted to HK$20.2 million, which decreased by HK$8.3 million or 29% compared to previous year. Such decrease is mainly attributable to the decrease in the year-end bonus by HK$6.3 million and the decrease in share option expenses by HK$2.0 million.

Other operating expenses

Other operating expenses were HK$13.1 million, which increased by HK$1.2 million or 10% compared to previous year. The increase in other operating expenses was mainly due to the increase in office rental expenses.

FINANCIAL REVIEW (continued)

Impairment, net of other gain, on interest in a joint venture

On 31 March 2017, the Board carried out impairment review on the carrying amount of the Group's interest in the joint venture by comparing its recoverable amount using value in use with its carrying amount. In determining the value in use of the investment, the Group estimated the present value of the estimated future cash flows expected to be generated by Rongzhong Group, including cash flows from the operations of the joint venture and estimated terminal value at a discount rate of 22.7% (2016: 18.6%) for Rongzhong Group. Based on the assessment, the recoverable amount of the interest in the joint venture is lower than its carrying amount. Hence, an impairment, net of other gain, of HK$250.4 million, which represented the impairment loss of HK$428.0 million and gain arising from share subscription of HK$177.6 million, on the interest in the joint venture was recognised as loss in the consolidated statement of profit or loss and other comprehensive income for the Year.

Impairment loss on interest in an associate

On 31 March 2017, the Board also carried out impairment review on the carrying amount of China Rongzhong by comparing the recoverable amount with the carrying amount of the investment in China Rongzhong. Fair value less costs of disposal, measured using the quoted price for China Rongzhong as at 31 March 2017, was used as the recoverable amount of the investment in China Rongzhong according to relevant accounting standard and as such amount is higher than the value in use of such investment (calculated based on the present value of the estimated future cash flows expected to be generated by the associate, including cash flows from the operations of the associate and estimated terminal value at a discount rate of 19.0% (2016: 18.5%)). Based on the assessment, the recoverable amount of China Rongzhong is lower than its carrying amount. Hence, an impairment loss of HK$20.7 million on the interest in China Rongzhong was recognised as loss in the consolidated statement of profit or loss and other comprehensive income for the Year.

Change in fair values of financial liabilities

The change in fair values of financial liabilities under the respective shareholders' agreements of Rongzhong Group and Rongzhong Capital Holdings Limited dated 26 October 2011 brought negative financial impact of HK$31.8 million to the Group's financial performance for the year ended 31 March 2016. Such financial liabilities were settled with the lapse of options and fulfillment of undertakings under the shareholders' agreements.

Direct finance costs

No direct finance cost was incurred during the Year (2016: HK$1.3 million) as all bank loans has been fully repaid.

Share of (loss) profit of a joint venture

Share of loss of a joint venture – Rongzhong Group for the Year amounted to HK$999.5 million (2016: share of profit HK$95.9 million). Significant loss of Rongzhong Group was mainly attributed to the impairment allowances on its accounts receivable and advances provided to customers of HK$2,910.3 million for the Year.

In the previous year, share of profit of joint ventures composed of share of profit of Rongzhong Group and share of profit of China Rongzhong Group prior to the Listing.

Share of (loss) profit of associates

Share of loss of associates mainly composed of the share of loss of China Rongzhong Group of HK$96.6 million (2016: share of profit HK$4.3 million) and the share of the expenses of a manager of real estate fund of HK$0.7 million (2016: HK$0.8 million).

(Loss) profit for the Year attributable to the owners of the company

Based on the above discussion and analysis, together with impairment loss on loan to a joint venture, loss for the Year attributable to the owners of the Company was HK$1,422.8 million (2016: profit of HK$124.5 million).

FINANCIAL REVIEW (continued)

Other comprehensive expenses for the Year

Other comprehensive expenses for the Year were HK$119.3 million (2016: HK$103.4 million). The consolidated financial statements of the Group, its joint venture and associate are presented in Hong Kong dollar while the functional currency is RMB. With unfavorable movement in the exchange rate of the RMB against the Hong Kong dollar during the Year, the Group, the joint venture and the associate recognised an exchange loss arising on translation to presentation currency of HK$38.3 million, HK$61.0 million and HK$20.0 million, respectively.

Liquidity, financial resources and capital structure

The Group always seeks to maintain healthy liquid position and sufficient capital for business development. The Group generally finances its operations through its internal resources. As at 31 March 2017, the aggregate sum of cash, bank balances and short term bank deposits amounted to HK$274.3 million (2016: HK$323.6 million) and there was no bank borrowing. The working capital (current assets less current liabilities) and the total equity of the Group were HK$410.2 million (2016: HK$626.1 million) and HK$745.3 million (2016: HK$2,324.6 million) respectively. No gearing ratio was calculated as the Group had no debt as at 31 March 2017.

KEY FINANCIAL RATIO

Net asset value per share

	2017	2016
Net asset value per share (HK cents)	**27.0**	84.2

The decrease in the net asset value per share in the Year was mainly contributed by share of losses of Rongzhong Group and China Rongzhong, impairment, net of other gain, on interest in Rongzhong Group, impairment loss on interest in China Rongzhong and unfavorable movement in the exchange rate of the RMB against the Hong Kong dollar which resulted in exchange loss arising on translation recognised by the Group, its joint venture and associate.

Charges on group assets

As at 31 March 2017, there was no charge on the Group's assets.

Contingent liabilities

As at 31 March 2017, there was no contingent liability.

PRINCIPAL RISKS AND UNCERTAINTIES

Business risk

(i) Funding cost and interest income

The Group, our joint venture and associate engage in the provision of non-bank financial services to SMEs and individuals. The revenue, funding cost and financial condition are linked with the deposit and lending interest rates set by the People's Bank of China ("PBOC Benchmark Rate"). PBOC Benchmark Rate may fluctuate due to changes in the government's monetary policy. If we have to reduce the interest rates to reflect the decrease of the PBOC Benchmark Rate, the revenue of the financing business may decline. In addition, if there is a change in lending interest rate and the Group, our joint venture and associate are unable to timely adjust the interest rate charged to the customers, the earnings and financial conditions of the Group, our joint venture and associate may be negatively affected because of the narrowing interest rate spread.

(ii) Credit risk of SMEs and individuals in China

Credit risk refers to the risk that a customer may default on the repayment of any outstanding loan balance. Our SMEs customers and individuals customers generally have fewer financial resources in terms of capital or borrowing capacity than larger entities and may have fewer financial resources to weather a downturn in the economy. Such customers expose the Group, our joint venture and associate to greater credit risks than lenders lending to larger, better-capitalised businesses. If, in a subsequent year, conditions such as inflation, economic downturn, policy change, adjustment of industrial structure and other factors affects the repayment status of the customers and the estimation of future cash flows of the loans, a loss may arise. For the secured loans, the value of collateral may fluctuate and decline. In addition, the procedures for realising the value of collateral of customers in China may be protracted or ultimately unsuccessful, and the enforcement process in China may be difficult for legal and practical reasons. Management may update the assumptions used in estimating the cash flows of the loans in the regular review and the loss estimates may be revised in subsequent year.

(iii) Concentration of customers

The Group, our joint venture and associate expose to concentration risk as the respective major customers accounted for high proportion of revenues and loan balances. If, in a subsequent year, the business relationships with any of the major customers cease, and less favorable terms are concluded with new customers, the earnings may be negatively affected. Besides, in the event of defaulting payment by any of the major customers, significant amount of receivables may not be recovered and a loss may arise.

(iv) Exposure to fluctuations in exchange rates

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

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Risk Associated with Financial Instruments of the Group

There are certain risks associated with the financial instruments of the Group. Details of the risks policies on how to mitigate these risks are set out Note 29 to the consolidated financial statements.

Key Sources of Estimation Uncertainty

Details of the key sources of estimation uncertainty as at 31 March 2017 are set out in Note 4 to the consolidated financial statements.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Board places great emphasis on the policies and practices in relation to the Group's compliance with laws and regulations. Laws and regulations that have a material impact on the operations of the Group include the Company Law of China, Guiding Opinions on the Pilot Operation of Microfinance Companies (關於小額貸款公司試點的指導意見), Implementation Opinions of the General Office of the People's Government of Jiangsu Province on the Pilot Operation of Microfinance Companies (江蘇省人民政府辦公廳關於開展小額貸款公司試點工作的實施意見) and the Listing Rules. For the year ended 31 March 2017, the Group has complied with the laws and regulations that have a significant impact on the operations of the Group in all material aspects.

DIRECTORS AND SERVICE CONTRACTS

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

Executive Directors

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

Independent Non-Executive Directors

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

Pursuant to Articles 117 and 118 of the Articles, Mr. Wong Yu Lung, Charles, Mr. Ma Ho Fai GBS JP, and Mr. Ng Chi Keung MH shall retire from the Board at the forthcoming annual general meeting (the "2017 AGM"). All retiring Directors, being eligible, offer themselves for re-election at the 2017 AGM. Details of the retiring Directors standing for re-election are set out in the circular to the Company's shareholders sent together with this report.

No Director being proposed for re-election at the 2017 AGM has a service contract with the Company or any of its subsidiaries which are not determinable by the Group within one year without payment of compensation other than normal statutory obligations.

PERMITTED INDEMNITY PROVISION

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

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS

As at 31 March 2017, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited ("Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors adopted by the Company (the "Model Code"), to be notified to the Company and the Stock Exchange, were as follows:

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

		Number of Shares/underlying Shares				
Name of Director	Capacity	Personal Interest	Corporate Interest	Other Interest	Total	Approximate % of Shareholding *(Note 10)*
Mr. Wong	Beneficial owner and trustee of discretionary trusts	128,000,000 *(Note 1)*	–	1,571,655,517 *(Note 2)*	1,699,655,517	61.54%
Ms. Michelle Wong	Beneficial owner and beneficiary of discretionary trusts	23,000,000 *(Note 3)*	–	1,571,655,517 *(Note 2)*	1,594,655,517	57.74%
Mr. Wang	Beneficial owner & interest of controlled corporation	25,000,000 *(Note 4)*	101,251,300 *(Note 5)*	–	126,251,300	4.57%
Mr. Ding Chung Keung, Vincent ("Mr. Ding")	Beneficial owner	149,230,000 *(Note 6)*	–	–	149,230,000	5.40%
Mr. Ma Ho Fai GBS JP ("Mr. Ma")	Beneficial owner	2,700,000 *(Note 7)*	–	–	2,700,000	0.10%
Mr. Cheng Yuk Wo ("Mr. Cheng")	Beneficial owner	4,200,000 *(Note 8)*	–	–	4,200,000	0.15%
Mr. Ng Chi Keung MH ("Mr. Ng")	Beneficial owner	2,600,000 *(Note 9)*	–	–	2,600,000	0.09%

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

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

Name of Director	Capacity	Number of shares	Approximate % of Shareholding *(Note 11)*
Mr. Wong	Trustee of a trust	124,000	31%
Ms. Michelle Wong	Beneficiary of a trust	124,000	31%

Long positions in shares of HK$0.01 each of an associated corporation, namely, China Rongzhong Financial Holdings Company Limited

Name of Director	Capacity	Number of shares	Approximate % of Shareholding *(Note 12)*
Ms. Michelle Wong	Trustee of a trust	20,234,242	4.91%

Notes:

1. These interests were underlying Shares derived from share options granted to Mr. Wong under the 2002 Scheme and the 2012 Scheme (as defined under the paragraph "SHARE OPTION SCHEMES" on pages 45 to 46 of this report).

