



太陽國際集團有限公司  
SUN INTERNATIONAL GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability) | Stock Code: 8029



2018  
Annual Report

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate companies to which a high investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.**

**Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

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*This report, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Cheng Ting Kong (*Chairman*)  
Cheng Mei Ching  
Lui Man Wah

### Independent Non-Executive Directors

Chan Tin Lup, Trevor  
Tou Kin Chuen  
Jim Ka Shun

## AUDIT COMMITTEE

Tou Kin Chuen (*Chairman*)  
Chan Tin Lup, Trevor  
Jim Ka Shun

## REMUNERATION COMMITTEE

Chan Tin Lup, Trevor (*Chairman*)  
Tou Kin Chuen  
Jim Ka Shun

## COMPANY SECRETARY

Chung Sze Fat

## COMPLIANCE OFFICER

Cheng Mei Ching

## AUTHORIZED REPRESENTATIVES

Cheng Ting Kong  
Cheng Mei Ching

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 2414-2418, 24/F  
China Merchants Tower  
Shun Tak Centre  
168-200 Connaught Road Central  
Hong Kong

## AUDITORS

Andes Glacier CPA Limited  
Unit 1, 20/F., Malaysia Building  
50 Gloucester Road  
Wanchai, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND OFFICE

Royal Bank of Canada Trust Company (Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road, George Town  
Grand Cayman KY1-1110  
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

## PRINCIPAL BANKERS

National Australia Bank Limited  
Bank of China (Hong Kong) Limited  
DBS Bank (Hong Kong) Limited  
Hang Seng Bank Limited  
The Hongkong and Shanghai Banking Corporation Limited

## STOCK CODE

8029

## WEBSITE

[www.sun8029.com](http://www.sun8029.com)

## Financial Highlights

- The Company and its subsidiaries (the "Group") recorded a turnover of continuing operations of approximately HK\$118,799,000 for the year ended 31 March 2018.
- Gross profit from continuing operations was approximately HK\$67,365,000 for the year ended 31 March 2018.
- Loss attributable to shareholders was approximately HK\$60,735,000 for the year ended 31 March 2018.
- No final dividend was proposed by the Directors for the year ended 31 March 2018.
- As at 31 March 2018, the Group had bank balances and cash amounting to approximately HK\$86,168,000.

# Chairman's Statement

For the year ended 31 March 2018, the Group recorded a turnover of continuing operations of approximately HK\$118,799,000 which was increased 25% compared to the turnover of approximately HK\$94,737,000 in the last financial year. The loss attributable to shareholders has been decreased from approximately HK\$85,359,000 recorded in the year ended 31 March 2017 to a loss of HK\$60,735,000. The loss in this year was mainly due to losses generated from equine services business and finance cost incurred during the financial year.

Going forward, I have confidence about the growth prospects of financial services business, including money lending business, securities and asset management businesses.

The Group is committed to bear its social responsibility and contribute to the weak and poor. The employees of the Group have actively participated in various charity activities involving cultural education, disaster relief, environmental protection, health and hygiene. The Group will continue to promote our corporate culture of dedicating sincerity and love to the community internally and bear our related social responsibility.

Finally, on behalf of the Directors of the Group, I would like to express our sincere appreciation to the management and staff of the company for their dedication and hard work throughout the year as well as to shareholders and business partners for their commitment and continuous support.

**Cheng Ting Kong**

*Chairman*

Hong Kong, 22 June 2018

# Management Discussion and Analysis

## FINANCIAL PERFORMANCE

The Group recorded a turnover of continuing operations of approximately HK\$118,799,000 for the year ended 31 March 2018 which was increased 25% compared to the turnover of approximately HK \$94,737,000 in the last financial year. The revenue was mainly generated from the subsidiaries engaging in equine services business, securities services business and money lending business. The increase in turnover was mainly due to the increase in income generated from equine services business and money lending business.

The direct costs of continuing operations were increased to approximately HK\$51,434,000 from approximately HK\$39,863,000 recorded during last year. The decrease of 6% in gross profit percentage was mainly due to the increase in direct cost in equine services business and computer services business. The staff costs (excluding other benefits) were decreased to approximately HK\$32,909,000 (2017: HK\$36,879,000). The decrease was mainly due to decrease in staff costs in securities services and equine services businesses.

Administrative expenses of continuing operations made a decrease of 14% to approximately HK\$115,727,000 compared to HK\$99,095,000 in 2017. The decrease was mainly attributable to securities services and equine services businesses during the financial year.

The net loss of the Group for the year ended 31 March 2018 was approximately HK\$60,735,000 as compared with the net loss of approximately HK\$85,359,000 of the last financial year. The reason of the decrease in net loss was mainly due to decrease in losses generated from equine services business and increase in profit of financial services business for the financial year.

## GEARING RATIO

The gearing ratio, is calculated as borrowings divided by total equity, was approximately -761.63% (31 March 2017: -7,512.94%).

## CAPITAL STRUCTURE

There are no movements in share capital during the year ended 31 March 2018.

## EMPLOYEE INFORMATION

The total number of employees was 78 as at 31 March 2018 (2017: 91), and the total remuneration for the year ended 31 March 2018 was approximately HK\$32,512,000 (2017: HK\$35,962,000). The Group's remuneration policy for senior executives is basically performance-linked. Staff benefits, including medical coverage and mandatory provident fund, are also provided to employees where appropriate. Discretionary bonus is linked to performance of the individual on case by case basis. The Group may offer share options to reward employees who make significant contributions, in order to retain key and crucial staff. The remuneration policy of the Group is reviewed and approved by the Remuneration Committee as well as by the Board.

## CONTINGENT LIABILITIES

As at 31 March 2018, the Group did not have significant contingent liabilities (2017: Nil).

# Management Discussion and Analysis

## FOREIGN EXCHANGE EXPOSURE

The income and expenditure of the Group are denominated in Hong Kong Dollars, and Australian Dollars, the impact of foreign exchange exposure of the Group were considered minimal. Hence, no hedging or other arrangements to reduce the currency risk have been implemented.

## REVENUE

Revenue represents the net amounts in respect of services provided, goods sold, equine services income, securities brokerage commission and loan interest income recognised by the Group during the year.

## DIVIDEND

No final dividend was proposed by the Directors for the year ended 31 March 2018 (2017: Nil).

## BUSINESS REVIEW

The East Asia and Pacific region, where most of the Group's operations are situated, achieved a lower than expected economic growth of approximately 5.6% in 2017. The economic development in the region last year was characterized by strong personal and industrial consumption expenditure, and high activities level in the financial sector. As the Group's operations covered a wide range of segments, the economic environment faced by the business units varied from one to another. Against this backdrop, the Group managed to reduce the loss attributable to shareholders to approximately HK\$60,735,000 for the twelve months ended 31 March 2018 as compared to approximately HK\$85,359,000 for the corresponding year ended 31 March 2017.

While the Group continued to implement cost controls and to improve operating results, the board of directors also identified opportunities in the financial services segment to diversify the business scope and broaden the revenue base of the Group. During the previous reporting period, the Group acquired a money lending business in November 2015 and completed the acquisition of the entire issued share capital of Sun International Securities Limited ("SISL") and Sun International Asset Management Limited ("SIAML") in February 2016. SISL is principally engaged in the provision of type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 4 (advising on securities) regulated activities under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") in Hong Kong, while SIAML is principally engaged in the provision of type 4, (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activities under the SFO in Hong Kong.

Apart from the operating results, the board of directors was also mindful of the overall financial position of the Group. Whilst the Group has successfully secured new interest-bearing borrowings of HK\$10,000,000 during the year ended 31 March 2018 the board of directors would continue to closely monitor the financial position of the Group and the financial market environment in order to establish a more sustainable foundation for the Group.

# Management Discussion and Analysis

## Equine services

The growth in personal consumption expenditure in the region has created a favorable environment for the equine services segment. This was also reflected in the increase in participants from the Asia countries in the Australian equine industry. Building on its experience in Australia, the Group has expanded the operation to Europe and Singapore. As of the latest practical date, approximately 19% of the Group's stallions and bloodstocks are located outside Australia.

For the twelve months ended 31 March 2018, the revenue and operating loss of the equine service segment was approximately HK\$75,869,000 (2017: HK\$51,598,000) and approximately HK\$43,920,000 (2017: HK\$80,030,000) respectively. The income from horse breeding services remained stable as the number of stallions held by the Group was at similar level as last year. However, the results from rearing of bloodstocks for trading and racing were relatively volatile. This was partly due to the mixed racing performance of the off springs of our stallions and mares, including the off springs trained by other stables. Moreover, the performance of some colts and fillies acquired from third parties when the business was established in late 2013 were below expectation. The Group considered that the results can be improved by increasing the percentage of bloodstocks bred from its own mares and stallions because (i) the cost of bloodstock will be lower and (ii) the Group can have more influence on the training and development of the horses. This has laid a good foundation for enhancing the results from horse trading and racing. Besides improving the sales performance, the Group has implemented stringent cost controls and efficiency improvement measures.

## Financial services

For the previous year, the global economic growth was originally strong. However, as the escalation of the US-China trade dispute, the accelerated increase of US interest rate and the rise of protectionism, the International Monetary Fund (IMF) stated that great uncertainties will occur in the global stock and capital markets. The U.S. trade and fiscal policy may even hinder global economic growth. Hong Kong, being an open and outward-looking economy, is hard to be an exception for the situations. Nevertheless, we are all optimistic about a more clear picture and recovery of the economy will come eventually. It is generally agreed that further deepening of banks and capital markets as well as broader access to households and firms are important to sustain growth and enhance equity.

The board of directors considered this a growth area to further broaden its revenue base and on 19 August 2015, Infinite Success Investments Limited, a wholly-owned subsidiary of the Company (the "Purchaser"), entered into a sales and purchase agreement (the "Sale and Purchase Agreement") with Sun International Financial Group Limited (the "Vendor") to acquire the entire issued capital of SISL and SIAML (the "Target Companies") at the consideration of HK\$147,300,000 (subject to adjustment) (the "Acquisition"). The transaction was subsequently completed on 29 February 2016 signaling the Group's expansion into the financial services segment.

To supplement the product offerings of SISL and SIAML, the Group acquired a money lending business in November 2015 and January 2018 with primary focus on equity financing, equity mortgage and corporate finance. As at 31 March 2018, loan portfolio of the money lending business amounted to HK\$293,000,000, representing approximately 38% of the total assets of the Group. The maturity of the loans is typically within one year and the average interest rate is in the range of 20% to 25% per annum.

# Management Discussion and Analysis

Since taking over of the operations of SISL and SIAML on 29 February 2016, the Group has successfully secured several mandates for placement and other corporate finance activities. The operating results of SISL have significantly improved over the corresponding period last year. Furthermore, we have secured the services of several seasoned investment managers for SIAML. During the reporting period, the financial services segment achieved revenue and operating gain of approximately HK\$26,000,000 and HK\$16,000,000 respectively.

## FINANCIAL REVIEW

### Liquidity, Financial Resources and Capital Structure

As at 31 March 2018, the Group had current assets of approximately HK\$638,000,000 (2017: HK \$410,000,000). The Group's current ratio, calculated on the basis of current assets of approximately HK\$638,000,000 (2017: HK\$410,000,000) over current liabilities of approximately HK\$419,000,000 (2017: HK\$375,000,000) was at level of approximately 1.5:1 (2017: 1.1:1). The bank balances as at 31 March 2018 was approximately HK\$86,000,000 as compared to the balance of approximately HK\$62,000,000 as at 31 March 2017. The Group had interest-bearing borrowings of HK\$40,000,000 (2017: HK\$45,000,000) at the end of the financial year.

At the end of the financial year, there were remaining a five-year 7% coupon unlisted straight bonds with an outstanding aggregate principal amount of HK\$35,000,000 (2017: HK\$36,000,000). The equity attributable to Company's equity owners amounted to approximately HK\$73,000,000 (2017: HK\$8,000,000), representing a decrease of approximately 790% compared to 2017.

With the amount of liquid assets on hand, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

### Results Analysis

During the financial year ended 31 March 2018 (the "Financial Year"), we continued our business on different categories such as development of newly acquired financial services businesses including securities, assets management and money lending services, promotion of new on-line games and equine services including breeding service, pre-training and trading of thoroughbred horses, respectively.

### Operation

Stable revenue will be expected from financial services and equine services businesses for the coming year as the Group will continue to take very effort on expanding potential market shares for the existing businesses.

### The finance costs

The Group recorded a finance costs approximately HK\$36,000,000 (2017: HK\$36,000,000) for the year ended 31 March 2018, representing an increase of HK\$317,000 compared to that in the last financial year. The finance costs was mainly for interest bearing borrowings, promissory notes and medium-term bonds.

# Management Discussion and Analysis

## Medium-term Bonds

During the financial year, the Group had retained a five-year 7% coupon unlisted straight bonds with an outstanding aggregate principal amount of HK\$35,000,000 (2017: HK\$36,000,000).

## Loss attributable to the equity holders of the Company

For the current financial year, the Group recorded a loss attributable to the equity holders of the Company of approximately HK\$61,000,000 (2017: HK\$85,000,000).

## Prospects

The region's economic outlook remained modest with elevated risk of slowdown in economic growth as well as higher volatility in the financial markets due to uncertain global economy after the US-China trade dispute. On the one hand, this is unlikely to have any material impact on the equine services business which will further solidify its foundation for growth. With its enhanced facilities and its global reach in trading activities of thoroughbred horses, the Group will continue to offer superior service to our clients and take our brand to the global stage. On the other hand, this presents both opportunities and challenges for the financial services segment. The continuous liberalization of the PRC financial market and its integration with the Hong Kong financial market would provide opportunities for the Group to offer more professional services to investors and small and medium sized enterprises in China. However, the results of the Group's financial services segment would be heavily influenced by the performance of the stock markets in China and Hong Kong.

The Group would continue to use its best endeavor to improve the efficiency and effectiveness of the operation. Moreover, the board of directors would seek opportunities to establish strategic alliance to accelerate the growth of its businesses, to rebalance its business portfolio and to strengthen its financial position so as to create value for shareholders.

## RISK FACTORS

### Uncertainty on Horses Stud Farm

The services provided from a horse stud farm include processes on breeding, training, agistment and general upkeep which face different uncertainties including unexpected events regarding to the horses such as death, injuries, health problem, diseases and unfavourable weather which will affect directly the expected return and additional cost incurred in the stud farm.

### Uncertainty on Market Trend of Sales

The market for sales of thoroughbred horses in Australia is mainly through regular seasonal auctions. Its selling price is uncertain and is highly affected by both the trend of global market as well as the reputation of the horses with different sire/dam and/or champion records.

### Continuous expansion requires long term capital financing

The development of equine related services requires additional capital to finance these activities. These projects are often mid to long term nature, probably over 1 year. Therefore, stable source of long term financing with low cost of borrowing is critical to our future capital investment in the equine services business.

There is no assurance that we can obtain the stable source of long term capital with low cost.

# Management Discussion and Analysis

## **Country Risk**

The equine services business is mainly operated in Australia. Being one of the emerging markets, Australia's equine services definitely provide many potential opportunities to investors dedicating to equine industry. In the meantime, the uncertainties of their political, social and economic policies are considered to be relatively small.

There is no assurance that the current favorable policies remain unchanged in the near future. The future changes at the country level probably may have adverse effect to our business.

## **Uncertainty on Volatility of Stock Market**

Global stock market is still faced with various uncertainties of different political and economic circumstances. The expected return on the services of the securities trading and assets management will be greatly influenced by the volatility of the stock market which tends to be highly unpredictable.

# Outlook and Development

The board of directors has always tried its best to improve the efficiency and effectiveness of the operation so as to enhance the group value.

## **BUSINESS DEVELOPMENT**

The board has been actively seeking opportunities to diversify the business scope and broaden the revenue base of the Group. In August 2013, the Group had completed a purchase of one of Australia's largest stud farms, Eliza Park, subsequently renamed as Sun Stud, in offering its clientele a total range of thoroughbred related services, including breeding, rearing, sales, agistment, spelling, education, administration advice and training.

Future plans include the purchase of bloodstock from the global marketplace, which would then be raised and traded when they reached a certain age. The Group also seeks for the opportunity to establish a UK company as a stepping stone in expanding our worldwide trading activities of thoroughbred horses. In addition, we have completed in building new pre-training and racing facilities including an uphill, allweather, undercover training track, along with the training infrastructure, for the purpose of enhancing the superior service to our clients for pre-training services. Sun Stud Pty. Limited has every intention of living up to its name by taking its brand to the global stage.

Following the acquisition of SISL and SIAML in February 2016, the Group had successfully diversify the business segments into the financial services including provision of type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities), type 5 (advising on future contracts) and type 9 (asset management) regulated activities under the SFO in Hong Kong. The Group has successfully secured several mandates for placement, services of several seasoned investment manager and other corporate finance activities. Furthermore, in November 2015, the Group had acquired a money lending business with principal activities in equity financing, equity mortgage and corporate finance.

In light of the above acquisitions, the Group is able to diversify its business segments by entering into the financial services segment so as to further enhance its revenue sources as well as to bring positive return to the Group.

On 31 January 2018, the Company had completed the acquisition of Sun Finance Company Limited which was a licensed money lender. The board considered the proposed acquisition represents a good opportunity for the Group to strengthen the development of money lending business.

# Directors and Staff

## EXECUTIVE DIRECTORS

**Mr. Cheng Ting Kong**, aged 43, was appointed as the Chairman and executive Director on 5 July 2013. Mr. Cheng is also the chairman and executive director of Imperium Group Global Holdings Limited (Stock code: 776), a company listed on the main board of the Stock Exchange. Mr. Cheng has extensive experience in corporate management and investment. Prior to his appointment as the Chairman and the executive Director, Mr. Cheng was the senior manager of the Company.

**Ms. Cheng Mei Ching**, aged 37, is the Executive Director of the Company and Suncity Group Holdings Limited (Stock code: 1383), holds a bachelors degree in commerce (marketing and advertising) from Curtin University of Technology in Perth, Western Australia. Ms. Cheng has over the past adopted a pragmatic and proactive management approach; and delivered solid performance in various areas, in particular corporate management and internal control.

**Mr. Lui Man Wah**, aged 36, has over 10 years of experience in financial institutions. He obtained a Bachelor of Arts degree in business studies from the Hong Kong Polytechnic University in 2004 and obtained a Master of Commerce degree from Macquarie University in 2005. Prior to his appointment as an executive Director, Mr. Lui served as an executive director of Imperium Group Global Holdings Limited (stock code: 776) from 5 October 2012 to 8 July 2013. He was also appointed as an independent non-executive director of Suncity Group Holdings Limited (stock code: 1383) from 20 February 2012 to 31 July 2012.

# Directors and Staff

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Tou Kin Chuen**, aged 42, is the independent non-executive director of the Company and Suncity Group Holdings Limited (Stock code: 1383), is the principal of Roger K.C. Tou & Co., Mr. Tou graduated from the Hong Kong Shue Yan University with a Honours Diploma in Accounting in 2001. He is experienced in audit, taxation, company secretarial, insolvency and finance for over 20 years. Mr. Tou is a member of the Hong Kong Institute of Certified Public Accountants and an associate of the Taxation Institute of Hong Kong.

**Mr. Chan Tin Lup, Trevor**, aged 59, has been in the legal field for over 26 years. He received his law degree from the University of London and his Postgraduate Diploma in Legal Practice from the University of Wolverhampton with commendation. Mr. Chan has been an independent non-executive director of National Arts Entertainment and Culture Group Limited (Stock Code: 8228), a company registered in Bermuda and the shares of which are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited, since 13 May 2009.

**Mr. Jim Ka Shun**, aged 36, is a holder of Bachelor of Engineering in Computer Engineering from The Hong Kong University of Science and Technology in 2004. Mr. Jim is a Financial Risk Manager (FRM) of the Global Association of Risk Professionals. Mr. Jim has over 10 years of relevant experience in financial industry, with extensive experiences and knowledge in mergers and acquisitions, corporate finance, investment in various asset classes. From April 2015 to April 2018, Mr. Jim was appointed as the executive director and type 9 responsible officer of Great Wall Securities Limited. Currently, Mr. Jim is appointed as the executive director and type 4 and 9 responsible officer of Golden Great China Fund Management Limited. And he is also executive director of China Financial Leasing Group Limited (stock code: 2312), a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

## QUALIFIED ACCOUNTANT

**Mr. Chung Sze Fat**, aged 55, has been appointed as the qualified accountant of the Company with effect from 8 June 2011. Mr. Chung is the member of Hong Kong Institute of Certified Public Accountants and the fellow member of the Association of Chartered Certified Accountants. He has over 20 years' working experience in financial accounting, management accounting and internal control.

# Directors' Report

The directors would like to present the annual report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2018.

## PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities and other details of its subsidiaries are set out in note 46 to the consolidated financial statements.

Detail of the analysis of the Group's performance for the year by operating segments are set out in note 9 to the consolidated financial statements.

## RESULTS AND APPROPRIATIONS

The financial performance of the Group for the year ended 31 March 2018 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 62 to 63.

The financial position of the Group and the Company as at 31 March 2018 is set out in the consolidated statement of financial position on pages 64 to 65 of this annual report and the Company statement of financial position in note 45 to the consolidated financial statement respectively.

No final dividends was proposed by the Directors for the reporting year (2017: Nil).

## FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 162.

## BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2018 are provided in the Chairman's Statements, Management discussion and analysis of this annual report.

## PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group are set out in note 20 to the consolidated financial statements.

## DONATIONS

No charitable and other donations were made by the Group during the year (2017: Nil).

## SHARE CAPITAL AND SHARE OPTIONS

Details of the authorised and issued share capital and share options of the Company are set out in notes 37 and 39 respectively to the consolidated financial statements.

# Directors' Report

## RESERVES

Details of movements in reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity on page 66 and in note 47 to the consolidated financial statements respectively.

## DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution comprise share premium, capital reserves and accumulated losses. No reserve of the Company is available for distribution to shareholders as at 31 March 2018 (2017: HK\$Nil).

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

### Executive directors:

Mr. Cheng Ting Kong (*Chairman*)

Ms. Cheng Mei Ching

Mr. Lui Man Wah

### Independent non-executive directors:

Mr. Chan Tin Lup, Trevor

Mr. Tou Kin Chuen

Mr. Jim Ka Shun

The biographical details of current Directors are set out on page 13 to page 14 of this annual report.

In accordance with Article 108 of the Company's Article of Association, Ms. Cheng Mei Ching, Mr. Lui Man Wah and Mr. Chan Tin Lup, Trevor will retire by rotation. All of these retiring directors, being eligible, offer themselves for reelection.

Each executive director has entered into a service contract with the Company with effect from the date of appointment and will continue thereafter unless and until terminated by either party by giving not less than one-month prior written notice to the other.

# Directors' Report

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2018, the interests and short positions of the Directors and Chief Executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meanings of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept by the Company under section 352 of the SFO, or as required, pursuant to Rules 5.46 to 5.66 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

### (1) Long positions in the shares of the Company

Ordinary share of HK\$0.04 each of the Company

Name of Director	Nature of interests	Number of ordinary shares held	Capacity	Percentage of issued shares
Mr. Cheng Ting Kong	Corporate (Note)	656,928,290	Interest of a controlled corporation	47.14%

Note: These ordinary shares are held by First Cheer Holdings Limited. First Cheer Holdings Limited is beneficially owned as to 50% by Mr. Chau Cheek Wa, as to 50% by Mr. Cheng Ting Kong.

### (2) Long positions in the underlying shares of the Company

Pursuant to the new share option scheme adopted by the Company on 5 December 2006 (the "New Scheme"), several Directors in the capacity as beneficial owner were granted share options to subscribe for shares of the Company, details of which as at 31 March 2018 were as follows:

Name of Director	Date of grant	Number of share options as at 31 March 2017	Exercised during the year	Share option lapsed	Exercise price of share options HK\$	Exercise period from until		Number of options outstanding as at 31 March 2018
Mr. Cheng Ting Kong	25/11/2010	1,251,250	-	-	1.120	25/11/2010	24/11/2020	1,251,250
Ms. Cheng Mei Ching	09/02/2010	11,492,308	-	-	0.650	09/02/2010	08/02/2020	11,492,308
	25/11/2010	12,581,250	-	-	1.120	25/11/2010	24/11/2020	12,581,250
	10/09/2014	1,391,400	-	-	0.315	10/09/2014	09/09/2024	1,391,400
Mr. Lui Man Wah	10/09/2014	13,914,000	-	-	0.315	10/09/2014	09/09/2024	13,914,000

Save as disclosed above, during the year ended 31 March 2018, the Company grant no new share option for the Directors or their respective associates to subscribe for shares of the Company and had not been exercised such rights.

# Directors' Report

Save as disclosed above, during the year ended 31 March 2018, none of the Directors or Chief Executive of the Company has any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.66 of the GEM Listing Rules.

## **DIRECTORS' INTERESTS IN CONTRACTS**

Save as disclosed in the section headed "Related Party Transactions" in this report and in note 44 to the consolidated financial statements, no other contracts of significance to which the Company, its holding companies or any of its subsidiaries was a party and in which a director of the Company or any of its subsidiaries had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## **RELATED PARTY AND CONNECTED TRANSACTIONS**

Details of the significant related party and connected transactions of the Group are set out in note 44 to the consolidated financial statements.

The independent non-executive directors of the Company have reviewed the continuing connected transactions in note 44 to the consolidated financial statements and have confirmed that the continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or on terms to less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the members of the Company as a whole.

The Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed by the Group in note 44 to the consolidated financial statements in accordance with paragraph 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

# Directors' Report

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

So far as is known to any Directors or Chief Executives of the Company, as at 31 March 2018, the following person or corporations had equity interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of Part XV of the SFO and/ or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company:

### Long positions in the shares of the Company

Ordinary share of HK\$0.04 each of the Company

Name of Shareholders	Nature of interests	Number of ordinary shares held	Capacity	Percentage of issued shares
First Cheer Holdings Limited (Note 1)	Corporate	654,677,040	Beneficial owner	47.05%
Cheng Ting Kong (Note 1)	Corporate	654,677,040	Interest of a controlled corporation	47.05%
Chau Cheok Wa (Note 1)	Corporate	654,677,040	Interest of a controlled corporation	47.05%
Raywell Holdings Limited (Note 2)	Corporate	135,430,000	Beneficial owner	9.73%
Yeung Hak Kan (Note 2)	Corporate	135,430,000	Interest of a controlled corporation	9.73%

#### Notes:

1. First Cheer Holdings Limited is beneficially owned as to 50% by Mr. Cheng Ting Kong and as to 50% by Mr. Chau Cheok Wa. Accordingly, both Mr. Cheng Ting Kong and Mr. Chau Cheok Wa are deemed under the SFO to be interested in the 654,677,040 shares beneficially owned by First Cheer Holdings Limited.
2. Raywell Holdings Limited is wholly and beneficially owned by Mr. Yeung Hak Kan. Accordingly, Mr. Yeung Hak Kan is deemed under the SFO to be interested in the 135,430,000 shares beneficially owned by Raywell Holdings Limited.

Save as disclosed above, as at 31 March 2018, the Company was not notified of any other relevant interests or short positions in the shares or underlying shares in the Company as recorded in the register required to be kept by the Company under section 336 of Part XV of the SFO.

# Directors' Report

## MANAGEMENT SHAREHOLDERS

Save for the directors, management shareholders and substantial shareholders as herein disclosed, the directors are not aware of any persons who as at 31 March 2018 were entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of the Company and who were able, as a practical matter, to direct or influence the management of the Company.

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Mr. Cheng Tin Kong is the executive director of the Group and also is the director of Imperium Credit Limited ("ICC"), a private company incorporate in Hong Kong and is a licensed money lender engaged in money lending business. ICC competes or may compete, either directly or indirectly, with the business of the Group.

The Board considers that, having considered the facts that:

- (i) the Group is capable of, and does carry on its business independently of, and on an arm's length basis with the competing business of the ICC;
- (ii) the Company has established corporate governance procedures to ensure business opportunities and performance are independently assessed and reviewed from time to time;
- (iii) Mr. Cheng Tin Kong is fully aware of their fiduciary duty to the Group, and will abstain from voting on any matter where there is or may be a conflict of interest; and
- (vi) The group have the first right of refusal in accepting or rejecting to provide services to the client, and Mr. Cheng Tin Kong only refer new clients to ICC after the group decide not to proceed with such client.

Since (i) all the major and important corporate actions of the Company are and will be fully deliberated and determined by the Board; and (ii) any director(s) who is/are or deemed to be interested in any proposed transaction(s) will have his/their interest fully disclosed and will abstain from voting at the relevant resolution(s) in accordance with the applicable requirements of the New Bye-laws of the Company, the Board is of the view that each of the Relevant Directors does not, by himself/herself or in an individual capacity, competes with the Company and/or the business of the Group. The Group's interest is adequately safeguarded.

# Directors' Report

## COMPETITION AND CONFLICT OF INTERESTS

Except of the above, as at 31 March 2018, none of the directors, the management shareholders (as defined in the GEM Listing Rules) or the substantial shareholders of the Company, or any of their respective associates, has engaged in any business that competes or may compete with the businesses of the Group or has any other conflict of interests with the Group.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the directors nor the Chief Executive, nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right.

## SHARE OPTION SCHEME

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Option Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, any person or entity providing research, development or other technological support to the Group, and any other person or entity determined by the directors as having contributed or may contribute to the development and growth of the Group. The Company has two share option schemes, one was adopted on 29 November 2000 and expired in 2010 and another one was adopted on 5 December 2006 (the "New Scheme") and expired in 2016. Following the expiry of the 2006 Share Option Scheme on 4 December 2016, no further share option can be granted, but the provisions of the 2006 Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the provisions of the 2006 Share Option Scheme.

### New Scheme

On 5 December 2006, the Company adopted a new share option scheme. The New Scheme became valid and effective for a period of ten years commencing from the adoption of the New Scheme, after which period no further options will be granted but the provisions of the New Scheme shall remain in full force and effect in all other respects.

The participants of the New Scheme to whom options may be granted by the Board shall include any director, employee, consultant, adviser, agent, contractor, customer or supplier of any member of the Group whom the Board in its sole discretion considers eligible for the New Scheme on the basis of his/her contribution to the development and growth of the Group.

# Directors' Report

No participant shall be granted an option if the total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including options exercised, cancelled and outstanding) in any 12 month period up to and including the date of grant to such participant would exceed 1% of the shares for the time being in issue unless the proposed grant has been approved by the shareholders in general meeting with the proposed grantee and his associates abstaining from voting. The number and terms of options to be granted to each grantee must be fixed before the shareholders' approval and the date of meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and all other share option schemes of the Company (the "Scheme Mandate Limit") shall not exceed 10% of the total number of Shares in issue unless the Company obtains a fresh approval from its shareholders pursuant to the approval of the shareholders in general meetings. At 31 March 2018, the number of shares issuable under share options granted under the Share Option Plan was 347,015,738, which represented approximately 24.94% of the Company's shares in issue as at that date. The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other schemes shall not exceed 30% of the shares of the Company from time to time.

The offer of a grant of share options may be accepted within 14 days after the date on which the offer becomes or is declared unconditional. The exercise period of the share options granted is determinable by the board of directors, and commences on any date after the date of grant and ends on a date which is not later than ten years from the date of offer of the share options or the expiry date of the New Scheme, if earlier.

The exercise price of share options is determined by the board of directors, but may not be less than the higher of (i) the closing price of the Company's shares on the GEM of the Stock Exchange on the date of grant of the option; (ii) the average of the closing prices of the Company's shares on the GEM of the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of the shares of the Company.

The Company will comply with the disclosure requirements under Chapter 23 of the GEM Listing Rules, including without limitation disclosures in the annual and interim reports of the Company including details of the options granted to the following persons: (i) each of the connected person; (ii) each participant with options granted in excess of the limit; (iii) aggregate figures for the employees; (iv) aggregate figures for supplier of goods or services; and (v) all other participants as an aggregate whole.

# Directors' Report

Category participants	Date of grant (note 1)	2018 exercise price HK\$	Exercise period	Number of share options							
				Outstanding at 31 March 2016	Grant during the year	Exercise during the year	Outstanding at 31 March 2017	Grant during the year	Exercise during the year	Lapsed during the year	Outstanding at 31 March 2018
Mr. Cheng Ting Kong	25.11.2010	1.120	25.11.2010-24.11.2020	1,251,250	-	-	1,251,250	-	-	-	1,251,250
				1,251,250	-	-	1,251,250	-	-	-	1,251,250
Ms. Cheng Mei Ching	09.02.2010	0.650	09.02.2010-08.02.2020	11,492,308	-	-	11,492,308	-	-	-	11,492,308
				12,581,250	-	-	12,581,250	-	-	-	12,581,250
	25.11.2010	1.120	25.11.2010-24.11.2020	1,391,400	-	-	1,391,400	-	-	-	1,391,400
				25,464,958	-	-	25,464,958	-	-	-	25,464,958
10.09.2014	0.315	10.09.2014-09.09.2024	13,914,000	-	-	13,914,000	-	-	-	13,914,000	
			13,914,000	-	-	13,914,000	-	-	-	13,914,000	
Consultants in aggregate	13.08.2007	0.550	13.08.2007-12.08.2017	24,112,728	-	-	24,112,728	-	-	24,112,728	-
				13,292,308	-	-	13,292,308	-	-	13,292,308	-
	21.08.2007	0.500	21.08.2007-20.08.2017	13,248,000	-	-	13,248,000	-	-	13,248,000	-
				73,976,386	-	-	73,976,386	-	-	-	73,976,386
	19.08.2008	0.830	19.08.2008-18.08.2018	6,628,572	-	-	6,628,572	-	-	-	6,628,572
				28,640,740	-	-	28,640,740	-	-	-	28,640,740
	27.08.2008	0.840	27.08.2008-26.08.2018	26,413,750	-	-	26,413,750	-	-	-	26,413,750
				12,635,714	-	-	12,635,714	-	-	-	12,635,714
16.12.2009	0.540	16.12.2009-15.12.2019	198,948,198	-	-	198,948,198	-	-	50,653,036	148,295,162	
			17,264,820	-	-	17,264,820	-	-	-	17,264,820	
25.11.2010	1.120	25.11.2010-06.11.2020	39,603,704	-	-	39,603,704	-	-	-	39,603,704	
			11,492,308	-	-	11,492,308	-	-	-	11,492,308	
07.12.2010	1.260	07.12.2010-06.12.2020	25,162,500	-	-	25,162,500	-	-	-	25,162,500	
			13,914,000	-	-	13,914,000	-	-	-	13,914,000	
Other employees in aggregate	19.08.2008	0.830	19.08.2008-18.08.2018	107,437,332	-	-	107,437,332	-	-	-	107,437,332
				347,015,738	-	-	347,015,738	-	-	-	296,362,702
	16.12.2009	0.540	16.12.2009-15.12.2019	Weighted average exercise price	0.745		0.745			0.781	

## Notes:

- (1) The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
- (2) The exercise price of the share option is subject to adjustment in the case of a capitalization issue, rights issue, sub-division or consolidation of the Company's shares or reduction of the Company's share capital.

# Directors' Report

- (3) These fair values of the share options granted were calculated using the Black-Scholes pricing model. The inputs into the model were at the date of grant of options as follows:

Date of grant	The Group									
	13 August 2007	17 August 2007	21 August 2007	19 August 2008	27 August 2008	16 December 2009	9 February 2010	25 November 2010	7 December 2010	10 September 2014
Number of share option	19,200,000	14,400,000	14,500,000	74,200,000	9,600,000	58,100,000	24,900,000	56,720,000	9,150,000	14,609,700
Share price at grant date (HK\$)	0.38	0.28	0.34	1.11	1.16	0.74	0.89	1.54	1.74	0.63
Weighted average exercise price (HK\$)	0.38	0.36	0.35	1.14	1.16	0.74	0.90	1.54	1.74	0.63
Expected volatility (expressed as weighted average volatility)	61.97%	62.15%	62.15%	99.81%	96.08%	76.61%	75.08%	60.28%	59.75%	101.47%
No. of years for option life (expressed as weighted average life)	10	10	10	10	10	10	10	10	10	10
Expected dividends	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate	3.96%	3.97%	3.88%	1.00%	1.15%	0.08%	0.18%	0.27%	0.35%	1.979%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 1 year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

No share options were granted for the year ended 31 March 2018 (2017: Nil). At 31 March 2018, the Company had 296,362,702 share options (2017: 347,015,738) outstanding under the Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 296,362,702 (2017: 347,015,738) additional ordinary shares of HK\$0.04 each (2017: HK\$0.04 each) of the Company and additional share capital of HK\$11,854,508 (2017: HK\$13,880,629) and cash proceeds to the Company of HK\$231,473,112 (2017: HK\$258,271,113) (before share issue expenses).

## EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as disclosed in this section headed "Share Option Scheme", no equity-linked agreements were entered into by the Group, or existed during the year.

## MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the services provided to the Group's largest client and five largest clients accounted for 8% and 33%, respectively of the total turnover for the year. The Group's largest supplier and five largest suppliers accounted for 7% and 25% purchases of the Group for the year ended 31 March 2018.

None of the Directors, their close associates or any shareholders, which to the knowledge of the Directors owned more than 5% of the Company's issued share capital, had a beneficial interest in any of the Group's five largest supplier and customers.

# Directors' Report

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

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

## **BOARD PRACTICES AND PROCEDURES**

The Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures throughout the year ended 31 March 2018.

## **PRE-EMPTIVE RIGHTS**

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

## **SUFFICIENCY OF PUBLIC FLOAT**

The Company has maintained a sufficient public float throughout the year ended 31 March 2018.

## **EMOLUMENT POLICY**

The Group's emolument policy for senior executives is basically performance-linked. Staff benefits, including medical coverage and mandatory provident funds are also provided to employees where appropriate.

## **MANAGEMENT CONTRACTS**

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

## **PERMITTED INDEMNITY PROVISION**

The Articles provides that every Director is entitled to be indemnified out of the assets of the Company against all losses or liabilities (to the fullest extent permitted by the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)) which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto.

The Group has taken out and maintained directors' liability insurance throughout the year, which provides appropriate cover for legal actions brought against the Directors and directors of the subsidiaries of the Group. The level of the coverage is reviewed annually.

# Directors' Report

## EVENTS AFTER REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 50 to the consolidated financial statements.

## AUDITORS

The consolidated financial statements for the year ended 31 March 2018 were audited by Andes Glacier CPA Limited, who would retire at the forthcoming annual general meeting, and being eligible, offer themselves for re-appointment.

A resolution will be submitted to the annual general meeting of the Company to re-appoint Andes Glacier CPA Limited, as auditor of the Company.

On behalf of the Board

**Cheng Ting Kong**

*Chairman*

Hong Kong, 22 June 2018

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Group is committed to promoting high standards of corporate governance. The Directors of the Company believe that sound and reasonable corporate governance practices are essential for the growth of the Group and for safeguarding the shareholders' interests and the Group's assets.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code and Report") in Appendix 15 of the GEM Listing Rules. Throughout the year ended 31 March 2018 and up to the date of this report to the best knowledge of the Board, the Company has complied with the code provisions set out in Appendix 15 of the GEM Listing Rules.

## CODE OF BEST PRACTICE

The Company is committed to high standards of corporate governance for the enhancement of shareholder value. The Company believes that good corporate governance is not only in the interest of investors but also in the interest of the Company. It is also of the view that good corporate governance is a reflection of the standard and quality of the management and operations of the Company and it also helps sustain the longterm support of shareholders upon which the Company's success depends.

The Company closely monitors corporate governance development in Hong Kong and it regularly reviews its corporate governance practices in light of experience and evolving regulatory requirements to ensure that the Company keeps abreast of shareholders' expectations. The principles of corporate governance adopted by the Company emphasize a quality board, sound internal control, and transparency and accountability to shareholders.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") in Appendix 15 of the GEM Listing Rules, save for the deviations discussed below:

Pursuant to E.1.2 of the CG Code, the chairman of the Board should attend the annual general meeting of the Company. Mr. Cheng Ting Kong (chairman of the Board) was unable to attend the 2017 AGM due to unexpected engagement. Mr. Lui Man Wah (executive Director and chief executive officer of the Company) was appointed as the chairman of the 2017 AGM in replying to questions raised by shareholders at the 2017 AGM.

The Group will keep on reviewing its corporate governance standards on a timely basis and the Board endeavours to take all necessary actions to ensure the compliance with the Code Provisions set out in the CG Code.

## SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings ("Code of Conduct") set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors, all directors confirmed that they have complied with the required standard of dealings and the code of conduct regarding securities transactions by directors adopted by the Company.

# Corporate Governance Report

## BOARD OF DIRECTORS

### Composition of the Board

As at 31 March 2018, the Board comprised 6 Directors, including the Chairman, 3 Executive Directors and 3 Independent Non-executive Directors. One of the Independent Non-executive Directors has appropriate professional qualifications in accounting. Biographical details of the Directors are set out on pages 13 and 14.

The updated list of Directors and their role and function are published at the GEM website and the Company's website ([www.sun8029.com](http://www.sun8029.com)).

### Independent non-executive Directors

In compliance with Rules 5.05(1) and (2), and 5.05A of the GEM Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the Board, and with at least one of them possessing the appropriate professional qualifications or accounting or related financial management expertise. The independent non-executive Directors, together with the executive Directors, ensure that the Board prepares its financial and other mandatory reports in strict compliance with the relevant standards. The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence and considers that their independence is in compliance the Rule 5.09 of the GEM Listing Rules.

### The Board

The Board has the responsibility for leadership and control of the Group. They are collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board is accountable to shareholders for the strategic development of the Group with the goal of maximizing longterm shareholder value, while balancing broader stakeholder interests. The Board has delegated the day-to day responsibility to the Executive Directors and senior management of the Company who meet on a regular basis to review the financial results and performance of the Group and make financial and operational decisions for the implementation of strategies and plans approved by the Board. The Board also communicates with shareholders and regulatory bodies and makes recommendations to shareholders on final dividends and the declaration of any interim dividend.

### Board Meetings and Attendance

The Board meets regularly, and at least 4 times a year, either in person or through other electronic means of communication to determine overall strategic direction, objectives and development of the businesses of the Group, approve quarterly, interim and annual results, and other significant matters Notice of at least 14 days is given to all Directors for a regular Board meeting.

Apart from the regular Board meetings of the year, the Board also meets on other occasions when a Board-level decision on a particular matter is required. For such, reasonable notice is generally given. All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, senior management and Compliance Officer who are responsible for ensuring the compliance of the Company with the GEM Listing Rules and advising the Board on compliance matters. Directors are also provided with access to independent professional advice, where necessary, in carrying out their obligations as Directors of the Company. Any Directors and their associates who are considered to have conflict of interests or

# Corporate Governance Report

material interests in the proposed transactions or issues to be discussed in the Board meetings shall abstain from voting on the relevant resolutions and are not to be counted in the quorum at meetings.

At least 3 days (or such other period as agreed in advance) before each Board meeting, a draft agenda is sent out to all Directors in order to allow the Directors to include any other matters in the agenda that are required for discussion and resolution in the meeting. To enable the Directors to make informed decisions, Board papers together with all appropriate and relevant information in relation to the matters of the meeting are sent to all Directors 3 days or such other period as agreed before each Board meeting such that the Directors have sufficient time to review the related documents and be adequately prepared for the meeting.