2. These Shares were indirectly held by two discretionary trusts. The assets of these trusts included the entire issued share capital of Allied Luck Trading Limited ("Allied Luck") (directly holding 855,808,725 Shares), Allied Golden Investment Limited ("Allied Golden") and Aceyork Investment Limited ("Aceyork") (indirectly holding 715,846,792 Shares through Ace Solomon Investments Limited ("Ace Solomon"), a company which was equally owned by Allied Golden and Aceyork). The trustees of these trusts were Mr. Wong and Mrs. Wong Fang Pik Chun ("Mrs. Wong") and the beneficiaries of these trusts were Ms. Michelle Wong and Miss Wong, Jacqueline Yue Yee ("Miss Jacqueline Wong") and their children.

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

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

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

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

6. These interests included 21,230,000 Shares and 128,000,000 underlying Shares derived from share options granted to Mr. Ding under the 2002 Scheme and the 2012 Scheme.

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

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

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

10. As at 31 March 2017, there was a total of 2,761,912,843 Shares in issue.

11. As at 31 March 2017, there was a total of 400,000 shares of Goldbond Capital Investments Limited in issue.

12. As at 31 March 2017, there was a total of 412,509,000 shares of China Rongzhong Financial Holdings Company Limited in issue.

Save as disclosed above, as at 31 March 2017, none of the Directors or chief executive of the Company or any of their respective associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations as recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 31 March 2017, shareholders (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in the Shares/underlying Shares of the Company

Name of substantial shareholder	Capacity	Number of Shares/ underlying Shares	Total	Approximate % of Shareholding *(Note 5)*
Mrs. Wong	(i) Interest of spouse	128,000,000 *(Note 1)*		
	(ii) Trustees	1,571,655,517 *(Note 2)*		
			1,699,655,517	61.54%
Miss Jacqueline Wong	Beneficiary of the discretionary trusts	1,571,655,517 *(Note 2)*	1,571,655,517	56.90%
Mr. Kwok Wing-Sien ("Mr. Kwok")	Interest of spouse	1,594,655,517 *(Note 3)*	1,594,655,517	57.74%
Allied Luck	Beneficial owner	855,808,725	855,808,725	30.99%
Ace Solomon	Beneficial owner	715,846,792 *(Note 4)*	715,846,792	25.92%
Aceyork	Interest in controlled corporation	715,846,792 *(Note 4)*	715,846,792	25.92%
Allied Golden	Interest in controlled corporation	715,846,792 *(Note 4)*	715,846,792	25.92%

Notes:

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

2. These Shares were indirectly held by two discretionary trusts. The assets of these trusts included the entire issued share capital of Allied Luck (directly holding 855,808,725 Shares), Allied Golden and Aceyork (indirectly holding 715,846,792 Shares through Ace Solomon, a company which was equally owned by Allied Golden and Aceyork). The trustees of these trusts were Mr. Wong and Mrs. Wong and the beneficiaries of these trusts were Ms. Michelle Wong and Miss Jacqueline Wong and their children.

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

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

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

5. As at 31 March 2017, there was a total of 2,761,912,843 Shares in issue.

Save as disclosed above, as at 31 March 2017, the Company had not been notified by any persons (other than Directors or chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONTINUING CONNECTED TRANSACTION

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

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

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

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

(b) on normal commercial terms; and

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

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

(a) has received the approval of the Board;

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

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

RELATED PARTY TRANSACTIONS

Details of the related party transactions are set out in Note 33 to the consolidated financial statements. Other than the transaction disclosed in the paragraph headed "Continuing Connected Transaction", none of them constitutes a discloseable connected transaction as defined under the Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the paragraph headed "Continuing Connected Transaction" and in Note 33 to the consolidated financial statements in connection with the related party transactions, no contracts of significance in relation to the Group's business to which the Company and any of its subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly subsisted at the year-end or at any time during the Year.

CHANGE IN INFORMATION OF DIRECTOR

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

– Mr. Ng's term with the Hong Kong Productivity Council as the Deputy Chairman and a council member lapsed on 31 December 2016. On the other hand, he was appointed as a member of the Innovation and Technology Venture Fund Advisory Committee for a term of two years commencing 16 June 2017.

– Mr. Cheng was appointed on 19 December 2016 as an independent non-executive director of Miricor Enterprises Holdings Limited, a company listed on 10 January 2017 on the Growth Enterprise Market of the Stock Exchange (the "GEM"). He was also appointed on 9 March 2017 as an independent non-executive director of Somerley Capital Holdings Limited, a company listed on 27 March 2017 on the GEM.

SHARE OPTION SCHEMES

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

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

Grantee	Date of grant	Exercise price (HK$)	Exercise period *(Note 2)*	Outstanding at 31/3/16	Lapsed	Outstanding at 31/3/17
Directors						
Mr. Wang	17/8/2007	1.014	17/8/2010 – 16/8/2017	25,000,000	–	25,000,000
Mr. Wong	17/8/2007	1.014	17/8/2010 – 16/8/2017	25,000,000	–	25,000,000
	13/10/2009	0.500	13/10/2012 – 12/10/2019	26,000,000	–	26,000,000
	1/2/2011	0.410	1/2/2014 – 31/1/2021	26,000,000	–	26,000,000
Mr. Ding	17/8/2007	1.014	17/8/2010 – 16/8/2017	25,000,000	–	25,000,000
	13/10/2009	0.500	13/10/2012 – 12/10/2019	26,000,000	–	26,000,000
	1/2/2011	0.410	1/2/2014 – 31/1/2021	26,000,000	–	26,000,000
Ms. Michelle Wong	1/2/2011	0.410	1/2/2014 – 31/1/2021	13,000,000	–	13,000,000
Mr. Ma	1/2/2011	0.410	1/2/2014 – 31/1/2021	1,500,000	–	1,500,000
Mr. Cheng	23/5/2008	0.692	23/5/2011 – 22/5/2018	1,600,000	–	1,600,000
	1/2/2011	0.410	1/2/2014 – 31/1/2021	2,600,000	–	2,600,000
Eligible employees	29/3/2007	0.256	29/3/2010 – 28/3/2017	16,000,000	(16,000,000)	–
(in aggregate)	17/8/2007	1.014	17/8/2010 – 16/8/2017	15,300,000	–	15,300,000
	23/5/2008	0.692	23/5/2011 – 22/5/2018	3,000,000	–	3,000,000
	13/3/2009	0.360	13/9/2011 – 12/3/2019	1,000,000	–	1,000,000
	13/3/2009	0.360	13/3/2012 – 12/3/2019	600,000	–	600,000
	1/2/2011	0.410	1/2/2014 – 31/1/2021	8,400,000	–	8,400,000
				242,000,000	(16,000,000)	226,000,000

SHARE OPTION SCHEMES (continued)

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

Grantee	Date of grant	Exercise price (HK$)	Exercise period *(Note 2)*	Outstanding at 31/3/16	Granted	Outstanding at 31/3/17
Director						
Mr. Wong	14/10/2014	0.360	14/10/2016 – 13/10/2024	26,000,000	–	26,000,000
	8/12/2016	0.272	8/12/2018 – 7/12/2026	–	25,000,000	25,000,000
Mr. Ding	14/10/2014	0.360	14/10/2016 – 13/10/2024	26,000,000	–	26,000,000
	8/12/2016	0.272	8/12/2018 – 7/12/2026	–	25,000,000	25,000,000
Ms. Michelle Wong	8/12/2016	0.272	8/12/2018 – 7/12/2026	–	10,000,000	10,000,000
Mr. Ng	28/6/2013	0.295	28/6/2015 – 27/6/2023	2,600,000	–	2,600,000
Eligible employees (in aggregate)	28/6/2013	0.295	28/6/2015 – 27/6/2023	14,800,000	–	14,800,000
	14/10/2014	0.360	14/10/2016 – 13/10/2024	40,000,000	–	40,000,000
	8/12/2016	0.272	8/12/2018 – 7/12/2026	–	16,100,000	16,100,000
				109,400,000	76,100,000	185,500,000

Notes:

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

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

EQUITY-LINKED AGREEMENTS

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

SUFFICIENCY OF PUBLIC FLOAT

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

CHARITABLE DONATION

Donation made by the Group during the year ended 31 March 2017 amounted to HK$10,000.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

Pursuant to Code E.1.2 of the CG Code, the Chairman should attend the annual general meetings of the Company. The Company's Chairman, was unable to attend the 2016 AGM due to health reason.

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

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group has dedicated its effort to review and monitor the Group's ESG policy and practices to ensure compliance with the relevant legal and regulatory requirements as described in Appendix 27 to the Listing Rules. Details of the Group's ESG performance in the Year is contained in this annual report.

AUDITOR

Messrs. Deloitte Touche Tohmatsu retire and, being eligible, offer themselves for re-appointment at the 2017 AGM. A resolution will be submitted to the 2017 AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

FORWARD-LOOKING STATEMENTS

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

On behalf of the Board

Wong Yu Lung, Charles
Deputy Chairman

Hong Kong
30 June 2017

Deloitte. 德勤

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

OPINION

We have audited the consolidated financial statements of Goldbond Group Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 54 to 118, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Estimated impairment of interest in a joint venture	
We identified the estimated impairment of interest in a joint venture as a key audit matter as it requires the application of significant judgment and the use of subjective assumptions by management. As disclosed in note 15 to the consolidated financial statements, the Group has 40% equity interest in Rongzhong Group Limited (“Rongzhong Group”), which is a joint venture of the Group engaged in the provision of financing and loan guarantee services. The Group recognised share of loss of Rongzhong Group for the year of HK$999,504,000 as a result of a high level of impairment allowance recorded in Rongzhong Group on its accounts receivable and advances provided to customers. At 31 March 2017, the net carrying amount of the Group’s interest in Rongzhong Group is HK$2,569,000, after impairment loss, net of other gain, of HK$248,447,000. The assessment for impairment and determination of the recoverable amount of the equity interest in Rongzhong Group involves significant management judgement. The key judgement is considered to be the identification of impairment indicators and the determination of expected future cash flows from Rongzhong Group and the discount rate.	Our procedures in relation to the estimated impairment of interest in a joint venture included: • Obtaining an understanding of the impairment assessment and the processes applied by management with respect to the determination of the recoverable amount of its interest in Rongzhong Group; • Evaluating the indicators for impairment; • Evaluating the appropriateness of the valuation methodology used by management and assessing the reasonableness of key assumptions and inputs used by management based on our knowledge of the business and industry, with the assistance of our internal valuation specialist; • Assessing whether the Group has any commitment to provide additional funding or make further investments in Rongzhong Group; and • Testing the mathematical accuracy of the recoverable amount calculations.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Estimated impairment of interest in an associate	
We identified the estimated impairment of interest in an associate as a key audit matter as it requires the application of significant judgment and the use of subjective assumptions by management. As disclosed in note 16 to the consolidated financial statements, the Group has 34.86% equity interest in China Rongzhong Financial Holdings Company Limited ("China Rongzhong"), which is an associate of the Group engaged in the provision of financial leasing service. At 31 March 2017, the net carrying amount of the Group's interest in China Rongzhong is HK$185,510,000, after impairment loss of HK$19,955,000. The net carrying amount of China Rongzhong, after impairment, was determined based on its quoted market value as at 31 March 2017. The assessment for impairment and determination of the recoverable amount of the equity interest in China Rongzhong involves significant management judgement. The key judgement is considered to be the identification of impairment indicators and the determination of appropriate valuation method and recoverable amount.	Our procedures in relation to the estimated impairment of interest in an associate included: • Obtaining an understanding of the impairment assessment and the processes applied by management with respect to the determination of the recoverable amount of its interest in China Rongzhong; • Evaluating the indicators for impairment; • Evaluating the appropriateness of the valuation methodology and the models used by management and assessing the reasonableness of key assumptions and inputs used by management based on our knowledge of the business and industry, with the assistance of our internal valuation specialist; • Assessing whether the Group has any commitment to provide additional funding or make further investments in China Rongzhong; and • Testing the mathematical accuracy of the recoverable amount calculations.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Estimated impairment of advances provided to customers	
We identified the estimated impairment of advances provided to customers as a key audit matter as it requires the application of significant judgment and the use of subjective assumptions by management. As disclosed in note 19 to the consolidated financial statements, the Group has advances provided to customers of HK$276,272,000, after impairment loss of HK$52,076,000, as at 31 March 2017. Advances provided to customers are assessed for impairment individually and involves significant management judgement, including the determination of the present value of estimated future cash flows taking into account the borrower's financial situation, repayment history and the net realisable value of the underlying collateral received. The basis of determining the impairment allowance is disclosed in note 4 to the consolidated financial statements.	Our procedures in relation to the estimated impairment of advances provided to customers included: • Obtaining an understanding from management of the established policies and procedures on credit risk approval and monitoring; • On a sample basis, evaluating management's assessment of the credit quality of the borrowers by examining the credit files, including overdue records, repayment history, the borrowers' financial information and other relevant information, and checking the existence and recoverable amount of the collateral and the charge over the collateral, as applicable; and • For those advances provided to customers with impairment indicators, checking on a sample basis management's computations of the recoverable amounts and the impairment allowance.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 June 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2017

	NOTES	**2017 HK$'000**	2016 HK$'000
Revenue	5	**81,371**	48,418
Other income		**23,305**	12,282
Cost of sales of trading business		**(56,669)**	–
Staff costs	9	**(20,242)**	(28,537)
Other operating expenses		**(13,084)**	(11,899)
Impairment, net of other gain, on interest in a joint venture	15	**(250,377)**	–
Impairment loss on interest in an associate	16	**(20,680)**	–
Impairment loss on loan to a joint venture	15	**(44,424)**	–
Impairment losses on advances provided to customers	19	**(11,110)**	(14,152)
Adjustment to the carrying amount of a loan to a joint venture	15	**–**	(10,746)
Change in fair values of financial liabilities	29	**–**	31,812
Direct finance costs	7	**–**	(1,311)
Other finance costs	8	**(724)**	(629)
Share of (loss) profit of joint ventures	15	**(999,504)**	95,897
Share of (loss) profit of associates	16	**(97,300)**	3,460
(Loss) profit before taxation	9	**(1,409,438)**	124,595
Taxation	11	**(13,380)**	(122)
(Loss) profit for the year		**(1,422,818)**	124,473
Other comprehensive expenses			
Items that will not be reclassified to profit or loss			
Exchange differences arising on translation to presentation currency attributable to:			
The Group		**(38,362)**	(34,369)
Joint ventures	15	**(60,983)**	(69,072)
An associate	16	**(19,952)**	–
Other comprehensive expenses for the year		**(119,297)**	(103,441)
Total comprehensive (expense) income for the year		**(1,542,115)**	21,032
(Loss) profit for the year attributable to owners of the Company		**(1,422,818)**	124,473
Total comprehensive (expense) income for the year attributable to owners of the Company		**(1,542,115)**	21,032
(Loss) earnings per share	13		
– Basic		**HK (51.52) cents**	HK 4.51 cents
– Diluted		**HK (51.52) cents**	HK 4.49 cents

	NOTES	2017 HK$'000	2016 HK$'000
Non-current assets			
Equipment	14	**2,187**	3,669
Interest in a joint venture	15	**2,569**	1,313,433
Interests in associates	16	**185,526**	323,458
Loan to a joint venture	15	**–**	34,424
Loan to an associate	16	**1,470**	–
Advances provided to customers	19	**132,319**	–
Club debentures	17	**16,545**	17,529
Deferred tax asset	27	**–**	10,851
		340,616	1,703,364
Current assets			
Loan to a joint venture	15	**–**	448,785
Account receivable	18	**14,955**	–
Advances provided to customers	19	**143,953**	189,880
Prepayments, deposits and other receivables		**1,912**	3,285
Structured deposit	20	**14,921**	–
Short term bank deposits	21		
– with original maturity within three months		**234,877**	276,706
– with original maturity more than three months		**19,101**	36,906
Bank balances and cash	21	**20,324**	9,984
		450,043	965,546
Current liabilities			
Bills and other payables	22	**36,371**	21,269
Taxation		**3,484**	2,987
Liabilities under shareholders' agreements	23	**–**	315,240
		39,855	339,496
Net current assets		**410,188**	626,050
Total assets less current liabilities		**750,804**	2,329,414

Consolidated Statement of Financial Position

As at 31 March 2017

	NOTES	2017 HK$'000	2016 HK$'000
Capital and reserves			
Share capital	24	**829,209**	829,209
Reserves		**(83,955)**	1,495,379
Total equity		**745,254**	2,324,588
Non-current liability			
Redeemable convertible preference shares	26	**5,550**	4,826
		750,804	2,329,414

The consolidated financial statements on pages 54 to 118 were approved and authorised for issue by the Board of Directors on 30 June 2017 and are signed on its behalf by:

Wong Yu Lung, Charles
Director

Ding Chung Keung, Vincent
Director

	Attributable to owners of the Company							
	Share capital HK$'000	Investment revaluation reserve HK$'000	Employee share-based compensation reserve HK$'000	General reserve HK$'000	Statutory surplus reserve HK$'000 (Note)	Translation reserve HK$'000	Retained profits (accumulated losses) HK$'000	Total HK$'000
At 1 April 2015	822,433	3,000	61,657	6,000	822	141,336	1,298,062	2,333,310
Profit for the year	–	–	–	–	–	–	124,473	124,473
Exchange differences arising on translation to presentation currency attributable to:								
The Group	–	–	–	–	–	(34,369)	–	(34,369)
Joint ventures	–	–	–	–	–	(69,072)	–	(69,072)
Total comprehensive (expense) income for the year	–	–	–	–	–	(103,441)	124,473	21,032
Dividends recognised as distribution (Note 12)	–	–	–	–	–	–	(41,429)	(41,429)
Exercise of share options	6,789	–	(1,340)	–	–	–	–	5,449
Expenses incurred in connection with issue of shares	(13)	–	–	–	–	–	–	(13)
Realisation of reserve upon deemed disposal of a joint venture	–	–	–	–	–	5,627	(5,627)	–
Recognition of equity-settled share-based payments	–	–	6,239	–	–	–	–	6,239
Transferred to statutory surplus reserve	–	–	–	–	783	–	(783)	–
At 31 March 2016	829,209	3,000	66,556	6,000	1,605	43,522	1,374,696	2,324,588
Loss for the year	–	–	–	–	–	–	(1,422,818)	(1,422,818)
Exchange differences arising on translation to presentation currency attributable to:								
The Group	–	–	–	–	–	(38,362)	–	(38,362)
A joint venture	–	–	–	–	–	(60,983)	–	(60,983)
An associate	–	–	–	–	–	(19,952)	–	(19,952)
Total comprehensive expense for the year	–	–	–	–	–	(119,297)	(1,422,818)	(1,542,115)
Dividends recognised as distribution (Note 12)	–	–	–	–	–	–	(41,429)	(41,429)
Lapse of share options	–	–	(1,979)	–	–	–	1,979	–
Realisation of reserve upon disposal of subsidiaries	–	–	–	–	–	(780)	780	–
Recognition of equity-settled share-based payments	–	–	4,210	–	–	–	–	4,210
Transferred to statutory surplus reserve	–	–	–	–	728	–	(728)	–
At 31 March 2017	**829,209**	**3,000**	**68,787**	**6,000**	**2,333**	**(76,555)**	**(87,520)**	**745,254**