The Company Secretary is responsible to keep minutes of all Board meetings and committees meetings. Draft minutes are normally circulated to all Directors for comments within a reasonable time after each meeting and the final versions are open for Directors' inspection.

The Board held 8 meetings during the year ended 31 March 2018. Details of attendance of individual Directors at Board Meetings are presented below:

	<b>Attended/ Eligible to attend</b>
<hr/>	
<i>Chairman</i>	
Mr. Cheng Ting Kong	9/10
<i>Executive Directors</i>	
Ms. Cheng Mei Ching	10/10
Mr. Lui Man Wah	10/10
<i>Independent non-executive Directors</i>	
Mr. Tou Kin Chuen	8/10
Mr. Chan Tin Lup, Trevor	8/10
Mr. Jim Ka Shun	8/10

## **Relationships between the Board**

Save as disclosed below, there was no direct or indirect financial, business, family or other material relationship among the Directors and with the Company and the Board follows the requirements set out in the GEM Listing Rules.

One of the executive Directors, Ms. Cheng Mei Ching, is the sister of Mr. Cheng Ting Kong, the chairman and executive Director of the Company as well.

# Corporate Governance Report

## Directors' Continuing Professional Development Programme

Each Director receives comprehensive and formal induction and orientation to ensure he/she adequately understand the operations and business of the Group. The Company also provided detailed director's responsibilities and obligations statement pursuant to the GEM Listing Rules for the Director to review and study. In addition, materials in relation to regularly update on latest development in relation to the GEM Listing Rules, other applicable regulatory requirements and the Group's business and governance policies (the "Reading Materials in relation to Continuous Professional Developments") were circulated to the Directors. Continuing briefings and seminars for the directors will be arranged as necessary. The Directors are encouraged to participate in continuous professional developments to develop and refresh their knowledge and skills periodically.

During the year ended 31 March 2018 the Directors participated in the continuous professional developments in the following manner:

<b>Name</b>	<b>Reading Materials/ Attending seminars/courses/ conferences in relation to Continuous Professional Developments</b>
<i>Executive Directors</i>	
Mr. Cheng Ting Kong	✓
Ms. Cheng Mei Ching	✓
Mr. Lui Man Wah	✓
<i>Independent non-executive Directors</i>	
Mr. Chan Tin Lup, Trevor	✓
Mr. Tou Kin Chuen	✓
Mr. Jim Ka Shun	✓

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

The Board, led by the Chairman, is responsible for the formulation of Company-wide strategies and policies, including an oversight of the management. Management is responsible for the day-to-day operations of the Company under the leadership of the Chief Executive Officer.

The position of the Chairman and the Chief Executive Officer are held by separate individuals. The role of the Chairman is separated from that of the Chief Executive Officer. Such division of responsibilities helps to reinforce their independence and accountability.

Mr. Cheng Ting Kong is the Chairman of the Company and Mr. Lui Man Wah is the Chief Executive Officer of the Company.

# Corporate Governance Report

The Chairman is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that the Board acts in the best interest of the Company. To ensure that Board meetings are planned and conducted effectively, the Chairman is primarily responsible for drawing up and approving the agenda for each Board meeting, taking into account, where appropriate, any matters proposed by other Directors for inclusion in the agenda. With the support of Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly briefed on issues arising at Board meetings and receive adequate and reliable information in a timely manner. The Chairman also actively encourages Directors to be fully engaged in the Board's affairs and make contribution to the Board's functions. With the support of all other members of the Board, the Chairman procures that good corporate governance practices and procedures are established and that appropriate steps are taken to provide effective communication with shareholders.

The Chief Executive Officer is responsible for managing the business of the entire Company, attending to the formulation and successful implementation of company policies and assuming full accountability to the Board for all Company operation. Acting as the principal navigator of the Company's businesses, the Chief Executive Officer attends to developing strategic operation plans that reflect the longer term objectives and priorities established by the Board and is directly responsible for maintaining the operational performance of the Company. The Chief Executive Officer also maintains ongoing dialogue with the Chairman and all Directors to keep them fully informed of all major business development and issues.

## APPOINTMENT AND RE-ELECTION OF DIRECTORS

### Executive Directors

Each of Ms. Cheng Mei Ching, and Mr. Lui Man Wah, being all the executive Directors, except Mr. Cheng Ting Kong, has entered into a service agreement with the Company for an initial fixed term of one year and shall continue thereafter until terminated by either party by giving two months' notice in writing to the other. For Mr. Cheng Ting Kong, he has entered into a service agreement with the Company for an initial fixed term of three year.

Each of these executive Directors is entitled to the respective director's fee. In addition, each of the executive Directors is also entitled to a discretionary bonus determined by the Board.

### Independent non-executive Directors

Each of Mr. Chan Tin Lup, Trevor, Mr. Tou Kin Chuen, and Mr. Jim Ka Shun, the independent non-executive Directors has entered into a letter of service with the Company for a term of one year's period, provided that either our Company or our independent non-executive Directors may terminate such appointment at any time by giving at least one month's notice in writing to the other. Each of our independent non-executive Directors is entitled to a director's fee.

Upon appointment, Directors would receive an orientation review of the Company and its business from senior executives. Information are provided to Directors regularly to ensure that Directors keep up with the latest changes in the commercial and regulatory environment in which the Group conducts its businesses.

In accordance with the articles 108 of the Articles, one-third of the Directors are subject to retirement by rotation or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from the office and being eligible offer themselves for re-election at each annual general meeting of the Company.

# Corporate Governance Report

## BOARD COMMITTEES

The Board has established the Audit Committee and the Remuneration Committee in order to maintain high standard of corporate governance of the Company.

### Audit Committee

The Company established an audit committee ("Audit Committee") on 29 November 2000 with written terms of reference in compliance with the GEM Listing Rules. During the year under review, the audit committee comprises three members, Mr. Tou Kin Chuen, Mr. Chan Tin Lup, Trevor and Mr. Jim Ka Shun. All of them are independent non-executive Directors of the Company and Mr. Tou Kin Chuen was appointed as the Chairman of the Audit Committee.

The primary duties of the audit committee are to review and supervise the financial reporting process, risk management system and internal control systems of the Group so as to provide advice and comments thereon to the Board of Directors. Two audit committee meetings were held during the year.

The Group's annual results for the year ended 31 March 2018 have been reviewed by the audit committee, which is of the opinion that the preparation of such consolidated financial statements complies with applicable accounting standards, the GEM Listing Rules, and that adequate disclosures have been made.

<b>Name of Member</b>	<b>Attended/ Eligible to attend</b>
Mr. Tou Kin Chuen ( <i>Chairman</i> )	2/2
Mr. Chan Tin Lup, Trevor	2/2
Mr. Jim Ka Shun	2/2

For the year ended 31 March 2018, the Audit Committee reviewed with senior management and the external auditors of the Company their respective audit findings, the accounting principles and practices adopted by the Company, legal and regulatory compliance, and internal control, risk management and financial reporting matters (including the interim and annual financial statements for the year ended 31 March 2018 before recommending them to the Board for approval). In particular, the Audit Committee monitored the integrity of financial statements of the Company and the annual report and accounts and quarterly reports and accounts of the Company, discussed with management and the external auditor, and reviewed significant financial reporting judgments contained in them. In this regard, in reviewing such reports and accounts of the Company before submission to the Board, the Audit Committee focused particularly on:

- (a) any changes in financial reporting and accounting policies and practices;
- (b) major judgmental areas;
- (c) significant adjustments resulting from audit;
- (d) the going concern assumption and any qualifications;

# Corporate Governance Report

- (e) compliance with accounting standards; and
- (f) compliance with the GEM Listing Rules and any other legal requirements in relation to financial reporting.

The Audit Committee has met its responsibilities to review the audited consolidated results of the Group for the year ended 31 March 2018 and provided advice and comments thereon.

## Remuneration Committee

The Company established a remuneration committee ("Remuneration Committee") on 18 March 2005. During the year under review, the Remuneration Committee comprised three members, Mr. Chan Tin Lup, Trevor, Mr. Tou Kin Chuen and Mr. Jim Ka Shun. All of them are independent non-executive Directors and Mr. Chan Tin Lup, Trevor was appointed as the Chairman of the Remuneration Committee.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Group's policy and structure in relation to the remuneration of Directors and senior management and reviewing the specific remuneration packages of all executive Directors and senior management by reference to corporate goals and objectives resolved by the Board from time to time.

Name of Member	Attended/Eligible to attend
Mr. Chan Tin Lup, Trevor ( <i>Chairman</i> )	1/1
Mr. Tou Kin Chuen	1/1
Mr. Jim Ka Shun	1/1

The remuneration of Directors and senior management was determined with reference to the performance and profitability of the Company as well as remuneration benchmarks from other local and international companies and the prevailing market conditions. Directors and employees also participate in bonus arrangements determined in accordance with the performance of the Group and the individual's performance.

For the year ended 31 March 2018, the Remuneration Committee determined the policy for the remuneration of executive Directors, assessed the performance of executive Directors and approved the terms of executive Director's services contracts. The Remuneration Committee adopted the model which is described in the code provision B.1.2 (c)(ii) of the CG Code and Report, it makes recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

Details of Directors' emoluments for the year ended 31 March 2018 are set out in note 14 to the consolidated financial statements.

# Corporate Governance Report

## Nomination Committee

The Company established a nomination committee ("Nomination Committee") on 1 December 2015. During the year under review, the Nomination Committee comprises three members, Mr. Tou Kin Chuen, Mr. Chan Tin Lup, Trevor and Mr. Jim Ka Shun. All of them are independent non-executive Directors of the Company and Mr. Tou Kin Chuen was appointed as the Chairman of the Nomination Committee. The biographies of members of the Nomination Committee are set out in the paragraph headed "Directors and Staff" on page 14.

The Nomination Committee is responsible to make recommendation to the Board on the appointment of Directors and the management of the Board's succession. Terms of reference of the Nomination Committee are approved by the Directors.

The principal functions of the committee include:

- (i) to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes;
- (ii) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;
- (iii) to assess the independence of independent non-executive directors; and
- (iv) to make recommendations to the Board on relevant matters relating to the appointment or reappointment of Directors and succession planning for Directors in particular the chairman and the chief executive officer.

The Nomination Committee held 1 meeting during the year ended 31 March 2018. The attendance records are presented below:

Name of Member	Attended/Eligible to attend
Mr. Tou Kin Chuen ( <i>Chairman</i> )	1/1
Mr. Chan Tin Lup, Trevor	1/1
Mr. Jim Ka Shun	1/1

For the year ended 31 March 2018, the Nomination Committee reviewed the profile of current Directors and potential candidate of Director to ensure the appropriateness of the Board in performing their duties.

## CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the corporate governance duties in accordance with code provision D.3.1 to the CG Code which are included to develop and review the Company policies and practices on corporate governance, to review and monitor the training and continuous professional development of Directors and senior management of the Company, the issuer's policies and practices on compliance with legal and regulatory requirements and reviewing the issuer's compliance with the CG Code and disclosure in the Corporate Governance Report.

# Corporate Governance Report

For the year ended 31 March 2018, the Board has performed the corporate governance duties stated in code provision D.3.1 of the CG Code.

## AUDITORS AND THEIR REMUNERATION

The amount of fees charged by the Auditors generally depends on the scope and volume of the auditors' work. For the year ended 31 March 2018, the Auditors of the Company received HK\$1,550,000 (2017: HK\$1,290,000) for audit services. There was no significant non-audit service provided by the auditor of the Group for the year.

## Directors' Acknowledgement

The Directors acknowledge their responsibility for preparing the consolidated financial statements which give a true and fair view of the financial position of the Group.

The Directors ensure the consolidated financial statements of the Group are prepared in accordance with the statutory requirements and applicable accounting standards. The Directors also ensure the publication of the consolidated financial statements of the Group is made in a timely manner. The Directors, having made appropriate enquiries, consider that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

## Auditors' Statement

The statement of the Auditors of the Company about their reporting responsibilities on the consolidated financial statements of the Group for the year ended 31 March 2018 is set out in the Auditors' Report on pages 55 and 61.

## Financial Reporting

The Management has provided to all Directors quarterly updates with quarterly consolidated financial statement of the Company's performance, position and prospects in sufficient details during the regular Board meetings. In addition, the Management has provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient information for matters brought before the Board. The Management will spare no effort to provide all members of the board with more detailed and promptly monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail in coming future.

## Compliance with Relevant Laws and Regulations

The Group recognises the importance of compliance with regulatory requirements and the risk of noncompliance with relevant requirements could lead to adverse impact on business operation and financial position of the Group. The Board as a whole is responsible to ensure the Group is in compliance with relevant laws and regulations that have a significant impact on the Group. To the best of knowledge of the Board, the Group has complied with relevant laws and regulations during the year ended 31 March 2018.

# Corporate Governance Report

## COMPANY SECRETARY

The company secretary of the Company (the "Company Secretary") is Mr. Chung Sze Fat. In accordance with the Rule 5.15 of the GEM Listing Rule, he has taken no less than 15 hours of relevant professional training during the year ended 31 March 2018.

## INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhance investor relations. It is committed to providing clear and full information about the Company's performance to shareholders through the publication of quarterly reports and annual report. In addition to dispatching circulars, notices and financial reports to shareholders, additional information is also available to shareholders on the websites of the Group at [www.sun8029.com](http://www.sun8029.com) and the Stock Exchange.

The annual general meeting provides a useful forum for shareholders to raise comments and exchange views with the Board. Shareholders are encouraged to attend annual general meetings for which the Company gives at least 21 clear business days' notice. The Chairman and Directors and external auditors are available to answer questions on the Company's businesses at the meeting.

## CONSTITUTIONAL DOCUMENTS

Pursuant to Rule 17.102 of the GEM Listing Rules, the Company has published on the respective websites of the Stock Exchange and the Company its Memorandum and Articles of Association. During the year ended 31 March 2018, there had not been any changes in the Company's constitutional documents.

## PUBLICATION OF ANNUAL REPORT ON THE GEM WEBSITE

The annual report of the Company contains all the information required by the GEM Listing Rules will be published on the GEM website in due course.

## RISK MANAGEMENT AND INTERNAL CONTROL

### Goals and Objectives

The Board is responsible for the risk management and internal control systems and reviewing their effectiveness. It is acknowledged that the risk management and internal control 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.

# Corporate Governance Report

## MAIN FEATURES OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Group's risk governance structure and the main responsibilities are summarized below:

### Board

- evaluates and determines the nature and extent of significant risks it is willing to take in achieving the Group's strategic objections;
- ensures the implementation of an effective risk management and internal control systems;
- oversees the management in the design, implementation and monitoring of the risk management and internal control systems; and
- ensures the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, internal audit and financial reporting functions.

### Management

- assists the Board to perform its responsibilities of risk management and internal control systems and ensure such review cover all material controls, including financial, operational and compliance controls;
- designs, implements and monitors the risk management and internal control systems
- identifies and assess the major and significant risks which threaten the achievement of the strategic objectives;
- summarizes the results of the risk assessment and evaluation into risk register;
- develops the internal control audit plan and effective control activities to mitigate risks; and
- communicates and reports to the Board periodically.

### Legal and Compliance Department

- performs ongoing compliance review on the operation of the Securities, Futures and Asset Management Division of the Group;
- ensures compliance with, to review and recommend amendment to management policies and procedures, relevant provisions in the Securities and Futures Ordinance Cap. 571 ("SFO") and other relevant regulations;
- ensures proper internal control procedures are in place to safeguard company's and client's assets
- prepares and submits the annual compliance review report to the Board for review.

## PROCESS USED TO IDENTIFY, EVALUATE AND MANAGE SIGNIFICANT RISKS

Management, with the assistance of the external consultants, are responsible for designing, implementing and monitoring the risk management and internal control systems.

The processes used to identify, evaluate and manage significant risks by the Group are summarized as follows:

### Risk identification

- identifies significant risks through interviewing with the management of major subsidiaries. Risk Assessment Evaluation Form are used to document the risk identified by the management of major subsidiaries.

# Corporate Governance Report

## Risk assessment

- analyses the risk identified by the major subsidiaries from the perspective of the Group level as a whole. The analysis considers the range of potential consequences and how likely those consequences to occur. Consequences and likelihood are combined to produce an estimated level of risk.

## Risk response

- categorizes the risks into low risk, medium risk and high risk;
- determines the strategy to handle the risk; and
- develops the risk register and internal control audit plan and determines the frequency of review and control testing on key controls.

## Risk monitoring and reporting

- performs ongoing communication of monitoring results to the Board which enables it to assess control of the Group and the effectiveness of risk management;
- presents the compliance review report performed by the Group's legal and compliance department to the Board for review;
- delivers the fact-findings report with recommendations on the review and testing of internal controls on certain agreed operating cycles and areas performed by external consultant to the Audit Committee and the Board

## INTERNAL AUDIT FUNCTION

The Group's internal audit function is primarily performed by the management of the Company and the Legal and Compliance Department, including analyzing and appraising the adequacy and effectiveness of the Group's risk management and internal control systems. For enhancement of the quality of the internal audit, the Company has engaged an external consultant to assist the Management to:

- perform the risk assessment process;
- review the Group's internal audit function;
- execute the internal audit plan, including performing test of control on selected cycles in accordance with agreed upon procedures determined by the Management.

During the year ended 31 March 2018, the Board conducted an annual review on the effectiveness of the Group's risk management and internal control systems and concluded that the risk management and internal control systems of the Group were adequate and effective during the year under review.

# Corporate Governance Report

## **INFORMATION DISCLOSURE POLICY**

The Company has adopted its information disclosure policy and related procedures with regard to the “Guidelines on Disclosure of Inside Information” issued by the Securities and Futures Commission. The policy stipulates the responsibilities of the Group, key disclosure requirements under Part XIVA of the SFO and Rules 17.10, 17.11 and 17.11A of the GEM Listing Rules, control measures and reporting procedures of handling confidential information and monitoring information disclosure. The Group adopts an upward reporting approach within the Group for identifying and escalating any potential inside information to the Board. The policy is reviewed annually and all reasonable measures have to be taken from time to time to ensure proper safeguards to prevent any breach of disclosure requirements and to maintain strict confidentiality of information.

## **DISCUSSION ON GOING CONCERN**

Before approving the financial statements, the Directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the 12 months from the date of approval of this statement. Hence, they continue to adopt the going concern basis of accounting in preparing the financial statements. Key factors to support the going concern basis of accounting are set out in the Note 3 to the Consolidated Financial Statements on page 75.

# Environmental, Social and Governance Report

## SCOPE AND REPORTING PERIOD

This is the second Environmental, Social, and Governance (the “ESG”) Report by the Group, highlighting its ESG performance, with disclosure reference made to the ESG Reporting Guide as described in Appendix 20 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

The principal activities of the Group are the provision of equine services (including breeding, sales and racing preparations) and financial services (including securities trading, advising and asset and credit management). This ESG report covers the Group’s overall performance in two subject areas, namely, Environmental and Social of the business operations in Hong Kong including two offices in Shun Tak Centre, Hong Kong (hereafter “office operation”) and three horse stud farms in Kerrie and Goulburn Weir in Victoria and Innisplain in Queensland, Australia (hereafter “equine services operation”) from 1 April 2017 to 31 March 2018, unless otherwise stated.

Total floor area coverage for the Group was 2,926,189 m<sup>2</sup> (309 m<sup>2</sup> for offices in Hong Kong and 2,925,880 m<sup>2</sup> for the three horse stud farms in Australia). Total farms areas have decreased comparing to 2016/17 due to minor change of property ownership in Queensland, Australia.

## STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects for the Group to report on for this ESG report, the Group regularly collects views and discusses ESG issues with stakeholders through a variety of channels, such as online Community Forum, annual reports, surveys, regular dialogue and meetings. The Group also commissioned an independent third-party consultant to assist in conducting a materiality analysis in environmental and social aspects. In the reporting year, the Group has specifically engaged frontline staff, suppliers and clients to gain further insights on ESG material aspects and challenges, and have identified the following top material aspects:

1. Labour Standards;
2. Water;
3. Anti-corruption;
4. Employment, Health and Safety
5. Development and Training

The above aspects were strictly managed through the Group’s policies and guidelines. Management of the aspects have been described in separate sections below. The Group will continue to identify areas of improvement for the concerned aspects and keep close communication with its stakeholders to share and exchange ideas for advancing the Group’s ESG management and to 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 [info@sun8029.com](mailto:info@sun8029.com).

# Environmental, Social and Governance Report

## THE GROUP'S SUSTAINABILITY MISSION, CORE VALUES AND VISION

### Core Values

These core values are created to drive and support the Group's business objectives. They also ensure all employees are aligned with a common understanding of the way they should behave in a given situation, providing an overriding sense of purpose and identity within the organization.



The Group has specific mission and vision for major equine services operation:

### Mission

The Group is committed to placing our clients first in all that we do.

The Group will always aim to meet our client's expectations by providing an extensive range of quality thoroughbred services.

The Group prides itself on achievements and continually strive to improve our performance.

The Group has a dynamic team focused on professionalism and a will to succeed.

The Group will continually strive to be the most efficient and innovative stud in Victoria, Australia.

### Vision

The Group will:

- Offer a level of service and quality that makes clients want to support us;
- Be a company that staff is proud to work for;
- Be perceived as a prominent player in the racing industry and a threat by our opposition;

# Environmental, Social and Governance Report

- Be sought after as a valued partner by our suppliers; and
- Be an employer of people who make positive contributions, add value to the organisation and whose initiative is encouraged.

## A. ENVIRONMENTAL

Types of emission sources the Group involved in the reporting period were mainly petrol, diesel, electricity, water, waste 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.

### A1. Emissions

#### A1.1 Air Emissions

During the reporting year, a total of 21,786 litres of petrol and 17,109 litres of diesel were used for Group-owned passenger cars, light goods vehicles, and other mobile machineries including tractors, contributing to the emissions of 171 kg of nitrogen oxides (NOx), 0.60kg of sulphur oxides (SOx) and 16 kg of respiratory suspended particles (PM). The Group's operation did not involve any direct emission related to gaseous fuel consumption.