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	2017 HK$'000	2016 HK$'000
Operating activities		
(Loss) profit for the year	**(1,422,818)**	124,473
Adjustments for:		
Taxation	**13,380**	122
Depreciation of equipment	**1,745**	1,802
Equity-settled share-based payment expenses	**4,210**	6,239
Adjustment to the carrying amount of a loan to a joint venture	**–**	10,746
Change in fair values of financial liabilities	**–**	(31,812)
Finance costs	**724**	1,940
Loss (gain) on disposal of equipment	**1**	(43)
Impairment, net of other gain, on interest in a joint venture	**250,377**	–
Impairment loss on interest in an associate	**20,680**	–
Impairment loss on loan to a joint venture	**44,424**	–
Impairment losses on advances provided to customers	**11,110**	14,152
Loss on deemed disposal of a joint venture	**–**	942
Interest income from financing and factoring services	**(24,622)**	(48,418)
Interest income from bank deposits	**(9,109)**	(11,919)
Share of loss (profit) of joint ventures	**999,504**	(95,897)
Share of loss (profit) of associates	**97,300**	(3,460)
Effect of foreign exchange rate changes	**(15,458)**	2,406
Operating cash flows before movements in working capital	**(28,552)**	(28,727)
Increase in account receivable	**(14,955)**	–
Decrease in advances provided to customers	**24,988**	47,597
Decrease in prepayments, deposits and other receivables	**1,209**	308
Increase in bills and other payables	**16,570**	1,557
Cash (used in) generated from operations	**(740)**	20,735
Interest received from financing and factoring services	**14,677**	66,779
Enterprise Income Tax paid in China	**(2,464)**	(3,258)
Net cash from operating activities	**11,473**	84,256

	NOTE	2017 HK$'000	2016 HK$'000
Investing activities			
Release of short term bank deposits with original maturity more than three months		**36,906**	240,415
Placement of short term bank deposits with original maturity more than three months		**(19,101)**	(36,906)
Investment in structured deposit		**(14,921)**	–
Interest received from bank deposits		**9,109**	11,919
Loan to an associate		**(1,470)**	–
Purchase of equipment		**(369)**	(1,089)
Investments in associates		**–**	(1,532)
Proceeds from disposal of equipment		**–**	44
Net cash from investing activities		**10,154**	212,851
Financing activities			
Dividends paid	12	**(41,429)**	(41,429)
Interest paid		**–**	(1,311)
Repayment of bank loans		**–**	(78,359)
Bank loans raised		**–**	47,685
Proceeds from issue of shares		**–**	5,449
Payment for transaction costs attributable to issue of shares		**–**	(13)
Net cash used in financing activities		**(41,429)**	(67,978)
Net (decrease) increase in cash and cash equivalents		**(19,802)**	229,129
Cash and cash equivalents at the beginning of the year		**286,690**	80,493
Effect of foreign exchange rate changes		**(11,687)**	(22,932)
Cash and cash equivalents at the end of the year		**255,201**	286,690
Analysis of balances of cash and cash equivalents			
Bank balances and cash		**20,324**	9,984
Short term bank deposits with original maturity within three months		**234,877**	276,706
		255,201	286,690

1. GENERAL

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

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRS 11	Accounting for acquisitions of interest in joint operations
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle

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

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and related amendments[1]
HKFRS 16	Leases[2]
HK (IFRIC) – Int 22	Foreign currency transactions and advance consideration[1]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 7	Disclosure initiative[4]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[4]
Amendments to HKAS 40	Transfers of investment property[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014 – 2016 cycle[5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2017
5 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

Except as described below, the application of these new and amendments to HKFRSs in issue but not yet effective has had no material impact on the Group's financial performance and position and/or the disclosures when they become effective.

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

HKFRS 9 Financial instruments

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

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

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

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

Application of HKFRS 9 in the future may have following impacts on the financial assets of the Group:

- The Group's available-for-sale investments will either be measured as fair value through profit or loss or be designated as FVTOCI (subject to fulfilment of the designation criteria).

- Financial assets measured at amortised costs under HKFRS 9 will be subject to impairment provision of HKFRS 9. Generally, the impairment model of HKFRS 9 will result in earlier loss recognition than that of HKAS 39.

The Group has not yet launched a detailed study on the impact of implementation of HKFRS 9 and therefore the above analysis is preliminary. It is based on the facts and circumstances as at 31 March 2017 and subject to changes. The Group is unable to provide an estimate of these effects when these consolidated financial statements are authorised.

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

HKFRS 15 Revenue from contracts with customers

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

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

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

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

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

As the Group provides various services including trading, financing and factoring services, implementations of HKFRS 15 may have an impact on recognition or measurement of income from these services. In addition, the application of HKFRS15 in the future may result in more disclosures in the consolidated financial statements.

The Group, however, has not yet launched a full study on the impacts of HKFRS 15. The Group is unable to provide an estimate of these effects when these consolidated financial statements are authorised.

HKFRS 16 Leases

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

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

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

HKFRS 16 Leases (continued)

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

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

Furthermore, extensive disclosures are required by HKFRS 16.

As set out in Note 31, total operating lease commitment of the Group in respect of future minimum lease payment as at 31 March 2017 amounted to HK$11,566,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors complete a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments which are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and a joint venture

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

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

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

Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

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

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

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

Financing service income and interest income are accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

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

Equipment

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

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

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

Impairment losses on tangible and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment losses on tangible and intangible assets (continued)

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

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

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Exchange differences arising on the re-translation of non-monetary items are included in other comprehensive income for the period.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the group entities are translated into the presentation currency of the Group (i.e. Hong Kong dollar) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the translation reserve (attributed to non-controlling interests as appropriate).

Borrowing costs

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

Retirement benefit costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leasing

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

The Group as lessee

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

Taxation

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

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

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

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

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

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial 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.

Financial assets

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

Effective interest method

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including advances provided to customers, loan to a joint venture, loan to an associate, amounts due from subsidiaries, account receivable, other receivables, deposits, short term bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses. (See accounting policy on impairment of financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets at FVTPL

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

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

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

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the 'other gains and losses' line item in the consolidated statement of profit or loss and other comprehensive income. Fair value is determined in the manner described in Note 20.

Available-for-sale financial assets

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

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

Impairment of financial assets

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

For an available-for-sale investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

For all other financial assets, objective evidence of impairment could include:

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

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

For certain categories of financial asset, such as advance provided to customers, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

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

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

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

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

In respect of available-for-sale equity investments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to impairment loss is recognised directly in other comprehensive income and accumulated in the investment revaluation reserve. For available-for-sale debt investments, impairment loss are subsequently reversed through profit or loss if an increase in fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by an entity are classified as either financial liabilities or as equity in according with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or those designated at FVTPL on initial recognition. The Group designated liabilities under shareholders' agreements as financial liabilities at FVTPL.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial 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 HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at amortised cost

Financial liabilities include amounts due to subsidiaries, bills and other payables are subsequently measured at amortised cost, using the effective interest method.

Convertible notes containing liability and equity components

Convertible notes issued by the Group that contain both the liability and conversion option components are classified separately into respective items on initial recognition. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument.

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

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

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

Redeemable convertible preference shares

Preference shares that are redeemable at the option of the holder are accounted for as described in the accounting policy for convertible notes.

Embedded derivatives

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 fair value with changes in fair value recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Derecognition

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

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

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

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Estimated impairment of interest in a joint venture

The entire carrying amount of the interest in a joint venture, including goodwill, is tested for impairment as a single asset. Determining whether interest in a joint venture is impaired requires an identification of impairment indicators and an estimation of the recoverable amount of the interest in a joint venture, which is based on the higher of value in use and fair value less costs of disposal. The Group identifies impairment indicators by considering the market and economic environment in which the joint venture operates and the financial performance of the joint venture. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the joint venture and apply a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2017, the carrying amount of interest in a joint venture is HK$2,569,000 (2016: HK$1,313,433,000), after impairment allowances, net of other gain, of HK$248,447,000 (2016: nil). Details of the impairment review are disclosed in Note 15.

Estimated impairment of interests in associates

The entire carrying amount of the interest in an associate, including goodwill, is tested for impairment as a single asset. Determining whether interests in associates are impaired requires an identification of impairment indicators and an estimation of the recoverable amount of the interest in associates, which is based on the higher of value in use and fair value less costs of disposal. The Group identifies impairment indicators by considering the market and economic environment in which the associate operates and the financial performance of the associate. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the associates and apply a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2017, the carrying amount of interests in associates is HK$185,526,000 (2016: HK$323,458,000), net of impairment allowances of HK$19,955,000 (2016: nil). Details of the impairment review are disclosed in Note 16.

Estimated impairment of advances provided to customers

When there is objective evidence of impairment loss, the Group takes into consideration an estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 March 2017, the carrying amount of advances provided to customers is HK$276,272,000 (2016: HK$189,880,000), net of impairment allowances of HK$52,076,000 (2016: HK$43,405,000).

Income taxes

As at 31 March 2017, no deferred tax asset (2016: nil) in relation to estimated unused tax losses of HK$199,291,000 (2016: HK$189,883,000) was recognised in the Group's consolidated statement of financial position because of the unpredictability of future profit streams as disclosed in Note 27. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future.

5. REVENUE

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

	2017	2016
	HK$'000	HK$'000
Revenue from the sale of goods	**56,749**	–
Financing service income	**9,236**	31,775
Factoring service income	**15,386**	16,643
	81,371	48,418

6. SEGMENT INFORMATION

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

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

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

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

During the year, the operating segments of the Group as reviewed by CODM has changed to exclude the provision of financing services and loan guarantee services through a joint venture (previously included in the financing service segment) and provision of financial leasing services through an associate (previously presented as financial leasing service segment), the comparative figures have been restated to re-present the Group's segment information accordingly.

The segment information is reported below.

6. SEGMENT INFORMATION (continued)

Segment revenue and results

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

For the year ended 31 March 2017

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

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

For the year ended 31 March 2016

	Financing service	Factoring service (Note)	Total
	HK$'000	HK$'000	HK$'000
Revenue from customers	31,775	16,643	48,418
Segment results	4,913	12,239	17,152
Unallocated other income			11,919
Change in fair values of financial liabilities			31,812
Central administration costs			(35,074)
Net exchange gain			58
Other finance costs			(629)
Share of profit of joint ventures			95,897
Share of profit of associates			3,460
Profit before taxation			124,595

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

Note: Included in segment results are direct finance costs of HK$1,311,000 for the year ended 31 March 2016 attributable to the factoring service business.