#### A1.2 Greenhouse Gas (GHG) Emissions

Scope of Greenhouse Gas Emissions	Emission Sources		Emission (in tCO <sub>2</sub> e)	Total Emission (in %)
<b>Scope 1</b> Direct Emissions	Combustion of Fuels in Mobiles Sources	Diesel	46.56	36
		Petrol	51.93	
<b>Scope 2</b> Energy Indirect Emission	Purchased Electricity		167.78	61
<b>Scope 3</b> Other Indirect Emissions	Paper Waste Disposal		4.28	3
	Fresh Water Consumption		0.28	
	Business Air Travel		4.52	
<b>Total</b>			<b>275.35</b>	<b>100</b>

Note:

- tCO<sub>2</sub>e = tonnes of carbon dioxide equivalent.
- Emission factors were made reference to Appendix 27 of the Listing Rules and their referred documentation as set out by The Stock Exchange of Hong Kong Limited, unless stated otherwise.
- Emission factors used in the calculation of purchased electricity in Australia's operation were made reference to National Greenhouse Accounts Factors (July 2017) by the Department of the Environment and Energy of the Australian Government.

# Environmental, Social and Governance Report

There were 275.35 tonnes of carbon dioxide equivalent greenhouse gases (mainly carbon dioxide, methane and nitrous oxide) emitted from the Group's operations in the reporting period, with an intensity of 0.0001 tCO<sub>2</sub>e/m<sup>2</sup>.

## *Business Air Travel*

During the reporting period, employees travelled by air mainly within Australia for meetings, collaboration and promotion activities, contributing to a total of 4.52 tonnes of carbon dioxide equivalent emission. The Group installed video conference facilities to avoid unnecessary business air travels.

### **A1.3 Hazardous Waste**

The Group's overall business did not involve generation of significant amount of hazardous waste, thus no such data is being presented in this report

### **A1.4 Non-hazardous Waste**

Approximately 1,700 kg of non-hazardous waste (domestic waste – general rubbish) was generated in the reporting period and was mainly manure and wood chip from the equine services operation. The office operation disposed of a total 891 kg of waste paper in the reporting period, contributing to a total of 4.28 tonnes of carbon dioxide equivalent emission.

### **A1.5 Measures to Mitigate Emissions**

The Group will continue monitoring the vehicle use and business air travel for business operation. Currently the Group participates in carbon offset for some of the flights and encourages carpooling among employees for commuting.

Compared to the last reporting period, an increased consumption for petrol was observed, this was due to an increased transportation for horses, and increased road trips made by sales team instead of using flights. In contrast, a decreased consumption for diesel was observed as two diesel cars were left unused during the reporting period.

### **A1.6 Wastes Handling and Reduction Initiatives**

At office operation, general refuse and waste paper were handled by building management office. At the Group's equine services operation, medical waste such as sharp needles were collected by licensed contractors, while waste batteries and tyres were returned to suppliers for re-processing or recycling. Domestic waste was collected by licensed waste collectors while manure and wood chips were reused on site.

The Group encourages sharing of resources to fully utilize resources and reduce waste. In its office operation, office supplies are centralized so that supplies such as stationeries, binders and file folders are shared among staff. Old cartridges of printers are returned to suppliers and remanufactured toner cartridges are used. Durable and reusable dishes and tableware are provided in pantries to avoid usage of disposable items. Recycling bins were also provided during luncheon and other office events.

# Environmental, Social and Governance Report

In the equine services operation, the Group sells its useable waste such as old vehicles to the neighbourhood whenever possible. Manure is piled at designated area for composting and reused on paddocks or staples. Wood chips from removed trees are also reused as garden beds or mulch. During the reporting period, the Group has reviewed previous years' waste collection practice, and has decided to reduce the frequency of waste collection by engaged collectors, in order to optimize the use of collection service. It was considered cost-effective and help reducing carbon footprint regarding refuse transfer.

Overall, the Group actively recycled 160 kg of waste paper and continued the adaptation and promotion of paper-saving initiatives such as using single-side-used paper for printing drafts and defaulting printers into double-sided printing with double password confirmation. To further encourage office paper recycling, the Group provides ample recycling bins for separate collection of waste office paper. Waste office paper is collected and recycled by licensed recyclers. GHG emissions arising from waste paper disposal has increased from last reporting period due to an increased consumption of paper in securities sales and related operation.

## A2. Use of Resources

### A2.1 Energy Consumption

The Group business operations in Hong Kong and Australia resulted in a total energy consumption of 548,285 kWh, with an energy intensity of 0.18 kWh/m<sup>2</sup> in equine services operation and 84.84 kWh/m<sup>2</sup> in office operation.

Due to an effective implementation of new initiatives mentioned in A2.3 below, electricity consumption achieved a reduction, from 104.15 kWh/m<sup>2</sup> in 2016/17 to 84.84 kWh/m<sup>2</sup> in 2017/18 for office operation.

Energy Consumption Sources	Consumption (in kWh)
Diesel	217,824
Electricity	178,847
Petrol	151,614
Total	548,285

### A2.2 Water Consumption

Fresh water consumption by the Group was 812.59 m<sup>3</sup>, in which 676.79 m<sup>3</sup> was supplied by regional urban water corporations, and the rest was extracted from stored rainwater tanks and nearby river. There were no issues in sourcing water that is fit for purpose. Fresh water consumed in the equine services operation is used for washing horses and gardening. Employees drinking water is supplied from the mains and is tested regularly. For office operation in Hong Kong, the water supply was managed by the building management, hence no data was available.

# Environmental, Social and Governance Report

## **A2.3 Energy Use Efficiency Initiatives**

With significant reduction of energy intensity comparing to the last reporting period, the consumption remained relatively high due to the unavoidable long opening hours for shift work in office operation and the need of manipulating longer daytime for breeding season for equine services operation. During the reporting period, the Group has particularly set up procedures and issued formal notice and guidelines to employees for energy saving and control on lighting, computer and printing power during standby and hibernate status in overall office working setting. Timers were also installed for using lights in early morning and at night in the stables.

For equine operation, the Group will continue monitors electricity consumption of stables to explore opportunities to reduce consumption and reminds staff through email to conserve electricity whenever possible. The Group will also study possibilities of installing solar panels and implementing of measures for efficient heating or cooling in stud farms in near future.

## **A2.4 Water Use Efficiency Initiatives**

To reduce fresh water consumption, rainwater is collected in tanks and used for barn washing and horse drinking water. Other sources of water include water from dams, ponds and natural creeks.

## **A2.5 Packaging Material**

The Group's business did not involve any use of packaging materials, hence no data nor information is being presented in this report.

## **A3. The Environment and Natural Resources**

The Group understands that its electricity consumption contributes to the Group's biggest emission of greenhouse gases. The Group strives to explore opportunities in optimizing energy use throughout its operation and will gradually phasing out the use of fluorescent lamps in the coming years. Nevertheless, all employees are responsible for maintaining and protecting the environment. Employees are reminded to always consider the impact of their activities on the environment and the local community, including the way in which waste is disposed, chemicals are used and stored, and natural resources utilised. All in all, the Group aims to strengthen its effort for ensuring sustainability of the business operations, improving environmental and social performance including information collection, as well as complying with relevant laws and regulations.

# Environmental, Social and Governance Report

## B. SOCIAL

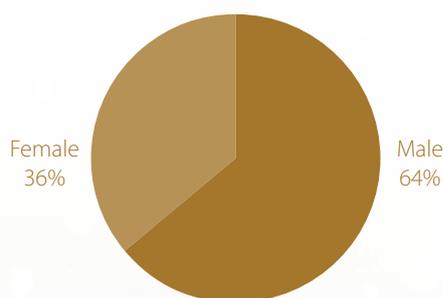
### 1. Employment and Labour Practices

#### B1. Employment

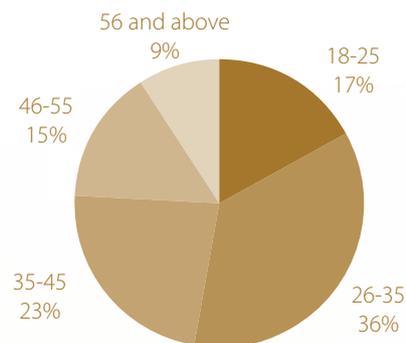
The Group's current Human Resources policies provide detail procedures on compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, and other employees' benefits and welfare. Periodical review, inspection and update of the human resources policies are conducted to ensure their implementation and effectiveness. The Group did not note any cases of material non-compliance in relation to employment during the reporting period.

The Group had a total number of 53 employees as of 31 March 2018 (2016/17: 127 employees) in which 75% of them are full time employees while 25% of them are part time employees. The drop in the total workforce was mainly due to the decreased engagement from part time/casual staff, as the Group participated in less Sales events during the reporting period.

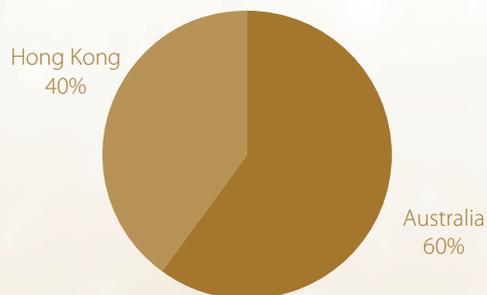
#### BY GENDER



#### BY AGE GROUP



#### BY GEOGRAPHICAL REGION



#### Competitive Compensation and Benefits

Aligned with the Group's core values, the Group adopted a fair and reasonable approach to remuneration for all managers and employees. Salary package is calculated as the base salary, any allowances with net deductions in respect of any contributions employees might be required by the Mandatory Provident Fund scheme in Hong Kong or the superannuation scheme in Australia. Salary is reviewed annually, taking into account factors of the economic situations, market trends, the Group's performances, individual job duties and responsibilities.

# Environmental, Social and Governance Report

The working hours in equine services operation is subject to the minimum workplace entitlements in the National Employment Standards, which has a maximum standard working week of 38 hours for full-time employees. The standard work hours in the office operation is 40 hours per week for full-time employees. Work on statutory holidays due to unforeseen or unavoidable circumstances will be compensated with compensation holidays. All contracts of employment set out terms of remuneration, duration of employment (if applicable), probation (if applicable), hours of work, entitled benefits and welfare and dismissal obligations.

Employees are entitled to paid leave, long service leave, voluntary leave, maternity/parental leave, compassionate leave, sick and carer's leave. Other benefits include staff accommodation, subsidies for company mobile phones, medical insurance, office insurance, employees' compensation insurance and WorkCover insurance.

## *Equal Opportunity*

The Group has policies regarding equal opportunities, anti-discrimination and anti-harassment, formulated in accordance with prevailing discrimination and human rights related laws in Australia and Hong Kong. Discriminatory practices are regarded as both illegal and a barrier to effective recruitment and utilization of staff. Equal opportunities are provided to all staff regardless of nationality, race, religious, belief, colour, age, sex or marital status on recruitment, internal transfer, compensation, training and promotion.

Any form of workplace discrimination or harassment is unacceptable and contrary to the Group's policies. Staff may contact the Human Resources Department for any enquiries, grievances or complaints in respect of discrimination arising from recruitment, promotion, transfer, training and termination processes or decisions or grievances related to sexual or disability harassment, and victimization. The Group will promptly commence impartial investigation upon receipt of grievances or complaints. Any breach of the policies will be dealt fairly and promptly, and the consequences of such breach may include termination of employment.

## *Employee Relations*

The Group values open communication. Employees are encouraged to engage in discussions regarding employment terms and conditions. Group's development and updates are circulated among employees mainly through social media platforms. Employees also have their freedom to decide whether they would join an employee association.

## *Performance Management*

To ensure that superior employee performance is recognised and rewarded, the Group has its policy on performance management. It provides a mechanism for both formal and informal reviews, which provides regular feedback and ensures that related issues are identified and actioned in a constructive and timely manner.

# Environmental, Social and Governance Report

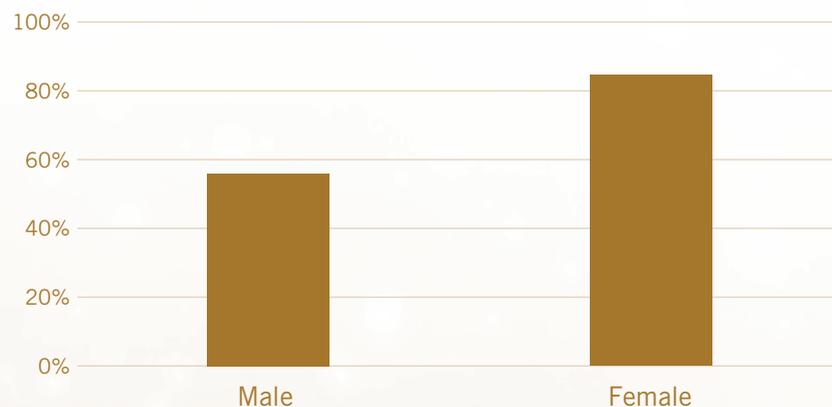
A minimum of two one-on-one meetings are held between employees and their decision or department managers throughout the year, providing a platform for giving and receiving feedback on current performance and discussing any issues impacting on performance. Annual performance review is performed to formalize the one-on-one discussions, review actual results achieved against targets and give employee an overall performance rating. Role clarity issues are also reviewed and updated during the review. Director Awards, Long Service Awards, Executive Management Bonus are presented and offered to recognise exemplary or significant contribution by selected employee to business.

To ensure employees are provided with ample support to achieve the Group and individual goals, employees who fails to meet the Group's standards of work performance or behaviour will be counselled by managers so that issues are promptly identified and corrected.

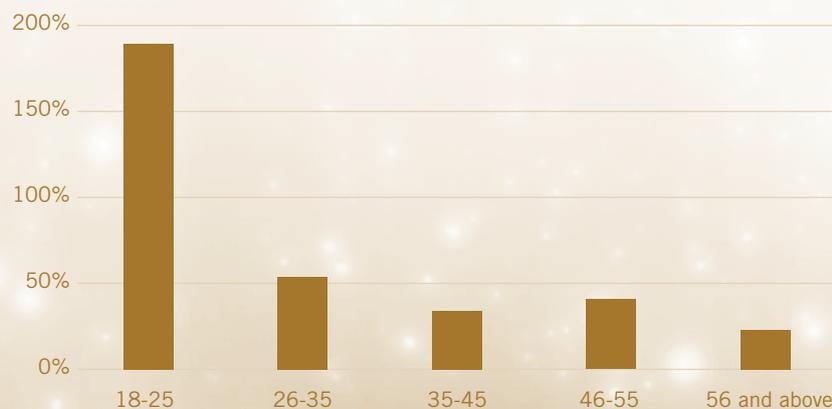
## Turnover

A total number of 33 employees left the Group in 2017/18 (contributing to overall turnover rate of 66%). Turnover rate is slightly higher for female colleagues as most female were employed at the sales department and on a casual basis contract. The annual turnover rates (categorized by gender and age groups) in the reporting period are as follows:

### Turnover Rates By Gender



### Turnover Rates By Age Group



# Environmental, Social and Governance Report

The relatively high turnover rates are due to the nature of the Group's equine services operation which involved a large number of employees with temporary contracts.

## **B2. Employee Health and Safety**

The Group is committed to ensuring health, safety and welfare of its employees and the timely and effective rehabilitation of injured employees. The Group believes that the achievement of a safe and healthy environment is a collective responsibility and the commitment of all employees is required to ensure the safety of themselves and others in the workplace and the community. During the reporting period, the Group did not note any cases of material non-compliance in relation to health and safety laws and regulations.

For office operation, periodical fire drill is provided for emergency purpose. No more particular occupational health and safety measures were provided as the office working environment is considered low risk by nature.

In its equine services operation, occupational health and safety ("OH&S") manual is laid down in the employee handbook. Employees at stud farm sites are required to work in a safe manner and to use equipment in accordance with the correct operating procedures. Necessary personal protective equipment is provided to employees and visitors. All workplace accidents must be reported to managers with details of the incident and with any injury recorded. Workplace inspections are also conducted periodically by governmental authorities to inspect workplace safety performances in stud farms.

In terms of fire and electrical safety, the stud farms and offices are equipped with certified firefighting equipment and electrical appliances that are regularly checked and tagged. Emergency procedures in case of emergency evacuation are laid down in the employee handbook. During the reporting period, the Group has developed a Bushfire Procedure to ensure employees are fully aware of the steps and necessary actions to follow in case of bushfire. Contact details of key personnel and other important information are also provided in the plan. In addition, asbestos check was performed for the stud farms and the Group's asbestos management was in compliance with all relevant compliance codes, laws and regulations.

To further reinforce and standardize OH&S performance of its equine service operation, the Group also engaged a health and safety risk assessment professional to produce a Work Health & Safety Manual, which has listed comprehensive OH&S strategy, possible hazard, key safety controls and instructions, risk rating for a list of day-to-day activities. OH&S related online courses is under development and will cover areas such as administration, maintenance, caring for horses and machinery practices.

# Environmental, Social and Governance Report

During the reporting period, there were 8 lost days due to work injuries from spleen and minor injuries at equine services operation.

## Occupational Health and Safety Data

	<b>2017/18</b>
Work related fatality	0
Work injury cases >3 days	2
Work injury cases ≤3 days	1
Lost days due to work injury	8

### **B3. Development and Training**

The Group is committed to ensuring that employees have the necessary skills to do their jobs and is provided with suitable opportunities for on-going development, through both informal and formal means, utilising both internal and external resources. In the reporting period, employees engaged in various training on operational policies and procedures, ordinances, rules and regulation updates. Key topics covered by trainings include:

- Anti-money laundering;
- Equine services on-job training;
- CPR certification and first-aid training;
- Enforcement case study; and
- Counter terrorist financing.

The Group encourages employees to continue their educational development so as to improve their work performance and value. Apart from trainings, Vocational Education Sponsorship and Overseas Employee Exchange Program are open for application by permanent employees.

# Environmental, Social and Governance Report

A total of 93 training hours were conducted in the reporting period with more trainings provided on occupational health and safety and first aid. Percentage of employees trained (categorized by gender and employee category) and the training hours (categorized by gender and employee category) are shown below.

	<b>2017/18</b>
<b>Percentage of Employees Trained by Gender</b>	
– Male	50%
– Female	50%
<b>Percentage of Employees Trained by Employee Category</b>	
– Senior Management	75%
– Middle Management	70%
– Other Employees	49%
<b>Average Training Hours Completed per Employee by Gender</b>	
– Male	2
– Female	2
<b>Average Training Hours Completed per Employee by Employee Category</b>	
– Senior Management	2.5 hours
– Middle Management	2 hours
– Other Employees	1.5 hours

## **B4. Labour Standards**

In pursuant to all applicable laws, treaties and agreements in Australia and Hong Kong regarding employment, labour and human rights, there was no child nor forced labour in the Group's operation. Job candidates' identity cards, relevant certificates and references are checked to ensure compliance with all applicable laws. There was no non-compliance issue noted regarding labour standards as required by related laws and regulations during the reporting period.

## **2. OPERATING PRACTICES**

### **B5. Supply Chain Management**

The Group has engaged 60 local suppliers in the reporting period. The Group has procurement policy on selection of suppliers with lower price, acceptable quality and its industrial ranking and reputation to ensure that all equipment and consumables such as computer software, hardware and printing machinery, are in good quality, perform consistently and conserve energy. The Group will review current policy and practice and update when necessary on managing supplier's environmental and social risks. Procurement managers of the Group are responsible for maintaining the procurement process and implementing the policy. Suppliers are selected and reviewed upon price and quality of purchased items, with three quotations collected for high value procurement. Suppliers of the office operation focus mainly on supply of computer software and hardware and other service providers, which are selected based on various factors such as industrial ranking, reputation and ongoing performance.

# Environmental, Social and Governance Report

## **B6. Product Responsibility**

During the reporting period, there were no major changes in policies and the Group did not note any cases of material non-compliance regarding health and safety, advertising, labelling and privacy matters relating to products and services provided as required by related laws and regulations. There were no recalls nor complaints received related to products and service provided.

### ***Horses Health and Safety***

The Group strives to provide a high quality and safe environment for breeding and raising horses. Horses are provided with adequate space for free movement in their paddocks and stables. Stable walls are lined with rubber matting for prevention of unnecessary accidents and comfort of horses. Breeding takes place in separate shelters in which stallions are provided with a safe breeding ground with privacy. The stud farms have daily procedures on horse check and monitoring to ensure that horses are in good health conditions. Employees will immediately contact independent veterinarians for a thorough health check, consultation or treatment if necessary. Veterinary drugs and medications are stored in on-site hospital which only allows access of authorized employees and veterinarians. All the drugs and medication purchased must be registered by veteran with proper labelling with dosage and application. Strictly comply with the laws related to racing and breeding practice as set out by Racing Victoria. Regular faecal sampling and vaccination prevent parasite attacks, viral or other diseases in horses.

### ***Stud Farm Management***

For better protection of horses, the Group had started re-fencing of the stud farms in Kerrie and Smithfield a few years ago, replacing wire fencing with plastic fencing. The re-fencing has now been completed. The Group also practises paddock management including paddock and stable rotation for parasite or worm control.

The Group maintains its stud farms with proper tree management. Tree assessments are conducted regularly by arborists so that trees requiring trimming or removal due to safety reasons are identified. Trees on farm are all tagged, showing traces and status of assessments.

### ***Intellectual Property (“IP”) Rights***

Employees must notify the Group of all inventions, discoveries, improvements or other forms of IP made by the employees during their employment. IP includes products, patents and even systems and plans developed in the course of employees’ employment at the Group. An IP in connection with the business of the Group shall belong to and be the absolute property of the Group with no compensation being due to the employee in respect of the IP. Misuse of IP belonging to the Group is prohibited.