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities

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

As at 31 March 2017

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

6. SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

As at 31 March 2016

	Financing service HK$'000	Factoring service HK$'000	Total HK$'000
Assets			
Segment assets	531,214	143,400	674,614
Interest in a joint venture			1,313,433
Interests in associates			323,458
Unallocated assets			357,405
Total assets			2,668,910
Liabilities			
Segment liabilities	227	190	417
Unallocated liabilities			343,905
Total liabilities			344,322

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

6. SEGMENT INFORMATION (continued)

Other segment information

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

For the year ended 31 March 2017

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

For the year ended 31 March 2016

	Financing service HK$'000	Factoring service HK$'000	Unallocated HK$'000	Total HK$'000
Expenditure for reportable segment non-current assets	–	144	945	1,089
Impairment losses on advances provided to customers	14,152	–	–	14,152
Depreciation of equipment	155	416	1,231	1,802

Geographical information

Revenue reported above represents income generated from external customers located in China of HK$72,596,000 (2016: HK$19,623,000), income generated from external customers located outside China of HK$3,559,000 (2016: nil) and income generated from a joint venture in China of HK$5,216,000 (2016: HK$28,795,000).

As at 31 March 2017, non-current assets other than financial instruments, deferred tax asset, interest in a joint venture and interests in associates of HK$704,000 (2016: HK$1,019,000) and HK$1,483,000 (2016: HK$2,650,000) were located in China and Hong Kong, respectively.

Information about major customers

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

	2017 HK$'000	2016 HK$'000
Customer A in the trading segment	**56,749**	–
Customer B in the factoring service segment	**13,190**	14,133
Customer C in the financing service segment	**–**	28,795

7. DIRECT FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Interest on borrowing wholly repayable within one year	–	1,311

8. OTHER FINANCE COSTS

	2017 HK$'000	2016 HK$'000
Imputed interest on redeemable convertible preference shares	724	629

9. (LOSS) PROFIT BEFORE TAXATION

	2017 HK$'000	2016 HK$'000
(Loss) profit before taxation has been arrived at after charging:		
Salaries, allowances and other benefits	15,342	21,589
Retirement benefit scheme contributions	690	709
Equity-settled share-based payment expenses	4,210	6,239
Total staff costs (including directors' remuneration)	20,242	28,537
Auditor's remuneration		
– Audit service	475	475
– Non-audit services	501	501
Depreciation of equipment	1,745	1,802
Loss on deemed disposal of a joint venture	–	942
Loss on disposal of equipment	1	–
Operating lease rentals in respect of properties	5,600	3,589
and after crediting:		
Interest income from bank deposits (included in other income)	9,109	11,919
Net exchange gain (included in other income)	13,514	58
Gain on disposal of equipment (included in other income)	–	43

10. DIRECTORS' AND EMPLOYEES' REMUNERATION

Directors' emoluments

Directors' remuneration comprises payments by the Group to directors of the Company in connection with the management of the affairs of the Company and its subsidiaries.

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

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

The remuneration of each director of the year ended 31 March 2016 is set out below:

	Directors' fees HK$'000	Salaries, allowances and benefits HK$'000	Retirement benefit scheme contributions HK$'000	Discretionary bonus HK$'000	Share-based payments HK$'000	Total HK$'000
Executive directors						
Mr. Wang Jun	–	1,440	–	–	–	1,440
Mr. Wong Yu Lung, Charles	–	1,656	3	138	1,756	3,553
Mr. Ding Chung Keung, Vincent	–	1,590	18	5,800	1,755	9,163
Ms. Wong, Michelle Yatyee	–	1,100	18	1,000	–	2,118
Independent non-executive directors						
Mr. Cheng Yuk Wo	240	–	–	–	–	240
Mr. Ma Ho Fai SBS JP	240	–	–	–	–	240
Mr. Ng Chi Keung MH	240	–	–	–	32	272
Total	720	5,786	39	6,938	3,543	17,026

10. DIRECTORS' AND EMPLOYEES' REMUNERATION (continued)

Directors' emoluments (continued)

Notes:

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

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

During the year, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor any are payable (2016: nil). No consideration was provided to or receivable by third parties for making available director's services (2016: nil). There are no loans, quasi-loans or other dealings in favour of the directors, their controlled body corporate and connected entities (2016: nil).

Save as disclosed in Note 33, no director of the Company had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year or at any time during the year (2016: nil).

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

During the year, shares options were granted to certain directors, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in Note 30.

Employees' emoluments

Of the five highest paid individuals in the Group during the year, four (2016: four) were directors of the Company whose emoluments are set out above. Details of the emolument of the remaining individual was as follows:

	2017 **HK$'000**	2016 HK$'000
Salaries, allowances and other benefits	**888**	848
Contributions to retirement benefit scheme	**18**	18
Equity-settled share-based payment expenses	**65**	159
Discretionary bonus	**129**	475
	1,100	1,500

11. TAXATION

	2017 HK$'000	2016 HK$'000
The charge (credit) comprises:		
Current tax		
Enterprise Income Tax in China		
– Provision for the current year	**3,138**	3,825
– Overprovision in prior year	**–**	(165)
	3,138	3,660
Deferred taxation (Note 27)	**10,242**	(3,538)
	13,380	122

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

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

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

	2017 HK$'000	2016 HK$'000
(Loss) profit before taxation	**(1,409,438)**	124,595
Tax at the domestic income tax rate in China of 25% (2016: 25%)	**(352,359)**	31,149
Tax effect of share of loss (profit) of joint ventures	**249,876**	(23,974)
Tax effect of share of loss (profit) of associates	**24,325**	(865)
Tax effect of income not taxable for tax purposes	**(7,717)**	(19,912)
Tax effect of expenses not deductible for tax purposes	**83,657**	7,150
Tax effect of tax losses not recognised	**2,352**	6,624
Tax effect of deductible temporary differences not recognised	**13,019**	–
Overprovision in prior year	**–**	(165)
Others	**227**	115
Taxation for the year	**13,380**	122

12. DIVIDENDS

	2017 **HK$'000**	2016 HK$'000
Dividends recognised as distribution and paid during the year:		
Final dividends of HK1.5 cents per share in respect of the year ended 31 March 2016 (2016: In respect of the year ended 31 March 2015 of HK1.5 cents per share)	**41,429**	41,429

The directors do not recommend the payment of dividend for the year (2016: HK1.5 cent).

13. (LOSS) EARNINGS PER SHARE

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

	2017 **HK$'000**	2016 HK$'000
(Loss) earnings:		
(Loss) earnings for the purposes of basic and diluted (loss) earnings per share ((loss) profit for the year attributable to owners of the Company)	**(1,422,818)**	124,473
Number of shares:	**'000**	'000
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**2,761,913**	2,757,979
Effect of dilutive potential ordinary shares:		
Share options (Note)	**–**	14,205
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**2,761,913**	2,772,184

Note: The computation of diluted loss per share for the year ended 31 March 2017 does not assume the exercise of the Company's outstanding share options since their assumed exercise would result in decrease in loss per share for the year.

14. EQUIPMENT

	Furniture, fixtures and other fixed assets	
	2017	2016
	HK$'000	HK$'000
COST		
At the beginning of the year	**8,778**	8,080
Exchange adjustments	**(374)**	(376)
Additions	**369**	1,089
Disposals	**(23)**	(15)
At the end of the year	**8,750**	8,778
ACCUMULATED DEPRECIATION		
At the beginning of the year	**5,109**	3,560
Exchange adjustments	**(269)**	(239)
Charge for the year	**1,745**	1,802
Eliminated on disposals	**(22)**	(14)
At the end of the year	**6,563**	5,109
NET CARRYING VALUES		
At the end of the year	**2,187**	3,669

The above items of equipment are depreciated on a straight line basis at the rates of 20% to 33$^{1}/_{3}$% per annum.

15. INTEREST IN A JOINT VENTURE/LOAN TO A JOINT VENTURE

	2017	2016
	HK$'000	HK$'000
Cost of investment in a joint venture, unlisted	**1,019,188**	1,051,440
Share of post acquisition (loss) profit and other comprehensive expenses, net of dividends received (Note a)	**(768,172)**	261,993
	251,016	1,313,433
Impairment, net of other gain (Note b)	**(248,447)**	–
	2,569	1,313,433
Loan to a joint venture (Note c)		
– Non-current	**–**	34,424
– Current	**–**	448,785
	–	483,209

15. INTEREST IN A JOINT VENTURE/LOAN TO A JOINT VENTURE (continued)

Particulars of the joint venture as at 31 March 2017 and 2016 are as follows:

Name of joint venture	Form of business structure	Place of incorporation and operation	Particulars of issued and paid up capital	Effective ownership interest indirectly held by the Group	Proportion of voting power held	Principal activities
Rongzhong Group Limited ("Rongzhong Group")	Limited	British Virgin Islands/China	**US$34,275,000**	**40%**	**40%**	Provision for financing and loan guarantee services

Note: Based on the legal form and terms of the contractual arrangements, the interest in Rongzhong Group is classified as joint venture as major decisions require the unanimous consent among the shareholders. Upon completion of a reorganisation in December 2015, Rongzhong Capital Holdings Limited ("Rongzhong Capital"), a former joint venture of the Group, became a wholly-owned subsidiary of China Rongzhong Financial Holdings Company Limited ("China Rongzhong"), a company which was indirectly owned as to approximately 47.94% by the Group. Upon completion of the listing of the China Rongzhong on the Main Board of the Stock Exchange in January 2016, the Group's interest in China Rongzhong has been diluted from 47.94% to 34.86% and China Rongzhong became an associate of the Group.

Summarised financial information of the joint venture

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

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

15. INTEREST IN A JOINT VENTURE/LOAN TO A JOINT VENTURE (continued)

Summarised financial information of the joint venture (continued)

Rongzhong Group

	2017 HK$'000	2016 HK$'000
Current assets	1,686,157	4,185,843
Non-current assets	319,296	221,225
Current liabilities	(2,198,416)	(1,557,374)
Non-current liabilities	–	(915,176)
	(192,963)	1,934,518

The above amounts of assets and liabilities include the following:

	2017 HK$'000	2016 HK$'000
Cash and cash equivalents	2,925	10,630
Current financial liabilities (excluding payables and provisions)	(1,540,197)	(989,792)
Non-current financial liabilities	–	(915,176)

	2017 HK$'000	2016 HK$'000
Revenue	534,370	850,416
(Loss) profit for the year	(2,494,830)	199,399
Other comprehensive expense for the year	(76,653)	(121,302)
Total comprehensive (expense) income for the year	(2,571,483)	78,097

15. INTEREST IN A JOINT VENTURE/LOAN TO A JOINT VENTURE (continued)

Summarised financial information of the joint venture (continued)

Rongzhong Group (continued)

The above (loss) profit for the year include the following:

	2017 HK$'000	2016 HK$'000
Depreciation and amortisation	**(2,032)**	(2,630)
Interest income from bank deposits	**261**	6,454
Interest expense	**(159,838)**	(163,460)
Income tax credit (expense)	**57,722**	(127,293)

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

	2017 HK$'000	2016 HK$'000
Net (liabilities) assets of Rongzhong Group	**(192,963)**	1,934,518
Proportion of the Group's ownership interest in Rongzhong Group	**40%**	40%
Goodwill	**226,679**	249,067
Trademark	**260,270**	285,976
Net intangible assets	**–**	1,571
Others	**2,888**	3,012
Impairment loss	**(410,083)**	–
Carrying amount of the Group's interest in Rongzhong Group	**2,569**	1,313,433

15. INTEREST IN A JOINT VENTURE/LOAN TO A JOINT VENTURE (continued)

Summarised financial information of the joint venture (continued)

Rongzhong Capital

	2016 HK$'000
Revenue	172,922*
Profit for the period	39,417*
Other comprehensive expense for the period	(42,872)*
Total comprehensive expense for the period	(3,455)*

The above profit for the period include the following:

	2016 HK$'000
Depreciation and amortisation	(712)*
Interest income	3,410*
Interest expense	(76,358)*
Income tax expense	(19,864)*

* Included the results of Rongzhong Capital from 1 April 2015 up to the date it ceased to be a joint venture of the Group during the year ended 31 March 2016.

15. INTEREST IN A JOINT VENTURE/LOAN TO A JOINT VENTURE (continued)

Summarised financial information of the joint venture (continued)

Note a: During the year, the share of loss and other comprehensive expenses of joint ventures by the Group were HK$999,504,000 (2016: profit of HK$95,897,000) and HK$60,983,000 (2016: HK$69,072,000), respectively. The share of loss of HK$999,504,000 represented the share of loss of Rongzhong Group who suffered from a high level of impairment allowances on accounts receivable and advances provided to customers and significant loss for the year.

In April 2016, Rongzhong Group has capitalised its loans from shareholders of HK$444,000,000 as equity pursuant to the terms of the shareholders' agreements of Rongzhong Group dated 26 October 2011 as mentioned in Note 23, of which HK$315,240,000 is contributed by the Group out of the total amount due by Rongzhong Group of HK$448,785,000 to the Group. Such capitalisation resulted in a gain of HK$177,600,000 recognised by the Group, which represented the increased net asset of Rongzhong Group shared by the Group as a result of the capitalisation.

Note b: At 31 March 2017, the management of the Group carried out an impairment review on the carrying amount of its interest in the joint venture by comparing the recoverable amount estimated using value in use with the carrying amount of the interest in Rongzhong Group. In determining the value in use of the interest in Rongzhong Group, the Group estimated the present value of the estimated future cash flows expected to be generated by the joint venture, including cash flows from the operations of the joint venture and estimated terminal value, calculated at a discount rate of 22.7% (2016: 18.6%). The management of the Group has considered, among others, the performance, deteriorating financial (including but not limited to net liabilities of HK$192,963,000) and liquidity condition of Rongzhong Group and its available sources of financing in assessing the recoverable amount of the Group's interest in Rongzhong Group. Based on the assessment, the recoverable amount of the interest in the joint venture is lower than its carrying amount. Hence, an impairment, net of other gain, of HK$250,377,000, which represented the impairment loss of HK$427,977,000 and gain arising from share subscription of HK$177,600,000 as mentioned above, on the interest in the joint venture was recognised in profit or loss in the consolidated statement of profit or loss and other comprehensive income for the year.

Note c: As at 31 March 2016, the unsecured loan to a joint venture, Rongzhong Group, bearing a fixed interest rate of 5% per annum, which was reduced from 10% per annum on 26 October 2011 pursuant to the terms of the introduction with details disclosed in the circular dated 23 September 2011 (the "2011 Circular"), was HK$483,209,000. As at 31 March 2016, an amount of HK$448,785,000 was expected to be settled within one year and the remaining balance of HK$34,424,000 was expected to be settled more than one year. With respect to the loan interest receivable of HK$49,955,000, the carrying amount was written down by HK$10,746,000 on 31 March 2016 as a result of the change of expected repayment dates to 31 December 2016 and 31 March 2019 and was discounted at interest rate of 10% per annum.

During the year ended 31 March 2017, the loan to a joint venture of HK$315,240,000 was capitalised as part of the cost of investment in a joint venture as disclosed in Note 23 and HK$128,760,000 was assigned to Yong Hua International Limited ("Yong Hua") at its face value according to and subject to the terms of the shareholders' agreement of Rongzhong Group dated 26 October 2011 and the shareholders' resolutions of Rongzhong Group in relation to the arrangement of subscription of additional Rongzhong Group shares. At the request of Yong Hua, a loan of HK$128,760,000 was provided by the Group to finance the payment of the consideration of the assignment. Details of the transactions are set forth in the announcement dated 18 April 2016. The loan amount was included in advances provided to customers shown under non-current assets as at 31 March 2017 in Note 19.

During the year ended 31 March 2017, an impairment loss on loan to a joint venture of HK$44,424,000 (2016: nil) was recognised in profit or loss. As at 31 March 2017, the loan to a joint venture was nil (2016: HK$483,209,000).

16. INTERESTS IN ASSOCIATES/LOAN TO AN ASSOCIATE

	2017 HK$'000	2016 HK$'000
Cost of investments in associates		
Listed in Hong Kong	**315,212**	318,466
Unlisted	**1,532**	1,532
Share of post-acquisition (losses) profits and other comprehensive expense, net of dividends received	**(111,263)**	3,460
	205,481	323,458
Impairment loss	**(19,955)**	–
	185,526	323,458
Loan to an associate	**1,470**	–

Particulars of the associates as at 31 March 2017 and 31 March 2016 are as follows:

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

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

As at 31 March 2017, market value of the Group's listed investments in China Rongzhong based on quoted market price was approximately HK$185,510,000 (2016: HK$188,386,000).

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

Summarised financial information of the material associate

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

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

China Rongzhong

	2017	2016
	HK$'000	HK$'000
Current assets	**1,037,677**	1,350,013
Non-current assets	**467,486**	668,200
Current liabilities	**(935,883)**	(628,576)
Non-current liabilities	**(53,620)**	(546,839)
	515,660	842,798
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	**43,256**	233,039
Current financial liabilities (excluding payables and provisions)	**(882,767)**	(557,712)
Non-current financial liabilities	**(51,666)**	(541,490)
Revenue	**183,746**	32,088*
(Loss) profit for the year/period	**(277,160)**	12,177*
Other comprehensive expense for the year/period	**(49,978)**	–
Total comprehensive (expense) income for the year/period	**(327,138)**	12,177*

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

Summarised financial information of the material associate (continued)

China Rongzhong (continued)

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

	2017	2016
	HK$'000	HK$'000
Net assets of China Rongzhong	**515,660**	842,798
Proportion of the Group's ownership interest in China Rongzhong	**34.86%**	34.86%
Goodwill	**25,699**	28,953
Impairment loss	**(19,955)**	–
Carrying amount of the Group's interest in China Rongzhong	**185,510**	322,763

During the year, the share of losses of associates and other comprehensive expenses of an associate by the Group was HK$97,300,000 (2016: profit of HK$3,460,000) and HK$19,952,000 (2016: nil), respectively. The share of loss of HK$96,621,000 represented the share of loss of China Rongzhong which suffered from a high level of impairment allowances on its finance lease receivables and significant loss for the year.

At 31 March 2017, the management of the Group carried out impairment review on the carrying amount of the investment in China Rongzhong by comparing the recoverable amount estimated using the higher of fair value less costs of disposal and value in use with the carrying amount of the investment in China Rongzhong. Fair value less costs of disposal, measured using the quoted price for China Rongzhong listed shares on Hong Kong Exchanges and Clearing Limited as at 31 March 2017, was approximately HK$185,510,000 (2016: HK$188,386,000). In determining the value in use of the investment, the Group estimated the present value of the estimated future cash flows expected to be generated by the associate, including cash flows from the operations of the associate and estimated terminal value, calculated at a discount rate of 19.0% (2016: 18.5%). Based on the assessment, the recoverable amount of China Rongzhong is lower than its carrying amount. Hence, an impairment loss of HK$20,680,000 on the interests in China Rongzhong was recognised in profit or loss in the consolidated statement of profit or loss and other comprehensive income for the year.

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

Aggregate financial information of the associates that are not individually material

	2017 **HK$'000**	2016 HK$'000
The Group's share of loss	**(679)**	(837)*
The Group's share of total comprehensive expense	**(679)**	(837)*
Aggregate carrying amount of the Group's interest in these associates	**16**	695

* Included the results of the associates from the date it became associates of the Group up to 31 March 2016.

As at 31 March 2017, the loan to an associate of HK$1,470,000 (2016: nil) was unsecured, non-interest bearing and repayable after one year.

17. CLUB DEBENTURES

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

18. ACCOUNT RECEIVABLE

The Group normally allows credit period for trade customers of 60 days. The account receivable presented based on the invoice date, which approximated the respective revenue recognition dates, at the end of the reporting period was 0-60 days. At the end of the reporting period, the directors considered the account receivable which is neither past due nor impaired related to a customer of good credit quality.

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

19. ADVANCES PROVIDED TO CUSTOMERS

	2017 HK$'000	2016 HK$'000
Advances provided to customers	**328,348**	233,285
Less: Impairment allowances	**(52,076)**	(43,405)
	276,272	189,880
Less: Amounts shown under current assets	**(143,953)**	(189,880)
Amount due after one year	**132,319**	–

As at 31 March 2017, the advances provided to customers, which bore fixed interest at a rate of not more than 16.8% (2016: 18%) per annum, were repayable according to terms stipulated in the loan agreements and factoring facility agreements. Included in the balances, an aggregate amount of HK$275,242,000 was secured by assets such as properties, equity interests in certain private entities in China and a fixed and floating charge executed by a private entity in the British Virgin Islands where applicable (2016: HK$157,662,000 was secured by assets such as properties, bank's acceptance bills and equity interests in certain private entities in China).