Applications and software on computer is monitored by the I.T. Department who strictly follows policy of IP rights protection, other staff is prohibited from loading or altering software on Group assets. On leaving the Group, employees must surrender any Group assets, documents and items containing business information. This includes IP that may have been created whilst working with the Group. Deleting or copying information before leaving is not permitted as IP restrictions continue to apply after employment with the Group has been terminated.

# Environmental, Social and Governance Report

## ***Use of Group Assets***

The Group's code of conduct states that Group assets including goods, money vehicles, computers, phones, e-mail, software, intellectual property or services of the Group's employees (including contractors), must not be used for personal gain. Group properties and merchandise are not allowed to be removed from the Group's premises unless obtained approval. Employee in control of any Group assets, particularly cash or other valuable, is personally responsible for them and must use due care in dealing with those assets, ensuring the utilization of such assets is in the best interest of the Group. The use of Group property to access or distribute potentially offensive or pornographic material will not be tolerated.

## ***Data Protection***

According to the Group's code of conduct and policy on privacy of personal data, all information relating to the Group business obtained by employees in the course of their employment is to be considered confidential unless the Group has officially made the information public. Confidential information includes but is not limited to documents prepared for internal use, commercially sensitive documents relating to sales, products or merchandising and information obtained verbally whether in formal meetings, during discussions or in any other way. Except as required by law, employees are required to treat all Group information as confidential while they are employed and after their employment with the Group ceases, unless it is in the public domain. The Group was in compliance with all applicable laws and ordinances regarding personal and consumer data protection and privacy.

## ***Advertising and Labelling***

The Group strives to ensure that no misleading or false advertisement and interpretation of its financial products is communicated to customers. The Group signs written agreements with customers that comprise detailed terms indicating a wide range of customers' interests and liabilities.

## **B7. Anti-corruption**

Independent guidelines and compliance manual are provided to employees about operational policies and procedures relating to bribery, extortion, fraud and money laundering. Periodical compliance audit is performed to monitor the effectiveness of the control of the measures and procedures. Relevant training such as standard practice on anti-money laundering issue are provided to employees on regular basis. During the reporting period, the Group was in compliance with all applicable laws on prohibiting corruption and bribery. There was no concluded legal case regarding corrupt practices brought against the Group or its employees.

## ***Conflict of Interest***

Employees (including contractors and consultants engaged by the Group) of the Group have a potential conflict of interest if, in the course of their employment, any decision they make creates a personal advantage or benefit to themselves or a related third party. When dealing with external suppliers of good and services to the Group, employees must avoid placing themselves in situations of potential conflict of interests.

Any situation potentially involving direct or indirect conflict of interest between an employee and the Group should be avoided unless specifically consented to in writing by the employee's general manager.

# Environmental, Social and Governance Report

## ***Fraud, Corruption and Irregular Transactions***

The Group does not allow any unethical or improper payment practices either to obtain business or for personal gain. Any activities related to fraud, corruption and irregular transactions are prohibited. Employees will not be criticised for the loss of business as a result of resisting to make or receive a bribe or inducement to or from a third party. Employees who believe they know of any fraud, corruption, irregular transactions or breach of ethics have the duties to raise the matter with the general manager. The Group will fully co-operate with any related investigation by law enforcement or regulatory authorities.

## **B8. Community Investment**

The Group regularly donates money to Yan Oi Tong in Hong Kong which has the mission of "Caring the old and the young, promoting education and nurturing talented students, supporting the disadvantaged and the sick, and serving the community". With its effort in caring for people, the environment and the community, the Group has been awarded with the Caring Company logo by the Hong Kong Council of Social Service for 5 consecutive years. Employees are also encouraged to actively participate in social services through provision of voluntary leave.

Moreover, the Group organizes annual charity golf tournament in Australia and all proceeds will go to an organization chosen based on their close association to the operation, level of involvement and relevance. Donations were made to Riding for the Disables and local office of Country Fire Authority.

## ***Future Directions from the Group***

The Group will continue to uphold its core values in operating its business, with a focus on contributing to mitigation of climate change and safeguarding staff's occupational health and safety and in the next financial year.

# Independent Auditor's Report



**Andes Glacier CPA Limited**  
*Certified Public Accountants*  
思捷會計師行有限公司

## **INDEPENDENT AUDITORS' REPORT**

**TO THE SHAREHOLDERS OF SUN INTERNATIONAL GROUP LIMITED  
(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)**

### **ADVERSE OPINION**

We have audited the consolidated financial statements of Sun International Group Limited (the "Company") and its subsidiaries (together the "Group") set out on page 62 to page 162, which comprise the consolidated statement of financial position at 31 March, 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, because of the omission of the information mentioned in the "Basis for Adverse Opinion" section of our report, the consolidated financial statements do not give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **BASIS FOR ADVERSE OPINION**

#### **i) Loan receivable**

Included in the Group's loan receivable including interest receivable of HK\$73 million at 31 March, 2018 in which loans were drawdown more than 3 years and were overdue without repayment of principal and renewal of written loan contracts. As explained by management that they were confident to have the repayments of loans. We were unable to obtain sufficient and appropriate audit evidence on the recoverability of the receivable. Therefore, we were unable to determine whether any adjustments to the receivable at 31 March, 2018 were necessary, which have a significant impact on the financial position of the Group at 31 March, 2018 and on the financial performance and the elements making up the consolidated statements of cash flows of the Group for the year ended 31 March, 2018.

#### **ii) Advances to customers in margin financing**

Included in the Group's advances to customers in margin financing of approximately HK\$16 million excluding in liquid assets was not impaired at 31 March, 2018. In addition, an amount of approximately HK\$25 million was granted to a single customer which was made up to 31% of the total amount of advances to customers in margin financing and was unable to settle on due. We were unable to obtain sufficient and appropriate audit evidence on the recoverability of the advances to customers in margin financing. Therefore, we were unable to determine whether any adjustments to the advance to customers in margin financing necessary, which have a significant impact on the financial position of the Group at 31 March, 2018 and on the financial performance and the elements making up the consolidated statements of cash flows of the Group for the year ended 31 March, 2018.

# Independent Auditor's Report

## iii) Material uncertainty related to going concern

As discussed in note 3 to the consolidated financial statements, at 31 March, 2018, the Group had net liabilities and capital deficiency of HK\$73.2 million (2017: HK\$5.4 million) and the Group has incurred losses since 2013 and reported a loss of HK\$63 million (2017: HK\$86 million) for the year ended 31 March, 2018. Total losses for the past six years were approximately HK\$1,766 million. These conditions, along with other matters as set forth in note 3 to the consolidated financial statements, we were unable to assess the effects of the indicated the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern.

The validity of the going concern assumption is dependent on the successful and favourable outcomes of the measures being taken by the management of the Group and the financial support from significant shareholder as described in note 3 to the consolidated financial statements. The management of the Group is of the opinion that the Group would be able to continue as a going concern. Therefore, the consolidated financial statements have been prepared on a going concern basis, and do not include any adjustments relating to the recognition of provisions or the realisation and reclassification of non-current assets and non-current liabilities that may be necessary if the Group is unable to continue as a going concern.

The main concern was the significant shareholder and the related companies can change of their intention to continue provision of financial support to the Group. We were unable to obtain sufficient appropriate audit evidence to ensure the intention of the significant shareholder and related company will not change their intention to provide continuous financial support regarding the use of going concern assumption in the preparation of the consolidated financial statements. Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised at the amounts other than which they are currently recorded in the consolidated statement of financial position at 31 March, 2018. In addition, the Group may have to recognise further liabilities that might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively.

## INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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.

As described in the Basis for Adverse Opinion section above, we were not able to obtain sufficient appropriate evidence about (i) loan receivable; (ii) advances to customers in margin financing; (iii) material uncertainty related to going concern. Accordingly we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

# Independent Auditor's Report

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the basis for adverse opinion, or each matter below, our description of how our audit addressed the matter is provided in that context.

### Key Audit Matter

### How our audit addressed the key audit matter

#### Impairment assessment of loans and interest receivables

As at 31 March 2018, the Group's loan receivables were stated at HK\$226,217,944. Management assessed the provision for impairment of loans and interest receivables based on an estimate of the recoverability of these receivables. Provisions for individual impairment are applied to loans and interest receivables where events or changes in circumstances indicate that the balances may not be collectible; whereas provisions for collective impairment are applied to loans and interest receivables based on actual historical impairment rates on loan and interest receivables.

The carrying value of loans and interest receivables is significant to the consolidated financial statements and the management's impairment assessment of loans and interest receivables require the use of significant judgments and estimates. The Group's disclosures about the loan and interest receivable are included in the note 24 to the consolidated financial statements.

We assessed management's assessment of provision for impairment of loans and interest receivables by performing the following procedures:

- Understood, evaluated and validated the controls over impairment assessment of loans and interest receivables, which relates to management's identification of events that triggered the provision for impairment of loans and interest receivables and estimation of the amount of provisions;
- Carried out procedures, on a sample basis, to test the accuracy of the aging of loans and interest receivables as at the balance sheet date;
- Reviewed management's assessment on the adequacy of provision for individual impairment based on customer's ability to repay the outstanding loans and interest receivables and the value of underlying collaterals;
- Examined, on a sample basis, a number of individual significant customers which were not identified by management as potentially impaired and performed audit procedures to assess the recoverability, based on examination of the customer's repayment records and independent researches on public available information on the values of underlying collaterals; and
- Re-performed management's calculation of collective impairment assessment which grouped together all the receivables with similar risk characteristics based on the reference to the actual historical loss rates.

# Independent Auditor's Report

## Key Audit Matter

## How our audit addressed the key audit matter

### Fair value of biological assets

The aggregate fair value of the Group's non-current and current biological assets as at 31 March 2018 amounted to HK\$129,102,497.

The fair value of biological assets was estimated based on independent valuations assessed by external bloodstock valuer engaged by the Group. The estimated fair value of biological assets was determined taking into consideration of a number of inherently subjective factors and unique circumstances, such as the economic outlook, the earning capacity, age and breeding value of an asset, etc.

The carrying value of biological assets to the consolidated financial statements and because of the usual uncertainties of estimation and judgement on the valuation methodology. The Group's disclosures about the biological assets are included in Note 22 to the consolidated financial statements.

### Impairment allowance of advances to customers in margin financing

At 31 March 2018, the net amount of advances to customers in margin financing was HK\$83,377,861.

The advances to customers in margin financing have been reviewed by the management to assess the required impairment allowances which are based on the evaluation of collectability, ageing analysis of accounts and, the value of securities collateral received from the customers.

Significant judgement by management is involving in assessing the collectability of the margin amount and the value of securities collateral. The Group's disclosure about the impairment allowance of advances to customers in margin financing are included in Note 26 to the consolidated financial statements.

Our audit procedures to assess the management's valuation of biological assets included:

- Evaluating the competence, capability, and objectivity of external bloodstock valuer;
- Assessing the reasonableness of valuation methodology used by the external bloodstock valuer based on our understanding of the industry;
- Checking, on a sample basis, the accuracy and relevance of the input data used; and
- Assessing whether the relevant disclosures in the consolidated financial statements are sufficient and appropriate.

Our audit procedures to assess the appropriateness of management's judgement applied included:

- Discussed and understanding from the management for the Group's policy establishment and the procedures on credit risk approval and monitoring;
- Checking, on a sample basis, the existence of the shortfall of advances to customers in margin financing after deduction of the recoverable amounts of securities collateral;
- Evaluating the management's provision for impairment allowances such as checking on the fair value of the securities collateral; and
- Assessing whether the relevant disclosures in the consolidated financial statements are sufficient and appropriate.

# Independent Auditor's Report

Key Audit Matter	How our audit addressed the key audit matter
<b>Impairment testing of goodwill</b>	
<p>At 31 March 2018, the net amount of goodwill was HK\$56,037,756 (after deducting the accumulated impairment losses of HK\$4,919,193).</p> <p>The annual impairment testing was significant because the value assessment process is complex and highly judgmental. The recoverability value of the goodwill was mainly estimated based on projected performance of the related cash generating units.</p> <p>As the actual performance may be different from the expected due to changing business environment, the revenue and income growth rate projections are adjusted by the management from time to time. Any undesirable effects resulted from competitive business environment were considered for impairment of goodwill. The Group's disclosures about the impairment testing of goodwill are included in Note 19 to the consolidated financial statements.</p>	<p>Our audit procedures to assess the management's assessment included:</p> <ul style="list-style-type: none"><li>- Testing the Group's internal controls over goodwill impairment testing;</li><li>- Evaluating the competence, capability and qualification of external valuer;</li><li>- Reviewing and evaluating management's key assumptions by comparing to the external information and forecast on the industry's profitability;</li><li>- Assessing, challenging and reconciling the reasonableness of the future cash flows by comparing the estimated revenues and gross operating profits against historical data and data used in the prior period's impairment assessment; and</li><li>- Assessing whether the relevant disclosures in the consolidated financial statements are sufficient and appropriate.</li></ul>

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

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

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

The directors are responsible for overseeing the Group's financial reporting process.

# Independent Auditor's Report

## 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. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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 HKSA's, 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.
- 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.

# Independent Auditor's Report

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

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

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

From the matters communicated with the directors, 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.

**Andes Glacier CPA Limited**

*Certified Public Accountants*

**Hsu Yuk King, Mercedes**

Practising Certificate Number: P03548

Hong Kong, 22 June, 2018

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2018

	Notes	2018 HK\$	2017 HK\$ (Restated)
<b>Continuing operations</b>			
Revenue	8	118,798,880	94,736,647
Direct costs		(51,434,090)	(39,863,198)
Gross profit		67,364,790	54,873,449
Other operating income	10	9,391,559	6,337,777
Administrative expenses		(99,095,104)	(115,727,048)
Finance costs	11	(36,315,661)	(35,998,642)
Fair value change of biological assets, net		10,992,110	(9,108,865)
Share of losses of associates		–	(43,800)
Gain on disposal of a subsidiary		435,204	–
Gain on disposal of associates		–	14,753,487
Impairment loss on loan receivables		(3,000,000)	–
Loss before taxation from continuing operations	12	(50,227,102)	(84,913,642)
Income tax expense	13	(1,603,392)	(68,428)
Loss for the year from continuing operations		(51,830,494)	(84,982,070)
<b>Discontinued operation</b>			
Loss for the year from discontinued operation, net of income tax	16	(11,657,764)	(902,858)
<b>Loss for the year</b>		<b>(63,488,258)</b>	<b>(85,884,928)</b>
<b>Other comprehensive loss:</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		(4,373,108)	(1,890,682)
<b>Total comprehensive loss for the year</b>		<b>(67,861,366)</b>	<b>(87,775,610)</b>

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2018

<i>Notes</i>	<b>2018</b> <b>HK\$</b>	2017 <i>HK\$</i> (Restated)
<b>Loss for the year attributable to:</b>		
Owners of the Company		
– Continuing operations	<b>(49,077,100)</b>	(84,456,100)
– Discontinued operation	<b>(11,657,764)</b>	(902,858)
	<b>(60,734,864)</b>	(85,358,958)
Non-controlling interests		
– Continuing operations	<b>(2,753,394)</b>	(525,970)
– Discontinued operation	–	–
	<b>(2,753,394)</b>	(525,970)
	<b>(63,488,258)</b>	(85,884,928)
<b>Total comprehensive loss for the year attributable to:</b>		
Owners of the Company	<b>(65,150,587)</b>	(87,249,640)
Non-controlling interests	<b>(2,710,779)</b>	(525,970)
	<b>(67,861,366)</b>	(87,775,610)
<b>Loss per share (HK cents per share)</b>		
	<i>17</i>	
From continuing and discontinued operations		
– Basic and diluted	<b>(4.37)</b>	(6.13)
From continuing operations		
– Basic and diluted	<b>(3.53)</b>	(6.07)

# Consolidated Statement of Financial Position

At 31 March 2018

	Notes	2018 HK\$	2017 HK\$
<b>Non-current assets</b>			
Intangible assets	18	2,331,033	2,503,208
Goodwill	19	56,037,756	53,037,756
Property, plant and equipment	20	47,813,710	51,420,369
Other assets	21	350,000	275,000
Biological assets – non-current portion	22	36,536,309	42,536,204
		<b>143,068,808</b>	149,772,537
<b>Current assets</b>			
Biological assets – current portion	22	92,566,188	113,427,384
Inventories	23	–	218,526
Loan receivables	24	226,217,944	38,000,000
Trade receivables	25	10,293,696	10,936,585
Advances to customers in margin financing	26	83,377,861	60,072,809
Prepayments, deposits and other receivables	27	18,964,226	8,990,673
Bank balances and cash	28	86,167,776	61,854,123
Cash held on behalf of customers	29	120,006,434	116,987,023
		<b>637,594,125</b>	410,487,123
<b>Current liabilities</b>			
Trade payables	30	129,899,749	124,828,674
Accruals and other payables	31	42,242,976	34,297,723
Deposits received and deferred income	32	235,070	1,513,248
Amount due to related companies	34	123,393,924	113,514
Medium-term bonds	35	–	212,000,000
Promissory note	33	122,746,753	2,573,905
Tax payables		248,430	104,683
		<b>418,766,902</b>	375,431,747
<b>Net current assets</b>		<b>218,827,223</b>	35,055,376
<b>Total assets less current liabilities</b>		<b>361,896,031</b>	184,827,913

# Consolidated Statement of Financial Position

At 31 March 2018

	<i>Notes</i>	<b>2018</b> <b>HK\$</b>	2017 <i>HK\$</i>
<b>Non-current liabilities</b>			
Medium-term bonds	35	<b>34,954,765</b>	36,000,000
Promissory note	33	<b>360,190,535</b>	109,215,816
Interest-bearing borrowings	51	<b>40,000,000</b>	45,000,000
		<b>435,145,300</b>	190,215,816
<b>Net liabilities</b>		<b>(73,249,269)</b>	(5,387,903)
<b>EQUITY</b>			
Share capital	37	<b>55,656,000</b>	55,656,000
Reserves		<b>(128,905,269)</b>	(63,754,682)
<b>Equity attributable to owners of the Company</b>		<b>(73,249,269)</b>	(8,098,682)
<b>Non-controlling interests</b>		–	2,710,779
<b>Total equity</b>		<b>(73,249,269)</b>	(5,387,903)

Approved and authorised for issue by the Board of Directors on 22 June 2018 and are signed on its behalf by:

**Cheng Ting Kong**  
*Director*

**Lui Man Wah**  
*Director*

# Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

	Attributable to owners of the Company									Total HK\$
	Share Capital HK\$	Share Premium HK\$	Capital	Merger Reserve HK\$	Share	Translation Reserve HK\$	Accumulated losses HK\$	Sub-total HK\$	Non-	
			Redemption		Options				Controlling	
			Reserve HK\$		Reserve HK\$				Interests HK\$	
At 1 April 2016	55,656,000	775,075,169	254,600	369,866	46,554,612	22,170,362	(820,929,651)	79,150,958	3,236,749	82,387,707
Loss for the year	-	-	-	-	-	-	(85,358,958)	(85,358,958)	(525,970)	(85,884,928)
Other comprehensive income:										
Currency translation differences on translating foreign operations	-	-	-	-	-	(1,890,682)	-	(1,890,682)	-	(1,890,682)
Total comprehensive loss for the year ended 31 March 2017	-	-	-	-	-	(1,890,682)	(85,358,958)	(87,249,640)	(525,970)	(87,775,610)
At 31 March 2017 and 1 April 2017	<b>55,656,000</b>	<b>775,075,169</b>	<b>254,600</b>	<b>369,866</b>	<b>46,554,612</b>	<b>20,279,680</b>	<b>(906,288,609)</b>	<b>(8,098,682)</b>	<b>2,710,779</b>	<b>(5,387,903)</b>
Loss for the year	-	-	-	-	-	-	(60,734,864)	(60,734,864)	(2,753,394)	(63,488,258)
Other comprehensive loss:										
Currency translation differences on translating foreign operations	-	-	-	-	-	(4,415,723)	-	(4,415,723)	42,615	(4,373,108)
Total comprehensive loss for the year ended 31 March 2018	-	-	-	-	-	(4,415,723)	(60,734,864)	(65,150,587)	(2,710,779)	(67,861,366)
At 31 March 2018	<b>55,656,000</b>	<b>775,075,169</b>	<b>254,600</b>	<b>369,866</b>	<b>46,554,612</b>	<b>15,863,957</b>	<b>(967,023,473)</b>	<b>(73,249,269)</b>	<b>-</b>	<b>(73,249,269)</b>

# Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	2018 HK\$	2017 HK\$ (Restated)
<b>Loss before Taxation</b>		
– from continuing operations	(50,227,102)	(84,913,642)
– from discontinued operations	(11,657,764)	(902,858)
	<b>(61,884,866)</b>	(85,816,500)
Adjustments for:		
Amortisation of intangible assets	203,762	249,407
Interest income	(290,218)	(536,869)
Depreciation of property, plant and equipment	5,390,799	9,639,603
Finance costs	36,315,661	35,998,642
Gain on disposal of associate	–	(14,753,487)
Impairment loss on loan receivables	3,000,000	–
Fair value of change of biological assets, net	(10,992,110)	9,108,865
Net gain on disposal of subsidiary (Gain)/Loss on disposal of property, plant and equipment	(435,204) (1,187)	– 86,475
Provision for bad debts	756,890	1,113,040
Share of loss of associate	–	43,800
Gain on disposal of biological assets – non-current	(14,934)	(24,434)
<b>Operating cash flows before working capital change</b>	<b>(27,951,407)</b>	(44,891,458)
(Increase)/Decrease in other assets	(75,000)	75,000
Decrease in biological assets – current portion	45,589,437	21,566,071
Decrease/(Increase) in inventories	222,279	(42,886)
Decrease/(Increase) in loan receivables	262,206,731	(8,000,000)
(Increase)/Decrease in trade receivables	(230,911)	16,062,065
(Increase) in advance to margin financing	(23,305,052)	(41,899,803)
Decrease in amount due from a related company (Increase)/Decrease in prepayment, deposits and other receivables	– (9,029,969)	56,000 2,947,260
(Increase)/Decrease in amount of cash held on behalf of customer	(3,019,411)	54,981,647
Increase/(Decrease) in trade payables	3,993,998	(64,760,502)
(Decrease)/Increase in accruals and other payables	(12,845,355)	3,268,103
(Decrease) in deposits received and deferred income	(1,303,967)	(953,662)
Increase/(Decrease) in amount due to related companies	4,337,658	(480,327)
Cash generated from/(used in) operations	<b>238,589,031</b>	(62,072,492)
Income tax paid	(59,667)	–
Net cash flows from/(used in) operation	<b>238,529,364</b>	(62,072,492)

# Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	Note	2018 HK\$	2017 HK\$ (Restated)
<b>Cash flows from investing activities</b>			
Payment of cash advance to associate		–	(119,990)
Purchase of biological assets – non-current		<b>(5,841,828)</b>	(2,796,808)
Interest received		<b>290,218</b>	536,869
Issuance of promissory note		<b>378,000,000</b>	–
Acquisition of subsidiaries	41	<b>(339,542,543)</b>	–
Sale proceeds from biological assets – non-current		<b>196,176</b>	53,622
Proceeds from disposal of subsidiaries	40	<b>823,261</b>	–
Purchase of property, plant and equipments		<b>(241,928)</b>	(3,407,593)
Sale proceeds from sales of associate		–	5,000,000
Sale proceeds from property, plant and equipment		<b>61,601</b>	128,961
<b>Net cash flows (used in) investing activities</b>		<b>(344,255,043)</b>	(604,939)
<b>Cash flows from financing activities</b>			
Payment of interest on medium-term bonds		<b>(212,000,000)</b>	–
Repayment of promissory note		–	(2,573,905)
Payment of financial institution		<b>(5,000,000)</b>	–
Loan from financial institution		–	45,000,000
Interest paid		<b>(36,315,661)</b>	(22,700,740)
<b>Net cash flows (used in)/generated from investing activities</b>		<b>124,684,339</b>	19,725,355
<b>Net increase/(decrease) in Cash and Cash Equivalents</b>		<b>18,958,660</b>	(42,952,076)
<b>Cash and Cash Equivalent at the beginning of the year</b>		<b>61,854,123</b>	105,525,721
<b>Effect of changes in exchange rate, net</b>		<b>5,354,993</b>	(719,522)
<b>Cash and Cash Equivalent at the end of the year</b>	28	<b>86,167,776</b>	61,854,123
<b>Non-cash investing and financing activities</b>			
Acquisition of subsidiaries		<b>(339,542,543)</b>	–
Proceeds from disposal of subsidiaries		<b>823,261</b>	–
Issuance of promissory note		<b>378,000,000</b>	–

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 1. GENERAL INFORMATION

The Company is incorporated in the Cayman Islands on 11 July 2000 as an exempted company with limited liability under the Companies Law (Revised) of Cayman Islands. Its shares are listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As at the reporting date, the ultimate holding company of the Company (the "Ultimate Holding Company") is First Cheer Holdings Limited, a company incorporated in the British Virgin Islands.

The consolidated financial statements and certain comparative figures have been restated to conform with the current year presentation as a result of the discontinued operations, as set out in notes 16 and 40 to the consolidated financial statements, in accordance with HKFRS 5.

The consolidated financial statements are presented in Hong Kong dollars, which is the same as the functional currency of the Company.

During the year ended 31 March 2018, the Group was principally engaged in money lending, securities, investment holding, trading of Bloodstocks, provision of equine related services and investment in stallions, property investment holding, provision of human resources and administrative services for the subsidiaries in Australia.

## 2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for leasehold land and buildings classified as property, plant and equipment, investment properties, equity investments and derivative component of convertible bonds which have been measured at fair value. The financial statements are presented in Hong Kong dollars ("HK\$").

### Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 March 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 2.1 BASIS OF PREPARATION *(Continued)*

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 7	<i>Disclosure Initiative</i>
Amendments to HKAS 12	<i>Recognition of Deferred Tax Assets for Unrealised Losses</i>
Amendments to HKFRS 12 included in <i>Annual Improvements to HKFRSs 2014–2016 Cycle</i>	<i>Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12</i>

None of the above amendments to HKFRSs has had a significant financial effect on these financial statements. Disclosure has been made in the financial statements upon the adoption of amendments to HKAS 7, which require an entity to provide disclosure that ensure users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flows and non-cash changes.

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

HKFRS 9 (2014)	Financial Instruments <sup>1</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HKFRS 17	Insurance Contracts <sup>3</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle <sup>2</sup>
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions <sup>1</sup>
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKAS 19	Employee Benefits <sup>2</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>2</sup>
Amendments to HKAS 40	Transfer of Investment Property <sup>1</sup>
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration <sup>1</sup>
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>4</sup> Effective date not yet been determined.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

### HKFRS 9 Financial Instruments

HKFRS 9 has introduced new requirements for classification and measurement of financial assets, impairment of financial assets and general hedge accounting. Specifically, with regard to the classification and measurement of financial assets, HKFRS 9 requires all recognised financial assets that are within the scope of HKFRS 9 to be subsequently measured at amortised cost or fair value. Debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of each of the subsequent accounting periods. Debt investments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. Further, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies) in other comprehensive income, with only dividend income generally recognised in profit or loss and that cumulative fair value changes will not be reclassified to profit or loss upon derecognition of the investment. With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss. With regard to impairment of financial assets, HKFRS 9 has adopted an expected credit loss model, as opposed to an incurred credit loss model required under HKAS 39. In general, the expected credit loss model requires an entity to assess the change in credit risk of the financial asset since initial recognition at each reporting date and to recognise the expected credit loss depending on the degree of the change in credit risk. With regard to the general hedge accounting requirements, HKFRS 9 retains the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Group is still in the process of assessing the impact of HKFRS 9. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

### HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 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, HKFRS 15 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 consideration, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures. As for the timing and amounts of revenue recognised in respective reporting period, the Group is still in the process of assessing the impact of HKFRS 15. The directors of the Company believe that it is impractical to disclose the impact in these consolidated financial statements until the Group has completed the assessment.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

### HKFRS 16 Leases

HKFRS 16 will supersede the current lease guidance including HKAS 17 Leases and the related interpretations when it becomes effective. With regard to lessee accounting, the distinction of operating leases and finance leases, as required by HKAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees except for short-term leases and leases of low value assets. Specifically, 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 re-measurement 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. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows; whereas, under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively. With regard to lessor 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, HKFRS 16 requires extensive disclosures in the financial statements.

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

Except as described above, the directors of the Company do not anticipate that the application of the above new and amended HKFRSs will have a material impact on the Group's consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 3. GOING CONCERN

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the liquidity of the Group as the Group has sustained losses for 6 consecutive years. In addition, the Group recorded a loss of approximately HK\$63 million (2017: HK\$86 million) for the year ended 31 March, 2018 and as at that date, had net liabilities of approximately HK\$72 million (2017: HK\$5 million). In addition, The Group incurred losses for the past six years resulting an accumulated losses up by approximately HK\$1,766 million.

The Australian subsidiaries incurred continuous loss each year after the acquisition, the loss recorded of approximately HK\$44 million (2017: HK\$80 million) for year ended 31 March, 2018.

In the view of these circumstance, the management of the Group is able to operate as a going concern in the coming year after taking into consideration the following conditions and/or measures:

- a. HK\$100,000,000 revolving loan facility which is available until 15 May 2018, was granted by Mr. Cheng Ting Kong, a director of the Company and one of the beneficial owners of the substantial shareholder of the Company, to the Group; The renewal of the revolving loan was still negotiated and was not yet signed any renewal agreement at 31 March, 2018.
- b. The Group plan source for new funding by way of issuing of new bonds to financial institution.
- c. The Group continues to implement measures to enhance cost controls in various operating expenses and to improve the Group's operating results and positive cash flow operation.
- d. The management of the Group would continuous review credit policies and controls in the financial sector in order to ensure the loans receivable and advance to margin finance are good and recovered on time.
- e. The Group completed the acquisition of Sun Finance Company Limited on 31 January, 2018, it had contribution to the profits of the Group was about HK\$8 million after the acquisition. The Group believes that it will continue to contribute profits and the whole Group of the profitability improves accordingly.
- f. The Group would improve the operation efficiency of Sun International Asset Management Limited in foreseeable future. This subsidiary had commenced business and started to contribute revenue during the year. The Group expects it to continuously improve revenue generation ability.
- g. The management of the Group negotiates with a promissory note holder to postpone repayment when it falls due in the coming year. The negotiation was still in process and no solid written agreement was concluded.
- h. The management of the Group negotiates with the management of the related companies to the demand of repayment of loan until the Group is financial feasible to repay.

The directors are of the opinion that the Group will be able to have sufficient working capital to finance its operations and meet its financial obligations when they fall due in the foreseeable future. Accordingly, the directors considered that it is appropriate to prepare the consolidated financial statements on a going concern basis.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, which collective term includes all applicable HKFRSs, HKASs and Interpretations issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market ("GEM Listing Rule") of the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention except for certain properties, biological assets and financial instruments, which are measured at fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, 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.

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 preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise their judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are disclosed in note 5 to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

The significant accounting policies applied in the preparation of these financial statements are set out below.

### (a) 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.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (a) **Basis of consolidation** *(Continued)*

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

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

Investments in subsidiaries presented in the statement of financial position included in note 46 to the consolidated financial statements are stated at cost less any identified impairment loss.

#### ***Changes in the Group's ownership interests in existing subsidiaries***

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

When the Group loses control of a subsidiary, it (i) derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognises the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognises the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognised as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (b) Business combinations

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

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace sharebased payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based payment" at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current assets held for sale and discontinued operations" are measured in accordance with that standard.

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (b) Business combinations *(Continued)*

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

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets and contingent liabilities recognised.

### (c) Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising in acquisition during a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period.

If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (d) Property, plant and equipment

Property, plant and equipment other than leasehold land and land use right are stated at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

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

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Buildings	2.5%
Computer equipment	30% to 33.33%
Office equipment	11.25% to 20%
Furniture and fixtures	20%
Machine equipment	20%
Motor vehicles	8.3% to 20%
Yacht	20%
Farm and vet equipment	10% to 15%
Leasehold improvements	4% to 20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued used of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is recognised in profit or loss.

When an item of property, plant and equipment is transferred to investment property, following a change in its use, any differences between the carrying amount and the fair value of the item arising at the date of transfer is recognised directly in equity at a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment, the gain is recognised in profit or loss. On subsequent disposal of the investment property, the revaluation surplus is transferred to retained earnings.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (d) **Property, plant and equipment** *(Continued)*

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

### (e) **Intangible assets**

#### ***Intangible assets acquired in a business combination***

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses.

Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see accounting policy in respect of impairment losses on tangible and intangible assets below).

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

### (f) **Biological assets**

Biological assets, including Stallions and Bloodstocks, are measured on initial recognition and at the end of the reporting period at their fair value less costs to sell, with any resulting gain or loss recognised in the profit or loss for the year in which it arises. Costs to sell are the incremental costs directly attributable to the disposal of an asset, mainly transportation cost and excluding finance costs and income taxes. The fair value of biological assets is determined based on their present location and condition and is determined independently by a professional valuer.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (g) Interests in associates

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

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

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of 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. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset in accordance with HKAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (h) Inventories

Inventories represent mainly are drugs held for re-sale. Inventories are stated at the lower of cost and net realisable value.

The cost of work in progress and finished goods, comprising raw materials, direct labour, other direct costs and an appropriate proportion of related production overheads, are determined using the weighted average method. Net realisable value is the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### (i) Financial instruments

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

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

#### ***Financial assets***

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, available-for-sale ("AFS") financial assets and loans and receivables. The classification depends on the nature and purpose of financial assets and its determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

#### ***Effective interest method***

The effective interest method is a method of calculating the amortised cost of a debt instrument 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 premium or discounts) through the expected life of the debts instruments, 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 other than those financial assets classified as at FVTPL.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (i) **Financial instruments** *(Continued)*

#### **Financial assets at FVTPL**

Financial assets are classified as at FVTPL when the financial asset is (i) contingent consideration that may be paid by an acquirer as part of a business combination to which HKFRS 3 applies, (ii) held for trading, or (iii) it is designated as at FVTPL.

A financial asset is classified as held for trading if:

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

A financial asset other than a financial asset held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial 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 to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial assets.

#### **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 are measured at amortised cost using the effective interest method, less any identified impairment losses.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (i) Financial instruments *(Continued)*

#### ***Held-to-maturity investments***

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intention and ability to hold to maturity other than:

- (a) those that the entity upon initial recognition designates as at fair value through profit or loss;
- (b) those that the entity designates as available for sale; and
- (c) those that meet the definition of loans and receivables.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

#### ***AFS financial assets***

AFS investments 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.

Equity and debt securities held by the Group that are classified as AFS financial assets and are traded in an active market are measured at fair value at the end of each reporting period. Changes in the carrying amount of AFS monetary financial assets relating to interest income calculated using the effective interest method and dividends on AFS equity investments are recognised in profit or loss. Other changes in the carrying amount of AFS financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss (see the accounting policy in respect of impairment loss on financial assets below).

Dividends on AFS equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established.

#### ***Impairment of financial assets***

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each 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 investment have been affected.

For AFS equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (i) **Financial instruments** *(Continued)*

#### **Impairment of financial assets** *(Continued)*

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

- (i) significant financial difficulty of the issuer or counterparty; or
- (ii) default or delinquency in interest or principal payments; or
- (iii) it becoming probable that the borrower will enter bankruptcy or financial reorganisation; or
- (iv) the disappearance of an active market for the financial asset because of financial difficulties.

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

For certain categories of financial assets, such as loan receivables and advances to customers in margin financing, assets that are assessed are, in addition, assessed for impairment on a collective basis not to be impaired individually. 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loan receivable, advances to customers in margin financing, accounts receivable and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a loan receivable and an advance to customer in margin financing, an accounts receivable or a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

When an AFS 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.

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (i) **Financial instruments** *(Continued)*

#### ***Impairment of financial assets*** *(Continued)*

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

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

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss 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.

#### ***Financial liabilities and equity instruments***

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

#### ***Equity instruments***

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (i) **Financial instruments** *(Continued)*

#### **Financial liabilities at FVTPL**

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

A financial liability is classified as held for trading if:

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

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and 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 any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities. Fair value is determined in the manner described in note 6(b).

#### **Derivative financial instruments**

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (i) **Financial instruments** *(Continued)*

#### **Other financial liabilities**

Other financial liabilities (including accruals and other payables, deposit received, medium-term bonds, and trade payables) are subsequently measured at amortised cost, using the effective interest rate method.

#### **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 through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expenses are recognised on an effective interest basis other than financial liabilities classified as at FVTPL.

#### **Compound financial instruments**

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

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

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (i) **Financial instruments** *(Continued)*

#### ***Derecognition***

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised directly in equity is recognised in the profit or loss.

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

### (j) **Borrowing costs**

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

### (k) **Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)**

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, 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.

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

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

If the recoverable amount of an asset (or a 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.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (k) **Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)** *(Continued)*

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 as income immediately in profit or loss.

### (l) **Revenue recognition**

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

Service income is recognised when services are rendered, on an accrual basis or where condition attached to the relevant agreements and mandates is in satisfaction of the relevant condition.

Stallions service fees are recognised when a vet certificate is produced for confirming that a viable live foal was produced.

Commission income on securities brokerage, futures and options brokerage is recognised on a trade date basis when the relevant contract notes are executed.

Commission income on placing, underwriting and sub-underwriting, consultancy and financial advisory fees and commission income on wealth management is recognised in accordance with the terms of underlying agreements when the relevant significant acts have been completed.

Income from fund management and custodian and other services is recognised when services are rendered.

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

Sales of goods are recognised when the goods are delivered to the customer and the customer has accepted the related risks and rewards of ownership.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (m) 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 before tax as reported in the profit or loss and because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable and 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 amount 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, and deferred tax assets are recognised to the extent that it is probable that taxable profits 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 tax profit nor the accounting profit.

#### **Deferred tax**

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (m) **Taxation** *(Continued)*

#### **Deferred tax** *(Continued)*

For the purposes of measuring deferred tax liabilities or deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax liabilities and deferred tax assets for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

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. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

### (n) **Leases**

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 lessor**

Rental income from operating leases is recognised in the profit or loss and on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

#### **The Group as lessee**

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy above). Contingent rentals are recognised as expenses in the periods in which they are incurred.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (n) **Leases** *(Continued)*

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. Contingent rentals arising under operating leases are recognised as an expense in profit or loss in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

### (o) **Retirement benefit scheme**

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") in Hong Kong and Superannuation Guarantee Contribution Scheme ("SGC Scheme") in Australia are recognised as an expense when employees have rendered services entitling them to the contributions.

#### (i) **Short-term employee benefit obligations**

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employee benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

#### (ii) **Long-term employee benefit obligations**

Liabilities arising in respect of long service leave and annual leave which is not expected to be settled within twelve months of the reporting date are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Employee benefit obligations are presented as current liabilities in the consolidated statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the report date, regardless of when the actual settlement is expected to occur.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (p) Foreign currencies

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

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

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into presentation currency of the Group (i.e. Hong Kong dollars) using exchange rate prevailing at the end of each reporting period, income and expenses are translated at the average exchange rates for the year, 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 translation reserve (attributed to non-controlling interest as appropriate).

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

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **(q) Share-based payments**

Where share options are awarded to employees, the fair value of the options based on the valuation by an external independent valuer at the date of grant is charged to the profit or loss on a straightline basis over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the profit or loss over the remaining vesting period.

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

### **(r) Cash and cash equivalents**

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above.

### **(s) Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (t) Related parties

A related party is a person or entity, this is related to the Group.

- A. A person, or a close member of that person's family, is related to the Group if that person:
- (i) has control or joint control over the Group;
  - (ii) has significant influence over the Group; or
  - (iii) is a member of the key management personnel of the Group or the Group's parent.
- B. An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
  - (vi) The entity is controlled or jointly controlled by a person identified in note A(i).
  - (vii) A person identified in note A(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of the parent of the entity).

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (u) Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which represents a separate major line of business or geographic area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

When an operation is classified as discontinued, a single amount is presented in the consolidated statement of profit or loss, which comprises the post-tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group(s) constituting the discontinued operation.

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY ESTIMATION

In the application of the Group's accounting policies which are described in note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### Critical judgments in applying accounting policies

The followings are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

### Going concern and liquidity

As explained in Note 3, the Group had sustained losses for 6 consecutive years. In particular, the Group incurred loss of HK\$63,488,258 for the year ended 31 March 2018 and the gearing ratio increased to -761.63% at the end of the reporting period. The consolidated financial statements indicate the existence of a material uncertainty which may cast doubt on the Group's ability to continue as a going concern. The assessment of the going concern assumptions involves making judgment by the Directors of the Company, at a particular point of time, about the future outcome of events or conditions which are inherently uncertain. The Directors of the Company consider that the Group has ability to continue as a going concern and the major conditions that may cast doubt about the going concern assumptions are set out in Note 3 to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY ESTIMATION *(Continued)*

### **Estimated income tax and deferred tax**

The Group is subject to income taxes mainly in the Macau, Australia and Hong Kong. Significant estimates are required in determining the amount of the provision for income tax and the time of payment of the related tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the temporary difference or tax losses can be utilised. The outcome of their actual utilisation may be different.

### **Impairment of loans and advances to customers**

The Group reviews its loans and advances to customers (including loan receivable and advances to customers in margin financing) to assess impairment on a periodic basis.

Each loan and advance to customer that is individually significant is reviewed for indication of impairment at the end of each reporting period. Loans and advances to customers that are individually not significant or assessed not to be impaired individually are reviewed at the end of each reporting period on a collective portfolio basis. Objective evidence of collective impairment includes Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

In assessing the individual impairment and determining whether an impairment loss should be recognised in profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is an objective evidence of impairment that will have a measurable decrease in the estimated future cash flows from a portfolio of advances. Moreover, the Group also reviews the value of the collateral received from the customers in determining the impairment. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Details of disclosures for loans receivable and advances to customers in margin financing are set out in notes 24 and 26 respectively.

### **Useful lives and impairment assessment of property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses. The estimation of useful lives impacts the level of annual depreciation record. Property, plant and equipment are evaluated for possible impairment on a specific asset basic or in company of similar assets, as applicable. This process requires management's estimate of future cash flows generated by each of company asset. For instance where this evaluation process indicates impairment, the relevant asset's carrying amount is written down to the recoverable amount and the amount written is charged against the results of operations.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 5. CRITICAL ACCOUNTING JUDGMENTS AND KEY ESTIMATION *(Continued)*

### **Estimated impairment of receivables**

The policy for impairment loss in respect of receivables, including trade receivables, deposits and other receivables, of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each debtor. If the financial conditions of debtors of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

### **Fair value of biological assets**

The Group's biological assets are valued at fair value less costs to sell. The fair value of biological assets is determined based on either the market-determined prices as at the end of the reporting period adjusted with reference to the species, age, growing condition, costs incurred and expected yield to reflect differences in characteristics and/or stages of growth of the horse; or the present value of expected net cash flows from the biological assets discounted at a current market-determined rate, when market-determined prices are unavailable; or the cost when appropriate. Any change in the estimates may affect the fair value of the biological assets significantly. Independent professional valuers and the management review assumptions and estimates periodically to identify any significant change in the fair value of the biological assets. Details of assumptions used are disclosed in note 22.