For risk management purpose, there was credit team responsible for the evaluation of customers' credit rating, financial background and repayment abilities. Management had set up the credit limits and any further extension of credit beyond these approval limits had to be approved by management. The credit team was also required to take follow-up action where customers had defaulted on the repayment of loans. Management considered that the receivables which was neither past due nor impaired are customers of good credit quality.

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

	2017 HK$'000	2016 HK$'000
Neither past due nor impaired	**274,729**	175,063
Past due but not impaired	**513**	–
Impaired	**53,106**	58,222
Subtotal	**328,348**	233,285
Less: Impairment allowances	**(52,076)**	(43,405)
Advances provided to customers	**276,272**	189,880

19. ADVANCES PROVIDED TO CUSTOMERS (continued)

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

	2017	2016
	HK$'000	HK$'000
Within one month	**406**	–
More than one month but less than three months	**85**	–
More than three months but less than six months	**22**	–
	513	–

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

Movement in the impairment allowances

	2017	2016
	HK$'000	HK$'000
Balance at beginning of the year	**43,405**	31,118
Exchange realignment	**(2,439)**	(1,865)
Impairment losses recognised	**11,110**	14,152
Balance at end of the year	**52,076**	43,405

20. STRUCTURED DEPOSIT

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

21. SHORT TERM BANK DEPOSITS/BANK BALANCES AND CASH

All bank deposits of the Group carry interest at prevailing market rates ranging from 0.001% to 4.48% (2016: 0.001% to 8.18%) per annum respectively.

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

	Currency	**2017** **HK$'000**	2016 HK$'000
Hong Kong dollar	HKD	**51,674**	66,137
United States dollar	USD	**142,510**	36

22. BILLS AND OTHER PAYABLES

	2017 **HK$'000**	2016 HK$'000
Bills payables	**14,921**	–
Other payables	**21,450**	21,269
	36,371	21,269

As at 31 March 2017, bills payables were secured by the structured deposit as disclosed in Note 20. The credit period on purchases of goods is 6 months. The bills payables were aged within 6 months based on the invoice date at the end of the reporting period. The Group has financial risk management policies in place to ensure that all payables are settled within the credit time frame.

23. LIABILITIES UNDER SHAREHOLDERS' AGREEMENTS

	2017 HK$'000	2016 HK$'000
Provision for share subscription	–	315,240

Pursuant to the terms of the shareholders' agreements of Rongzhong Group dated 26 October 2011, Perfect Honour Limited, a wholly owned subsidiary of the Company, has undertaken, subject to the occurrence of any one of the two triggering events as set forth in the 2011 Circular, to subscribe for additional shares of Rongzhong Group at a total sum of HK$315,240,000 and the provision for share subscription was recognised. During the year, the subscription was completed by way of capitalisation of loan to Rongzhong Group of HK$315,240,000 and the provision for share subscription was released and considered in the additional cost of investment in a joint venture as disclosed in Note 15.

As at 31 March 2016, the fair value of the provision for share subscription was measured based on the discounted cash flow method.

24. SHARE CAPITAL

	Number of shares '000	Amount HK$'000
Issued and fully paid:		
At 1 April 2015	2,745,013	822,433
Issue of shares upon exercise of share options	16,900	6,789
Expenses incurred in connection with issue of shares	–	(13)
At 31 March 2016 and 31 March 2017	**2,761,913**	**829,209**

During the year ended 31 March 2016, 250,000, 1,300,000, 2,850,000 and 12,500,000 share options were exercised at subscription prices of HK$0.50, HK$0.36, HK$0.41 and HK$0.295 per share respectively, resulting in the issue of 16,900,000 ordinary shares in the Company.

All the shares issued during the year ended 31 March 2016 rank pari passu with the then existing shares in all respects.

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

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

(a) Statement of financial position

	2017 HK$'000	2016 HK$'000
Non-current assets		
Equipment	**725**	1,288
Interests in subsidiaries	**103,538**	107,410
Loans to a subsidiary	**39,326**	–
Amounts due from subsidiaries	**257,159**	1,348,917
Club debentures	**16,545**	17,529
	417,293	1,475,144
Current assets		
Amounts due from subsidiaries	**55,105**	98,690
Prepayments, deposits and other receivables	**1,306**	2,236
Short term bank deposits		
– with original maturity within three months	**216,899**	248,134
– with original maturity more than three months	**19,101**	36,906
Bank balances	**1,096**	1,470
	293,507	387,436
Current liabilities		
Other payables and accrued charges	**810**	719
Amounts due to subsidiaries	**655**	31,075
	1,465	31,794
Net current assets	**292,042**	355,642
Total assets less current liabilities	**709,335**	1,830,786
Capital and reserves		
Share capital	**829,209**	829,209
Reserves	**(125,424)**	996,751
Total equity	**703,785**	1,825,960
Non-current liability		
Redeemable convertible preference shares	**5,550**	4,826
	709,335	1,830,786

The Company's statement of financial position was approved and authorised for issue by the Board of Directors on 30 June 2017 and is signed on its behalf by:

Wong Yu Lung, Charles
Director

Ding Chung Keung, Vincent
Director

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

(b) Movement of reserves of the Company

The changes in the reserves of the Company during the years ended 31 March 2017 and 2016 are as follows:

	Investment revaluation reserve HK$'000	Employee share-based compensation reserve HK$'000	General reserve HK$'000	Translation reserve HK$'000	Retained profits (accumulated losses) HK$'000	Total HK$'000
At 1 April 2015	3,000	61,657	6,000	159,994	824,770	1,055,421
Profit for the year	–	–	–	–	86,622	86,622
Exchange differences arising on translation	–	–	–	(108,762)	–	(108,762)
Total comprehensive (expense) income for the year	–	–	–	(108,762)	86,622	(22,140)
Dividends recognised as distribution (Note 12)	–	–	–	–	(41,429)	(41,429)
Exercise of share options	–	(1,340)	–	–	–	(1,340)
Recognition of equity-settled share-based payments	–	6,239	–	–	–	6,239
At 31 March 2016	3,000	66,556	6,000	51,232	869,963	996,751
Loss for the year	–	–	–	–	(978,315)	(978,315)
Exchange differences arising on translation	–	–	–	(106,641)	–	(106,641)
Total comprehensive expense for the year	–	–	–	(106,641)	(978,315)	(1,084,956)
Dividends recognised as distribution (Note 12)	–	–	–	–	(41,429)	(41,429)
Lapse of share options	–	(1,979)	–	–	1,979	–
Recognition of equity-settled share-based payments	–	4,210	–	–	–	4,210
At 31 March 2017	**3,000**	**68,787**	**6,000**	**(55,409)**	**(147,802)**	**(125,424)**

26. REDEEMABLE CONVERTIBLE PREFERENCE SHARES

As at 31 March 2017, 68,400,000 (2016: 68,400,000) preference shares were in issue.

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

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

27. DEFERRED TAX ASSET

At 31 March 2017, the Group had estimated unused tax losses of HK$199,291,000 (2016: HK$189,883,000) available to offset against future profits of which certain tax losses have not yet been agreed with the relevant tax authority. Estimated unused tax losses were revised subsequent as informed by the relevant tax authority. No deferred tax asset has been recognised due to the unpredictability of future profit streams. Tax losses may be carried forward indefinitely.

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

	Impairment allowances HK$'000
At 1 April 2015	7,780
Exchange realignment	(467)
Credit to profit or loss (Note 11)	3,538
At 31 March 2016	10,851
Exchange realignment	(609)
Charge to profit or loss (Note 11)	(10,242)
At 31 March 2017	**–**

As at 31 March 2017, the Group had deductible temporary differences in respect of impairment allowances on advances provided to customers of HK$52,076,000 (2016: HK$43,405,000). No deferred tax asset has been recognised as at 31 March 2017 in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised. As at 31 March 2016, deferred tax of HK$10,851,000 had been recognised in respect of such deductible temporary differences.

Under the EIT law, withholding tax is imposed on dividends declared in respect of profits earned by the subsidiaries in China from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to the accumulated profits of the subsidiaries in China amounting to HK$19,675,000 (2016: HK$13,039,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

28. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners of the Company through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the prior year.

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

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

29. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2017 **HK$'000**	2016 HK$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	**568,339**	999,221
Designated at FVTPL	**14,921**	–
Available-for-sale club debentures	**16,545**	17,529
Financial liabilities		
Designated at FVTPL	**–**	315,240
Amortised cost	**20,527**	4,888

Financial risk management objectives and policies

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

29. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk

Price risk

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

Currency risk

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

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

		Assets		Liabilities	
	Currency	**2017**	2016	**2017**	2016
		HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	HKD	**51,674**	549,083	**5,579**	320,095
United States dollar	USD	**143,026**	36	**–**	–

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

Sensitivity analysis

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

The following table details the Group's sensitivity to a 5% increase and decrease in RMB, the functional currency of respective group entities, against USD and HKD. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rate. The analysis illustrates the impact for a 5% weakening of USD and HKD against RMB and a negative number below indicates a decrease in profit for the year. For a 5% strengthening of USD and HKD against RMB, there would be an equal and opposite impact on the loss for the year (2016: profit for the year).

	USD impact		HKD impact	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Increase (decrease) in loss/profit	**7,151**	(2)	**2,305**	(11,449)

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

29. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Market risk (continued)

Interest rate risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to fair value interest rate risk in relation to advances provided to customers as set out in Note 19. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group takes on exposure to the effects of fluctuation in the prevailing levels of market interest rates on the cash flow risk. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Limits are set on the level of mismatch of interest rate repricing that may be undertaken, which is monitored monthly.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank deposits and bank balances (see Note 21 for details of these financial instruments respectively). Management monitors the related interest exposure closely to ensure the interest rate risks are maintained at an acceptable level.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the rates offered by the PBOC arising from the Group's RMB denominated financial instruments.

Sensitivity analysis for cash flow interest rate risk

The sensitivity analysis below has been determined based on the exposure to variable-rate bank deposits and bank balances. The analysis is prepared assuming the amount of asset and liability of variable-rate outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2016: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2016: 50 basis points) higher/lower and all other variables were held constant, the Group's loss for the year ended 31 March 2017 would decrease/increase by HK$98,000 (2016: profit for the year would increase/decrease by HK$41,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank deposits and bank balances.

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

29. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Credit risk

As at 31 March 2017, the Group's maximum exposure to credit risk is the carrying amounts of financial assets.

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

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

The Group's concentration of credit risk on loan to an associate, account receivable and advances provided to customers (the "Receivables") as at 31 March 2017 included five major counterparties accounting for 99.0% (2016: 97.8%) of the Receivables. The Group has closely monitored the recoverability of the advances to these counterparties and taken effective measures to ensure timely collection of outstanding balances.

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

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowing and ensures compliance with loan covenants.

29. FINANCIAL INSTRUMENTS (continued)

Financial risk management objectives and policies (continued)

Liquidity risk (continued)

The following table details the Group's contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities and the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity tables

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

	Weighted average effective interest rate	On demand	Within 1 month	1 to 3 months	4 to 12 months	1 to 2 years	Over 2 years	Total undiscounted cash flows	Carrying amount at 31 March 2016
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2016									
Liabilities under shareholder's agreements									
Provision for share subscription	–	–	315,240	–	–	–	–	315,240	315,240
Non-derivative financial liabilities									
Other payables	–	13	48	–	–	–	–	61	61
Redeemable convertible preference shares	13.97	–	–	–	–	–	684,000	684,000	4,826
		13	315,288	–	–	–	684,000	999,301	320,127

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

29. FINANCIAL INSTRUMENTS (continued)

Fair value

The fair values of financial assets and financial liabilities at fair value through profit or loss are determined based on generally accepted pricing models as disclosed in Notes 17, 20 and 23.

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

Fair value measurements recognised in the consolidated statement of financial position

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

	Level 2	
	2017	2016
	HK$'000	HK$'000
Financial asset designated at FVTPL		
Structured deposit	**14,921**	–
Available-for-sale financial assets		
Club debentures	**16,545**	17,529

	Level 3	
	2017	2016
	HK$'000	HK$'000
Financial liabilities designated at FVTPL		
Liabilities under shareholders' agreements (Note 23)		
Provision for share subscription	**–**	315,240

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

29. FINANCIAL INSTRUMENTS (continued)

Fair value (continued)

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

Reconciliation of Level 3 fair value measurements of financial liabilities (Note 23):

	Level 3			
	Call option	**Provision for share subscription**	**Estimated liability**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2015	3,589	312,000	31,463	347,052
Change in fair value	(3,589)	3,240	(31,463)	(31,812)
At 31 March 2016	–	315,240	–	315,240
Share subscription	–	(315,240)	–	(315,240)
At 31 March 2017	**–**	**–**	**–**	**–**

For the year ended 31 March 2017 and 2016, there were no transfers in/out for Level 3 of the fair value hierarchy. The change in fair value of HK$31,812,000 was recognised in profit or loss in last year.

30. EQUITY-SETTLED SHARE-BASED TRANSACTIONS

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

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

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

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

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

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

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

A summary of the movements of the outstanding options and their related weighted average exercise prices during each of the two years ended 31 March 2017 under the share option scheme is as follows:

			Number of share options			
Date of grant	Exercisable period	Exercise price HK$	Outstanding at 1 April 2016	Granted during the year	Lapsed during the year	Outstanding at 31 March 2017
29.3.2007	29.3.2010 – 28.3.2017	0.256	16,000,000	–	(16,000,000)	**–**
17.8.2007	17.8.2010 – 16.8.2017	1.014	90,300,000	–	–	**90,300,000**
23.5.2008	23.5.2011 – 22.5.2018	0.692	4,600,000	–	–	**4,600,000**
13.3.2009	13.9.2011 – 12.3.2019	0.360	1,000,000	–	–	**1,000,000**
13.3.2009	13.3.2012 – 12.3.2019	0.360	600,000	–	–	**600,000**
13.10.2009	13.10.2012 – 12.10.2019	0.500	52,000,000	–	–	**52,000,000**
1.2.2011	1.2.2014 – 31.1.2021	0.410	77,500,000	–	–	**77,500,000**
28.6.2013	28.6.2015 – 27.6.2023	0.295	17,400,000	–	–	**17,400,000**
14.10.2014	14.10.2016 – 13.10.2024	0.360	92,000,000	–	–	**92,000,000**
8.12.2016	8.12.2018 – 7.12.2026	0.272	–	76,100,000	–	**76,100,000**
			351,400,000	76,100,000	(16,000,000)	**411,500,000**
			HK$	HK$	HK$	**HK$**
Weighted average exercise price per share			0.556	0.272	–	**0.506**

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

Date of grant	Exercisable period	Exercise price HK$	Number of share options: Outstanding at 1 April 2015	Granted during the year	Exercised during the year	Outstanding at 31 March 2016
29.3.2007	29.3.2010 – 28.3.2017	0.256	16,000,000	–	–	16,000,000
17.8.2007	17.8.2010 – 16.8.2017	1.014	90,300,000	–	–	90,300,000
23.5.2008	23.5.2011 – 22.5.2018	0.692	4,600,000	–	–	4,600,000
13.3.2009	13.9.2011 – 12.3.2019	0.360	1,000,000	–	–	1,000,000
13.3.2009	13.3.2012 – 12.3.2019	0.360	1,900,000	–	(1,300,000)	600,000
13.10.2009	13.10.2012 – 12.10.2019	0.500	52,250,000	–	(250,000)	52,000,000
1.2.2011	1.2.2014 – 31.1.2021	0.410	80,350,000	–	(2,850,000)	77,500,000
28.6.2013	28.6.2015 – 27.6.2023	0.295	29,900,000	–	(12,500,000)	17,400,000
14.10.2014	14.10.2016 – 13.10.2024	0.360	92,000,000	–	–	92,000,000
			368,300,000	–	(16,900,000)	351,400,000

	HK$	HK$	HK$	HK$
Weighted average exercise price per share	0.545	–	0.322	0.556

As at 31 March 2017, the Group had 335,400,000 (2016: 259,400,000) exercisable share options.

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

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

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

			Number of share options			
Date of grant	Exercisable period	Exercise price HK$	Outstanding at 1 April 2015	Granted during the year	Lapsed during the year	Outstanding at 31 March 2016
17.8.2007	17.8.2010 – 16.8.2017	1.014	75,000,000	–	–	75,000,000
23.5.2008	23.5.2011 – 22.5.2018	0.692	1,600,000	–	–	1,600,000
13.10.2009	13.10.2012 – 12.10.2019	0.500	52,000,000	–	–	52,000,000
1.2.2011	1.2.2014 – 31.1.2021	0.410	69,100,000	–	–	69,100,000
28.6.2013	28.6.2015 – 27.6.2023	0.295	2,600,000	–	–	2,600,000
14.10.2014	14.10.2016 – 13.10.2024	0.360	52,000,000	–	–	52,000,000
			252,300,000	–	–	252,300,000

The weighted average share price at the dates of exercise of share option for the year ended 31 March 2016 was HK$0.575. No share options were exercised during the year ended 31 March 2017.

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

Fair value of share options and assumptions

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

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

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

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

The Group recognised total expenses of HK$4,210,000 (2016: HK$6,239,000) relating to share option payment transactions for the year ended 31 March 2017.

31. OPERATING LEASE COMMITMENTS

As at 31 March 2017, the total future minimum lease payment under non-cancellable operating leases was payable as follows:

As lessee

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

	2017	2016
	HK$'000	HK$'000
Within one year	**5,739**	2,630
After one year but within five years	**5,827**	66
	11,566	2,696

32. RETIREMENT BENEFIT SCHEME

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

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

33. RELATED PARTY TRANSACTIONS

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

Key management personnel remuneration

	2017 HK$'000	2016 HK$'000
Short-term benefits	**8,762**	13,444
Post-employment benefits	**36**	39
Share-based payments	**2,702**	3,543
	11,500	17,026

The details of the remuneration paid to the key management personnel are set out in Note 10.

Transactions with related parties

	2017 HK$'000	2016 HK$'000
Loan interest income from a joint venture	**5,216**	28,795
Rental expense paid to related companies with common controlling shareholders	**(4,546)**	(2,628)

Note: Mr. Wong Yu Lung, Charles ("Mr. Wong") and Ms. Wong, Michelle Yatyee ("Ms. Michelle Wong") were considered as materially interested in these transactions as these related companies were held by trusts whereby Mr. Wong and Ms. Michelle Wong were trustee and eligible beneficiary respectively.

34. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 March 2017 and 2016 are as follows:

Name of subsidiary	Place of incorporation and operation	Particulars of issued and paid up capital/registered capital		Proportion of ownership interest held by the Company				Principal activities
				Directly		Indirectly		
		2017	2016	**2017**	2016	**2017**	2016	
Jiangsu Goldbond Factoring Co. Ltd.# (江蘇金榜商業保理有限公司) (Note 1)	China	**RMB50,000,000**	RMB50,000,000	**–**	–	**100%**	100%	Provision of factoring service
Nanjing Excellent Link Consultancy Co. Ltd.# (南京卓領信息咨詢有限公司) (Note 1)	China	**HK$7,000,000**	HK$7,000,000	**–**	–	**100%**	100%	Provision of management service
Perfect Honour Limited	British Virgin Islands	**US$1**	US$1	**100%**	100%	**–**	–	Investment holding
Shanghai Goldbond Trading Company Limited# (上海金寓宏商貿有限公司) (Note 2)	China	**RMB10,000,000**	–	**–**	–	**100%**	–	Provision of trading service
Yancheng Goldbond Technology Small Loan Company Limited# (鹽城市金榜科技小額貸款有限公司) (Note 1)	China	**US$15,300,000 (Note 3)**	US$23,584,000	**–**	–	**100%**	100%	Provision of financing service

\# English translated name is for identification purpose only.

Note:
1. These companies are wholly foreign-owned enterprise established in China.
2. The company is a limited company newly established in China during the year ended 31 March 2017.
3. During the year ended 31 March 2017, the company's registered capital has been reduced by US$8,284,000.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

35. EVENT AFTER THE REPORTING PERIOD

As at 30 June 2017, market value of the Group's listed investments in an associate, China Rongzhong, based on quoted market price was approximately HK$153,872,000.