### **Estimated impairment of goodwill**

The Group performs annual tests on whether there has been impairment of goodwill in accordance with the accounting policy stated in note 4(c). The recoverable amounts of cash-generating units are determined based on value-in-use calculations. These calculations require the use of estimates and assumptions made by management on the future operation of the business, pre-tax discount rates, and other assumptions underlying the value-in-use calculations. Details of the recoverable amount calculation for goodwill are disclosed in note 19.

### **Impairment of intangible assets**

The carrying amounts of intangible assets are reviewed annually and adjusted for impairment in accordance with HKAS 36 whenever certain events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group determines the recoverable amount of the assets based on the estimations of future expected cash flows from the usage of these assets and a suitable discount rate. Where the future cash flows are less than expected, a material impairment loss may arise. Details of the recoverable amount calculation for intangible assets are disclosed in note 18.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 6. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	2018 HK\$	2017 HK\$
<b>Financial assets</b>		
Loans and receivables (including bank balances and cash)	<b>479,142,637</b>	179,854,190
<b>Financial liabilities</b>		
Amortised cost	<b>853,428,702</b>	564,029,632

### (b) Financial risk management objectives and policies

The Group's major financial instruments include promissory note, medium-term bonds, trade receivables, loan receivable, advances to customers in margin financing, bank balances and cash. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the Group's risk exposure relating to financial instruments or the manner in which it manages and measures the risks.

#### **Credit risk**

The Group's credit risk arises from cash and cash equivalents, loans receivables, interest receivables and deposits and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Most of the Group's cash and cash equivalents are deposited in major financial institutions located in Hong Kong, which the Group's management believes are of high credit quality.

The Group manages and analyses the credit risk for each of their new and existing clients before standard payment terms and conditions are offered. If there is no independent rating, the Group assesses the credit quality of the customer based on the customer's financial position, past experience and other factors. For mortgage loans, the Group holds collateral against loans receivable and interest receivables in the form of mortgages over property. Majority of the collateral are residential properties, commercial properties and industrial properties and all of the collaterals are located in Hong Kong. Individual risk limits are set based on the value of collaterals provided by customers and internal or external ratings in accordance with limits set by the directors. The utilization of credit limits is regularly monitored. For personal loans, the Group assesses the credit quality of the customer based on the customer's financial position, past experience, internal and external credit rating of the customers and other factors.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 6. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

#### **Market risk**

In addition, the Group's exposures are closely monitored by other relevant internal control units, including Risk Management Department, the Finance Department, the Legal and Compliance Department.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in economic environment. Market risk comprises three types of risks: price risk, currency risk and interest rate risk.

The Group's exposures to market risk include price risk, currency risk and interest rate risk.

#### **Price risk**

Price risk is the risk that the fair values of equity investments, fund investments, debt securities and derivatives decrease as a result of changes in the levels of equity indices and the values of individual investment.

The Group is minimum exposed to price risk.

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

#### (i) *Foreign currency risk*

The majority of the Group's monetary assets and monetary liabilities by value and the rental income are denominated in Hong Kong Dollar ("HK\$"), Renminbi ("RMB") and Australian Dollar ("AUD"). The conversion of RMB into other currencies is subjected to the rules and regulations of foreign exchange control promulgated by the government of the People's Republic of China ("PRC"). The Group is exposed to foreign exchange risk in respect of exchange fluctuation of HK\$ against RMB and AUD. The Group currently does not have a foreign currency hedging policy in respect of foreign current assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 6. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

#### **Price risk** *(Continued)*

##### (i) Foreign currency risk *(Continued)*

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	<b>2018</b>	2017
	<b>HK\$</b>	HK\$
<b>Assets</b>		
AUD	<b>29,813,268</b>	38,512,454
<b>Liabilities</b>		
AUD	<b>12,150,695</b>	19,459,996

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

#### Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in the Hong Kong Dollars against the relevant foreign currencies. 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 outstanding foreign currency denominated monetary items, and adjusts their translation at the period end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit where the relevant currencies strengthen 5% against the Hong Kong Dollars. For a 5% weakening of the relevant currencies against the Hong Kong Dollars, there would be an equal and opposite impact on the profit and the balances below would be negative.

	<b>2018</b>	2017
	<b>HK\$</b>	HK\$
<b>Impact of AUD</b>		
Profit or (loss)	<b>883,129</b>	952,623

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

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 6. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

#### (ii) Interest rate risk

The Group's interest rate risk arises primarily from interest-bearing borrowing. The Group's effect on changes in interest rate is considered immaterial to the profit or loss.

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The Group has no floating interest rate borrowing at the end of the reporting period (2017: Nil) and no usage of bank overdraft during current year (2017: Nil).

#### **Credit risk**

As at 31 March 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Among the respective recognised financial assets as stated in the consolidated statement of financial position, the directors considered that the advances to customers in margin financing, loan receivable, trade receivables, bank balances and cash and other assets represent the Group's major exposure to the credit risk arising from the default of the counterparty, with a maximum exposure equal to the carrying amounts of these financial assets in the consolidated statement of financial position.

In order to minimise the credit risk, the senior management of the Group has appointed a working team of authorised persons who are charged with the responsibility of approving credit limit of each customer, including the advances to customers in margin financing and loan receivable.

For margin lending, the working team is responsible for approval of share acceptable for margin lending, setting stock margin ratio for each approved share. The approved share list is updated bimonthly, and will be revised as and when deemed necessary by the working team. They will further prescribe from time to time lending limits on individual share or on any individual customer and his/her associates.

The working team is also responsible for overall monitoring of the credit risk of its customers and will make margin call to those customers whose trades exceed their respective limits. Any such excess is required to be made good within two days for securities and the next day for futures of the deficiency report. The deficiency report will be monitored daily by the Group's Chief Risk Officer and responsible officers. Failure to meet margin calls may result in the liquidation of the customers' positions. For each individual other loans and advances, the working team will closely monitor financial position of the debtors and guarantors, and for the loans with collateral pledged to the Group, they will ensure sufficient collateral was received and to maintain an acceptable loan to collateral value ratio.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 6. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

#### **Credit risk** *(Continued)*

For the loan receivable, prior to the lending of loan, the working team will review the financial strength, purpose of the borrowing, repayment ability of the borrower to ensure that the borrower has sound financial repayment ability. The Group assesses the credit profiles of each individual debtor by analysing many factors that influence the default probability, including (but not limited to) the counterparty's financial profile, business prospects and management, macroeconomic development, industrial and sovereign risk, and historical performance. The working team also meets regularly and reviews from time to time the financial conditions of the borrower or the guarantors.

For the other credit exposures such as trade receivables, bank balances and cash and other asset, the Group ensure that the exposures are limited to reputable counterparties, such as the financial institution, brokers, dealers or clearing houses, which are governed by regulators including the Hong Kong Monetary Authority and the Hong Kong Securities and Futures Commission and other overseas regulators. The risk of default in repayment is considered to be minimal by the directors.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Group does not have any other significant concentration of credit risk.

The management is confident in its ability to continue to control and sustain minimal exposure of credit risk arising from below major recognised financial assets as stated in the consolidated statement of financial position.

- For accounts receivables, approximately HK\$Nil (2017: Nil) was receivables from clients arising from dealing in securities, which normally had a delivery-against payment settlement term of 2 days.

There is no concentration of credit risk with respect to the receivables, as the Group has a large number of clients who are internationally dispersed. Most of the accounts and other receivables from clients with overdue more than 30 days are fully secured by listed securities with market value significantly higher than the carrying amount.

- Advances to customers in margin financing are backed by collateral. The Group only accepts collateral in the form of cash and liquid stocks. Advances to customer in margin financing of neither past due nor impaired are fully secured by liquid stocks as set out in note 26.
- Loan receivable are either secured and backed by guarantees as set out in note 24.
- Majority of bank balances and cash were deposited in reputable large commercial banks with credit rating of Baa1 or above issued by Moody's or BBB+ or above issued by Standards & Poor's.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 6. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

#### **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities. As part of the measures to safeguard liquidity, the Group has maintained substantial long term and other stand-by banking facilities, diversifying the funding sources and spacing out the maturity dates.

A number of the Group's activities in Hong Kong are subject to various statutory liquidity requirements as prescribed by the Hong Kong Securities and Futures Commission in accordance with the Hong Kong Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO").

The Group has also put in place a monitoring system to ensure that it maintains adequate liquid capital to fund its business commitments and to comply with relevant liquid capital requirements under the SFO.

The Group closely monitors its liquidity risk by performing periodic reviews and evaluations of its liquidity with regard to the industry characteristics, market conditions, business strategies and changes in the Group's state of affairs and adjusting the current and non-current portions of the Group's debt portfolio on a proper and timely basis. In addition, the Group aims to ensure continuity of funds and flexibility through the use of various means of financing and by keeping committed facilities available.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 6. FINANCIAL INSTRUMENTS (Continued)

### (b) Financial risk management objectives and policies (Continued)

#### Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities at the end of the reporting period, based on the contractual undiscounted cash flows, are as follows:

	Effective interest rate	Within 1 year HK\$	Within 1 to 5 years HK\$	Over 5 years HK\$	Total undiscounted cash flow HK\$	Carrying amount HK\$
<b>2018</b>						
<b>Non-derivative financial liabilities</b>						
Accruals and other payables		42,068,148	-	174,828	42,242,976	42,242,976
Trade payables		129,899,749	-	-	129,899,749	129,899,749
Promissory note	7%-10%	122,746,753	360,190,535	-	482,937,288	482,937,288
Medium-term Bonds	8.43%	-	34,954,765	-	34,954,765	34,954,765
Amount due to related companies		123,393,924	-	-	123,393,924	123,393,924
Interest-bearing borrowing	8%	-	40,000,000	-	40,000,000	40,000,000
		<b>418,108,574</b>	<b>435,145,300</b>	<b>174,828</b>	<b>853,428,702</b>	<b>853,428,702</b>
<b>2017</b>						
<b>Non-derivative financial liabilities</b>						
Accruals and other payables	-	34,297,723	-	-	34,297,723	34,297,723
Trade payables	-	124,828,674	-	-	124,828,674	124,828,674
Promissory note	-	2,573,905	109,215,816	-	111,789,721	111,789,721
Medium-term Bonds	10.31%	212,000,000	36,000,000	-	248,000,000	248,000,000
Amount due to related companies	-	113,514	-	-	113,514	113,514
Interest-bearing borrowing	8%	-	45,000,000	-	45,000,000	45,000,000
		<b>373,813,816</b>	<b>190,215,816</b>	<b>-</b>	<b>564,029,632</b>	<b>564,029,632</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 6. FINANCIAL INSTRUMENTS *(Continued)*

### (b) Financial risk management objectives and policies *(Continued)*

#### **Financial assets and liabilities measured at fair value**

The fair values of financial assets and financial liabilities are determined as follows.

The fair values of financial assets and financial liabilities with standard terms and conditions and traded in active markets are determined with reference to quoted market bid and ask prices respectively.

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The fair value of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 fair value measurements are those derived from inputs other than quotes prices included within level 1 that are observable for asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There is no transfer between Level 1, 2 and 3 during both years.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 7. CAPITAL RISK MANAGEMENT

The Group's primary objectives when managing capital are to safeguard the abilities of the entities in the Group to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The directors of the Company actively and regularly review and manage the Group's capital structure to maximise the returns to shareholders through the optimisation of the debt afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions. The Group's overall strategy remains unchanged from 2011.

The Group is not subject to any externally imposed capital requirements except for certain subsidiaries engaged in securities and futures dealings and broking, corporate finance and advisory, nominee and custodian services, leveraged foreign exchange trading, and fund management, which are regulated entities under the SFO.

During the year, the subsidiaries of the Group which are subject to minimum capital requirements imposed by the SFO, complied with all the minimum capital requirements.

During the year ended 31 March 2018, the capital structure of the Group mainly consists of debts, which include medium-term bonds, promissory note interest-bearing borrowings and equity attributable to equity holders, comprising issued capital and reserves. The directors of the Company consider the cost of capital and the risks associated with each class of capital to monitor its capital structure on the basis of a gearing ratio. The ratio is calculated as borrowings divided by total equity. The Group aims to maintain the gearing ratio at a reasonable level.

The gearing ratios as at 31 March 2018 and 31 March 2017 were as follows:

	2018 HK\$	2017 HK\$
Borrowings	557,892,053	404,789,721
Total equity	(73,249,269)	(5,387,903)
Gearing ratio	(761.63%)	(7,512.94%)

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 8. REVENUE

Revenue from continuing operations represents the aggregate of amounts received and receivable from (i) equine services income and (ii) commission from brokerage is analysed as follows:

	<b>2018</b> <i>HK\$</i>	2017 <i>HK\$</i> (Restated)
<b>Continuing operations</b>		
Equine services income	<b>75,868,943</b>	51,598,624
Financial services income	<b>42,929,937</b>	43,138,023
	<b>118,798,880</b>	94,736,647

## 9. SEGMENT INFORMATION

Segment information is presented by way in two segments formats: (i) on a primarily segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

### Business segments

The Group's operating businesses are structured and managed separately, according to the nature of their operations and services provided. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of the other segments.

For management purposes, the Group is organised into three business segments as follows:

#### Continuing operations

- Financial services – provision of securities and futures brokerage; provision of margin financing, asset management services and custodian services to customers and engaging in money lending business
- Equine services – provision of stallions services, trading and breeding of bloodstocks

#### Discontinued operation

- Computer software solution and services – provision of computer hardware and software services (ceased in March 2018)

The accounting policies of the operating segments are the same as those of the Group. Segment profit or loss do not include corporate costs, gain on disposal of associates and loss on disposal of a subsidiary. Segment assets include all current and non-current assets with the exception of other corporate assets. Segment liabilities include all current and non-current liabilities with the exception of other corporate liabilities.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 9. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2018

	Continuing operations			Discontinued operation		Total HK\$
	Equine services HK\$	Financial services HK\$	Others and unallocated corporate HK\$	Subtotal HK\$	Computer software solution and services	
					HK\$	
<b>Revenue</b>						
External sales	75,868,943	42,929,937	–	118,798,880	1,240,500	120,039,380
Profit/(loss) before interest, tax and depreciation	(15,639,082)	24,472,502	(18,356,489)	(9,523,069)	(11,090,541)	(20,613,610)
Depreciation	(2,371,479)	(674,730)	(1,777,367)	(4,823,576)	(567,223)	(5,390,799)
Finance costs	(25,909,421)	(61,370)	(10,344,870)	(36,315,661)	–	(36,315,661)
Segment results	(43,919,982)	23,736,402	(30,478,726)	(50,662,306)	(11,657,764)	(62,320,070)
Gain on disposal of a subsidiary				435,204	–	435,204
Loss before tax				(50,227,102)	(11,657,764)	(61,884,866)
Income tax expense				(1,603,392)	–	(1,603,392)
Loss for the year				(51,830,494)	(11,657,764)	(63,488,258)

As at 31 March 2018

	Continuing operations			Discontinued operation		Total HK\$
	Equine services HK\$	Financial services HK\$	Others and unallocated corporate HK\$	Subtotal HK\$	Computer software solution and services	
					HK\$	
<b>Segment assets</b>	204,806,624	563,143,991	12,712,318	780,662,933	–	780,662,933
<b>Segment liabilities</b>	11,036,518	247,798,180	595,077,504	853,912,202	–	853,912,202

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 9. SEGMENT INFORMATION (Continued)

### Consolidated statement of financial position

For the year ended 31 March 2017

	Continuing operations			Subtotal	Discontinued operation	Total
	Equine services	Financial services	Others and unallocated corporate		Computer software solution and services	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Revenue</b>						
External sales	51,598,624	43,138,023	–	94,736,647	13,152,660	107,889,307
Profit/(loss) before interest, tax and depreciation	(52,247,475)	9,682,391	(12,053,211)	(54,618,295)	(313,448)	(54,931,743)
Depreciation	(2,324,122)	(481,747)	(6,244,323)	(9,050,192)	(589,410)	(9,639,602)
Finance costs	(25,460,720)	–	(10,537,922)	(35,998,642)	–	(35,998,642)
Segment results	(80,032,317)	9,200,644	(28,835,456)	(99,667,129)	(902,858)	(100,569,987)
Gain on disposal of associates				14,753,487	–	14,753,487
Loss before tax				(84,913,642)	(902,858)	(85,816,500)
Income tax expense				(68,428)	–	(68,428)
Loss for the year				(84,982,070)	(902,858)	(85,884,928)

As at 31 March 2017

	Continuing operations			Subtotal	Discontinued operation	Total
	Equine services	Financial services	Others and unallocated corporate		Computer software solution and services	
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Segment assets</b>	236,659,147	301,962,061	17,135,937	555,757,145	4,502,515	560,259,660
<b>Segment liabilities</b>	17,701,638	131,461,108	416,176,977	565,339,723	307,840	565,647,563

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 9. SEGMENT INFORMATION *(Continued)*

### Geographical segments

The Group's operations are principally located in Hong Kong, Australia and Macau. The following table provides an analysis of the Group's revenue by geographical market:

	2018 HK\$	2017 HK\$
Continuing operations		
Hong Kong	42,929,937	43,138,023
Australia	75,868,943	51,598,624
	<b>118,798,880</b>	94,736,647
Discontinued operations		
Macau	1,240,500	13,152,660
	<b>120,039,380</b>	107,889,307

The following table provides an analysis of the Group's non-current assets by reference to the geographical area in which they are located:

	2018 HK\$	2017 HK\$
Continuing operations		
Hong Kong	58,263,463	60,355,500
Australia	84,805,345	89,414,237
	<b>143,068,808</b>	149,769,737
Discontinued operations		
Macau	-	2,800
	<b>143,068,808</b>	149,772,537

### Revenue from major customers

During the year, no single customer (2017: Nil) contributed for 10% or more of the Group's total revenue.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 10. OTHER OPERATING INCOME FROM CONTINUING OPERATIONS

	2018 <i>HK\$</i>	2017 <i>HK\$</i> (Restated)
Continuing operations		
Bank interest	<b>290,216</b>	536,854
Gain on disposal of property, plant and equipment	<b>1,187</b>	–
Bad debt recovered	<b>977,052</b>	1,243,872
Prize money from race horses	<b>677,082</b>	1,456,246
Sundry Income	<b>7,446,022</b>	3,100,805
	<b>9,391,559</b>	6,337,777

## 11. FINANCE COSTS FROM CONTINUING OPERATIONS

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Effective interest expense on medium-term bonds	<b>9,869,792</b>	24,226,648
Handling charges for interest-bearing borrowings	<b>382,461</b>	220,812
Effective interest expense on promissory note	<b>12,588,488</b>	10,347,298
Interest expense on interest-bearing borrowings	<b>13,474,920</b>	1,203,884
	<b>36,315,661</b>	35,998,642

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 12. LOSS BEFORE TAXATION FROM CONTINUING OPERATIONS

Loss before taxation has been arrived at after charging/(crediting):

	2018 HK\$	2017 HK\$ (Restated)
<b>Continuing operations</b>		
Staff costs:		
Directors' emoluments (Note 14(a))	<b>3,846,975</b>	4,189,248
Salaries and other benefits	<b>25,975,814</b>	30,137,139
Retirement benefit scheme contributions (excluding directors)	<b>1,595,577</b>	1,635,711
Total employees benefit expenses	<b>31,418,336</b>	35,962,098
Auditor's remuneration	<b>1,911,886</b>	1,554,058
Amortisation	<b>203,762</b>	249,407
Depreciation on property, plant and equipment	<b>4,823,576</b>	9,050,192
Direct costs	<b>51,434,090</b>	39,863,198
Net foreign exchange difference	<b>(8,123,843)</b>	(986,379)
Impairment on loan receivables	<b>3,000,000</b>	–
(Gain)/Loss on disposal of property, plant and equipment	<b>(1,187)</b>	86,475
Provision for bad debts	<b>756,890</b>	1,113,040

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 13. INCOME TAX EXPENSE FROM CONTINUING OPERATIONS

	2018 HK\$	2017 HK\$
Income tax expense comprises:		
Current tax:		
Hong Kong Profits Tax	1,603,392	68,428
Income tax expense for the year	1,603,392	68,428

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) on the estimated assessable profits for the year. Taxation arising in other jurisdictions in which the Group operates is calculated on the estimated assessable profits for the year at the rates prevailing in the relevant jurisdictions.

Income tax expense for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss as follows:

	2018 HK\$	2017 HK\$ (Restated)
<b>Continuing operations</b>		
Loss before taxation	(50,227,102)	(84,913,642)
Tax credit at the Hong Kong Profits Tax rate of 16.5%	(8,287,472)	(14,010,751)
Tax effect of income not taxable for tax purposes	(43,949,960)	(9,235,197)
Tax effect of expenses not deductible for tax purposes	6,621,060	7,243,150
Tax effect of different tax rates for subsidiaries operating in other jurisdictions	(4,589,447)	12,950,627
Tax effect of tax losses not recognised	51,437,004	3,120,599
Tax effect of unrecognised temporary differences	372,207	–
Income tax expense for the year	1,603,392	68,428

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (a) Directors' emoluments

The emoluments paid or payable to each director for the years ended 31 March 2017 and 2016 were as follows:

	Directors fee		Salaries and other benefits		Retirement benefits scheme contributions		Share options Granted		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Executive directors</b>										
Mr. Cheng Ting Kong	-	-	429,975	396,225	18,000	18,000	-	-	447,975	414,225
Ms. Cheng Mei Ching†	-	-	1,638,000	1,560,000	18,000	18,000	-	-	1,656,000	1,578,000
Mr. Lui Man Wah	-	-	1,365,000	1,297,000	18,000	18,000	-	-	1,383,000	1,315,000
Mr. Luk Wai Keung**	-	-	-	520,262	-	6,000	-	-	-	526,262
	-	-	3,432,975	3,773,487	54,000	60,000	-	-	3,486,975	3,833,487
<b>Independent non-executive directors</b>										
Mr. Chan Tin Lup, Trevor	120,000	120,000	-	-	-	-	-	-	120,000	120,000
Mr. Tou Kin Chuen	120,000	120,000	-	-	-	-	-	-	120,000	120,000
Mr. Wang Zhigang***	-	55,761	-	-	-	-	-	-	-	55,761
Mr. Jim Ka Shun*	120,000	60,000	-	-	-	-	-	-	120,000	60,000
	360,000	355,761	-	-	-	-	-	-	360,000	355,761
Total	360,000	355,761	3,432,975	3,773,487	54,000	60,000	-	-	3,846,975	4,189,248

\* appointed on 1 September 2016

† resigned on 30 November 2015

\*\* resigned on 31 July 2016

\*\*\* resigned on 1 September 2016

No director waived any emoluments during the years ended 31 March 2018 and 2017.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 14. DIRECTORS' AND EMPLOYEES' EMOLUMENTS *(Continued)*

### (b) Employees' emoluments

Of the five individual with the highest emoluments in the Group, two (2017: two) were directors of the Company whose emoluments are included in (a) above. The emoluments of the remaining three (2017: three) individuals were as follows:

	2018 HK\$	2017 HK\$
Salaries and other benefits	2,968,844	2,871,651
Retirement benefit scheme contributions	54,000	54,000
	<b>3,022,844</b>	2,925,651

The emoluments were within the following bands:

	Number of employees	
	2018	2017
Nil-HK\$1,000,000	1	1
HK\$1,000,001-HK\$2,000,000	4	4

During the years ended 31 March 2018 and 2017, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group.

## 15. DIVIDENDS

No final dividend was proposed by the Board for the year ended 31 March 2018 (2017: Nil).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 16. DISCONTINUED OPERATION

On 29 March, 2018, Galileo Capital Group (BVI) Limited (“Galileo Capital”), a direct wholly-owned subsidiary of the Company entered into a disposal agreement with an independent third party (the Purchaser”), pursuant to which Galileo Capital agreed to sell and the Purchaser agreed to purchase, the entire equity interest in Loyal King Investments Limited which has interest in the entire issued share capital of Alliance Development Services Inc., a company incorporated in the Republic of the Philippines with limited liability, Alliance Systems Development Services (Macau Commercial Offshore) Limited, a company incorporated in Macau with limited liability, and 97% issued share capital of Alliance Computer Services Limited, a company incorporated in Hong Kong with limited liability. Alliance Computer Services Limited is interest in the entire issued share capital of Jet Trade Limited, a company incorporated in Hong Kong with limited liability (the “Disposal Group”) for the consideration HK\$1,000,000.00. The Disposal Group was engaged in information technology(IT) business. The Group disposed of this sector of business due to keen competition in IT experts and market. The IT business is treated and presented as discontinued operations. Comparative figures in the consolidated statements of profit or loss for the year ended 31 March, 2018 have been represented to disclose separately the profit or loss from such discontinued operations.

The results of the discontinued operation are summarised as follows:

	<b>2018</b>	2017
	<b>HK\$</b>	HK\$
Revenue	<b>1,240,500</b>	13,152,660
Other income and gains (note (a))	<b>113,544</b>	241,675
Administrative expenses	<b>(13,011,808)</b>	(14,297,193)
Loss before tax	<b>(11,657,764)</b>	(902,858)
Income tax	-	-
Loss for the year from discontinued operation	<b>(11,657,764)</b>	(902,858)

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 16. DISCONTINUED OPERATIONS (Continued)

Notes:

### (a) Other income and gains from discontinued operations

	2018 HK\$	2017 HK\$
Bank interest income	2	15
Sundry Income	113,542	241,660
	<b>113,544</b>	241,675

The consideration receivable of HK\$1,000,000 relating to the Disposal was settled during the year. Further details of the Disposal are set out in note 40.

	2018 HK\$	2017 HK\$
(Losses) per share:		
Basic and diluted, from the discontinued operations	<b>0.84</b>	0.06

The calculation of basic and diluted earnings per share from the discontinued operations are based on:

	2018 HK\$	2017 HK\$
(Loss) attributable to ordinary equity holders of the parent from the discontinued operation	<b>(11,657,764)</b>	(902,855)

	Number of shares	
	2018	2017
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation (note 17)	<b>1,391,400,000</b>	1,391,400,000

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 17. LOSS PER SHARE

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

	<b>2018</b>	2017
	<b>HK\$</b>	HK\$
		(Restated)
<b>Loss</b>		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share		
– Continuing operations	<b>(49,077,100)</b>	(84,456,100)
– Discontinued operation	<b>(11,657,764)</b>	(902,858)
<b>Continuing operations and discontinued operation</b>	<b>(60,734,864)</b>	(85,358,958)
	<b>2018</b>	2017
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic loss per share	<b>1,391,400,000</b>	1,391,400,000
Effect of dilutive potential ordinary shares:		
Share options (Note)	–	–
Weighted average number of ordinary shares for the purpose of diluted loss per share	<b>1,391,400,000</b>	1,391,400,000

Note: The computation of diluted loss per share for the years ended 31 March 2018 and 31 March 2017 does not assume the exercise of the Company's outstanding share options since their exercise would result in anti-dilutive effect on loss per share for the year.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 18. INTANGIBLE ASSETS

	Trading rights <i>(Note a)</i> HK\$	Breeding rights <i>(Note b)</i> HK\$	Total HK\$
<b>Cost</b>			
At 1 April, 2016	500,000	2,535,321	3,035,321
Foreign currency realignment	–	2,162	2,162
At 31 March 2017 and 1 April 2017	500,000	2,537,483	3,037,483
Foreign currency realignment	–	39,613	39,613
At 31 March 2018	500,000	2,577,096	3,077,096
<b>Accumulated amortisation</b>			
At 1 April 2016	–	280,287	280,287
Charge for the year	–	249,407	249,407
Foreign currency realignment	–	4,581	4,581
At 31 March 2017 and 1 April 2017	–	534,275	534,275
Charge for the year	–	203,762	203,762
Foreign currency realignment	–	8,026	8,026
At 31 March 2018	–	746,063	746,063
<b>Carrying amount</b>			
At 31 March 2018	500,000	1,831,033	2,331,033
At 31 March 2017	500,000	2,003,208	2,503,208

Note:

- a) Upon the adoption of HKAS 38 "Intangible assets", the Group's eligibility rights to trade on or through the Stock Exchange and the Hong Kong Futures Exchange Limited at carrying amount of HK\$500,000 is considered to have indefinite useful lives, accordingly it is not amortised.
- b) Golden Horn (GB) – Syndicated Breeding Rights, were purchased on the 9th December 2015, at a price of GBP200,000, which amounted to AUD 427,231.75 at date of purchase. At the date of purchase it is 4 years old and on the presumption a stallion will serve until 20 years old. In prudence, the management have estimated his useful life to be 10 years and the amortization rate is 10% per annum.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 18. INTANGIBLE ASSETS *(Continued)*

### Impairment testing of breeding rights assets

During the year ended 31 March 2018, the directors of the Company appointed an independent professional valuer, Magic Millions Sales Pty Limited to perform a breeding rights valuation with respect to the stallion, Golden Horn. The independent qualified professional valuer determined that there is no impairment loss on the carrying amount.

### Impairment testing on trading rights

The carrying amount of intangible assets of trading rights is allocated to the following cash generating unit:

	<b>Brokerage business</b> <i>HK\$</i>
Carrying amount of trading rights	500,000

The trading rights held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinite. The trading rights will not be amortised until their useful life is determined to be definite and have an expiry date. Instead, they will be tested for impairment annually and impairment loss will be recognised whenever there is an indication that they are impaired. The recoverable amount of the cash generating unit relating to brokerage business, whereby these trading rights are allocated to, using a value in use calculation, exceeds the carrying amounts. Accordingly, there is no impairment loss on the trading rights as at 31 March 2018.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 19. GOODWILL

	<i>HK\$</i>
<b>Cost</b>	
At 1 April 2016 and 31 March 2017	484,422,342
Additions (Note 41)	3,000,000
Disposal of subsidiaries	<u>(426,465,393)</u>
At 31 March 2018	<u>60,956,949</u>
<b>Accumulated impairment losses</b>	
At 1 April 2016 and 31 March 2017	431,384,586
Written back on disposal of subsidiaries	<u>(426,465,393)</u>
At 31 March 2018	<u>4,919,193</u>
<b>Carrying amount</b>	
At 31 March 2018	<u>56,037,756</u>
At 31 March 2017	<u>53,037,756</u>

### Impairment testing of goodwill

For the purpose of impairment testing, goodwill has been allocated to the following cash generating units ("CGU"). The carrying amounts of goodwill (net of accumulated impairment losses) as at the end of the reporting period are allocated as follows:

	<b>2018</b>	2017
	<b>HK\$</b>	<b>HK\$</b>
Securities brokerage and asset management business	<b>52,537,757</b>	52,537,757
Money lending business	<b>3,499,999</b>	499,999
	<b>56,037,756</b>	53,037,756

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 19. GOODWILL *(Continued)*

### **Securities brokerage and asset management business**

During the year ended 31 March 2018, the directors of the Company reassessed the recoverable amount of the CGU of securities brokerage and asset management services with reference to the business valuation performed by Ascent Partners Valuation Services Limited, independent qualified professional valuers and no impairment loss on goodwill associated with the CGU of securities brokerage and asset management business was identified. The recoverable amount of goodwill allocated to securities brokerage and asset management business was assessed by reference to value-in-use model which based on a five years cash flow projection (with terminal value) approved by the directors of the Company with a growth rate of 3.08% in securities brokage services and asset management services. A discount rate of approximately 12.81% per annum was applied in the value-in-use model when assessing the recoverability of the goodwill. There are a number of assumptions and estimates involved in the preparation of the cash flow projection. Key assumptions included gross revenue and discount rate which are determined by the management of the Group based on past performance and its expectation for market development. The Directors consider the revenue base is small in the year of acquisition for the securities brokerage business, and after taking into account of the synergy effect of additional capital to be injected and the current business connection to the Group, the Directors are confident in achieving the above high growth rate even the existence of current negative market sentiment. The Management believes that any reasonably possible change in assumptions would not cause the aggregate recoverable amount to fall below the aggregate carrying amount. Gross revenue is referred to budgeted gross revenue from customers and the discount rate used is pre-tax and reflect specific risks relating to the industry. No impairment loss was recognised during the year ended 31 March 2018.

### **Money lending business**

During the year ended 31 March 2018, the directors of the Company reassessed the recoverable amount of the CGU of money lending business with reference to the business valuation performed by Ascent Partners Valuation Services Limited, independent qualified professional valuers and no impairment loss on goodwill associated with the CGU of money lending business was identified. The recoverable amount of goodwill allocated to money lending business was assessed by reference to value-in-use model which based on a six years cash flow projection (with terminal value) approved by the directors of the Company with a rate of 3.08% afterward. A discount rate of approximately 16.75% per annum was applied in the value-in-use model when assessing the recoverability of the goodwill. There are a number of assumptions and estimates involved in the preparation of the cash flow projection. Key assumptions included gross revenue and discount rate which are determined by the management of the Group based on past performance and its expectation for market development. Management believes that any reasonably possible change in assumptions would not cause the aggregate recoverable amount to fall below the aggregate carrying amount. Gross revenue is referred to budgeted gross revenue and the discount rate used is pre-tax and reflect specific risks relating to the industry. No impairment loss was recognised during the year ended 31 March 2018.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 20. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Farm & Vet equipment	Computer equipment	Office equipment	Furniture and fixtures	Motor vehicles	Yacht	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Cost</b>									
At 1 April 2016	25,957,841	6,470,337	24,836,358	1,015,531	1,363,733	472,209	4,786,527	30,081,112	94,983,648
Additions	-	1,482,880	1,591,772	1,636,602	120,382	16,500	-	-	4,848,136
Disposals	-	-	(1,462,940)	(19,576)	(14,535)	-	(314,786)	-	(1,811,837)
Foreign currency realignment	(1,187,989)	-	46,205	77	761	-	2,090	-	(1,138,856)
At 31 March 2017	24,769,852	7,953,217	25,011,395	2,632,634	1,470,341	488,709	4,473,831	30,081,112	96,881,091
At 1 April 2017	24,769,852	7,953,217	25,011,395	2,632,634	1,470,341	488,709	4,473,831	30,081,112	96,881,091
Additions	-	1,174,476	191,811	54,065	91,403	12,402	961,773	47,000	2,532,930
Disposals	-	(1,081,816)	(60,414)	(14,694)	(7,572)	(12,402)	(332,673)	-	(1,509,571)
Disposals of a Subsidiary	-	(1,102,592)	-	(602,808)	(167,087)	(52,463)	(2,002,156)	-	(3,927,106)
Foreign currency realignment	901,674	-	(121,059)	1,417	13,858	-	33,393	-	829,283
At 31 March 2018	25,671,526	6,943,285	25,021,733	2,070,614	1,400,943	436,246	3,134,168	30,128,112	94,806,627
<b>Depreciation</b>									
At 1 April 2016	2,409,297	4,351,048	3,040,441	944,527	784,943	447,597	2,267,873	22,275,597	36,521,323
Charge for the year	617,059	867,474	1,285,659	265,103	186,606	25,437	376,042	6,016,223	9,639,603
Written back	-	-	-	(16,621)	(14,535)	-	(95,600)	-	(126,756)
Foreign currency realignment	(624,031)	-	34,189	436	2,787	-	13,171	-	(573,448)
At 31 March 2017	2,402,325	5,218,522	4,360,289	1,193,445	959,801	473,034	2,561,486	28,291,820	45,460,722
At 1 April 2017	2,402,325	5,218,522	4,360,289	1,193,445	959,801	473,034	2,561,486	28,291,820	45,460,722
Charge for the year	835,221	711,493	1,182,889	350,507	123,261	3,273	406,596	1,777,559	5,390,799
Written back	-	-	(53,363)	-	-	-	-	-	(53,363)
Written back upon disposal of subsidiaries	-	(1,102,592)	-	(602,808)	(167,087)	(52,463)	(2,002,156)	-	(3,927,106)
Foreign currency realignment	36,215	-	66,326	1,210	7,640	-	10,474	-	121,865
At 31 March 2018	3,273,761	4,827,423	5,556,141	942,354	923,615	423,844	976,400	30,069,379	46,992,917
<b>Carrying amount</b>									
At 31 March 2018	22,397,765	2,115,862	19,465,592	1,128,260	477,328	12,402	2,157,768	58,733	47,813,710
At 31 March 2017	22,367,527	2,734,695	20,651,106	1,439,189	510,540	15,675	1,912,345	1,789,292	51,420,369

At the reporting date, the Group's interests in buildings of HK\$22,397,765 (2017: HK\$22,367,527) are located in Australia.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 21. OTHER ASSETS

	2018 HK\$	2017 HK\$
At cost:		
Deposits with the Stock Exchange:		
– Compensation fund	50,000	50,000
– Fidelity fund	50,000	50,000
Stamp duty deposits	150,000	75,000
Contributions to the Central Clearing and Settlement System Guarantee Fund	50,000	50,000
Admission fees paid to Hong Kong Securities Clearing Company Limited	50,000	50,000
	<b>350,000</b>	275,000

## 22. BIOLOGICAL ASSETS

A subsidiary of the Group is holding quality stallions and provides horse breeding services in Australia, and another subsidiary of the Group is engaged in the rearing of bloodstocks for trading and racing in Australia. The quantity and value of stallions and bloodstocks owned by the Group at the end of the reporting period are shown below.

	2018		2017	
	No. of horses	HK\$	No. of horses	HK\$
Current assets:				
Bloodstocks				
– Mares	48	52,991,823	64	56,394,214
– Colts	48	22,097,620	59	29,208,461
– Fillies	32	17,476,745	51	27,720,770
– Geldings	1	–	1	103,939
Total bloodstocks	<b>129</b>	<b>92,566,188</b>	175	113,427,384
Non-current assets:				
Stallions	<b>12</b>	<b>36,536,309</b>	12	42,536,204
Total biological assets, at fair value	<b>141</b>	<b>129,102,497</b>	187	155,963,588

Stallions represent adult male horses that have not been castrated and are held for breeding purpose. The Stallions are classified as non-current assets as the Group has no intention to sell these stallions in the foreseeable future.

Bloodstocks represent thoroughbred horses held for trading and racing purpose and are classified as current assets.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 22. BIOLOGICAL ASSETS (Continued)

35 (2017: 48) live foals were born during the year and there is no other output of agricultural products (2017: Nil) during the year.

The movements in value of stallions and bloodstocks during the reporting period were:

	<b>2018</b> <b>Bloodstocks</b> <i>HK\$</i>	2017 Bloodstocks <i>HK\$</i>	<b>2018</b> <b>Stallions</b> <i>HK\$</i>	2017 Stallions <i>HK\$</i> (Restated)
At beginning of the reporting period at fair value	<b>113,427,384</b>	121,906,841	<b>42,536,204</b>	62,526,752
Increase due to purchases and natural increase	<b>8,992,866</b>	27,431,261	<b>5,429,148</b>	2,796,808
Foreign currency realignment	<b>1,729,620</b>	(42,930)	<b>682,689</b>	(519,758)
Net gain/(loss) in fair value change	<b>22,922,601</b>	(13,779,239)	<b>(11,930,491)</b>	(22,238,409)
Decrease due to sales	<b>(52,506,586)</b>	(21,388,020)	<b>(181,241)</b>	(29,189)
Decrease due to death	<b>(1,999,697)</b>	(700,529)	–	–
At end of the reporting period at fair value	<b>92,566,188</b>	113,427,384	<b>36,536,309</b>	42,536,204

### Financial risk management strategies

The biological assets are exposed to domestic, disease and other nature risks, the Group engages an external veterinarian hospital to provide professional veterinarian services to the Group's biological assets to minimise the risk and take care on the health of horses. Depending on the emergency, the veterinarian arrives the farm around 10–45 minutes, or delivery to veterinarian hospital within 15–30 minutes. The insurance coverage 129 Bloodstock (2017: 157) and 12 stallions, (2017: 12) for the year is AUD10,450,000 and AUD2,202,000 (2017: AUD29,035,500 and AUD18,510,000) where covered 68.1% and 36.35% of their book value respectively. In the opinion of directors, the above policies are effective and sufficient against the financial risk arising from biological assets.

There is no restriction on the title of biological assets owned by the Group and there is no commitment on acquisition of additional biological assets at the end of reporting period. The management is regularly reviewing the portfolio of biological assets to maximize the return.

The fair value of the biological assets measured at the reporting date on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair Value Measurement. The biological assets of the Group are classified as level 3 under the fair value hierarchy. The level into which a fair value measurement classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 22. BIOLOGICAL ASSETS *(Continued)*

### The qualification of Valuer

The Group's biological assets were independently valued by Magic Millions Sales Pty Limited, which is an Australia's leading bloodstock sales company, a major market place and key actor of the global horse economy ("Valuer"), as at 31 March 2018 (the "Valuation Date"). The professional valuer in charge of this valuation Mr. Barry Bowditch, Bloodstock Manager of Magic Millions Sales Pty Limited, has appropriate qualification and relevant experiences in various appraisal assignments involving biological assets, he has worked in the industry of thoroughbred bloodstock and provides regular Bloodstock valuations in Australia. In addition, this valuation report has been consulted with the following experts:

- Clint DONOVAN (Valuer's consultant and auctioneer)
- Arthur HOYEAU (Valuer's consultant and international representative)

Both experts are full time members of the bloodstock department of Magic Millions Sales Pty Ltd., the leading bloodstock trading company in Australia, and member of the Federation of Bloodstock Agents Australia Limited. The Company, through its experts, has conducted a number of yearly stock valuations for major global and domestic bloodstock entities.

The valuation methodologies adopted are consistent with those described in accounting standards HKAS 41 Agriculture and HKFRS 13.

Based on the above qualification, history and various experiences of the Valuer, the directors of the Company are of the view that the Valuer is competent to determine the fair value of the Group's biological assets.

### Valuation methodology of biological assets

In the process of valuing the biological assets, the Valuer has taken into consideration the nature and specialty of the above biological assets and considered that the market approach would be appropriate and reasonable in the valuation of the fair value less costs to sell of the biological assets by making reference to the requirement of HKAS 41 Agriculture and HKFRS 13.

### Valuation of Stallions and Bloodstocks (including Mares, Colts, Geldings and Fillies)

The valuations are based on fair market value. In determining the fair market value, the valuer has had regard to the price that a buyer could be reasonably be expected to pay and a seller could reasonably be expected to accept if the assets were exposed for sales on the open market for a reasonable period of time with both buyer and seller being in possession of the pertinent facts and neither being under and compulsion to act.

Where available, publicly observable information has been used to the maximum extent possible in deriving valuations. In the absence of such information, or where such observable information is believed not to derive a fair value measurement at measurement date, Valuer has adopted valuation techniques with inputs that valuer believes are reasonably based.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 22. BIOLOGICAL ASSETS *(Continued)*

### **Valuation of Stallions and Bloodstocks (including Mares, Colts, Geldings and Fillies)** *(Continued)*

With respect to the valuation of horses, Valuer adopted a stand-alone basis of valuation. In this regard, each horse is valued having regard to the price that the horse could be realized for at auction less the costs of disposal. Such valuations are determined by considering large number of qualitative and quantitative factors which including:

1. The economic outlook in general and the condition and outlook of the specific industry in particular.
2. The nature of the asset.
3. The earning capacity of an asset.
4. The residual value for breeding of an asset.
5. The age of the asset.
6. The market price of in the same or a similar line of business having their stocks actively traded in a free and open market.
7. Based on circumstances unique, additional factors have been considered.

These factors vary for each valuation depending on the unique circumstances of the general economic conditions that exist at the effective date of the valuation.

In the rare event that a market based value cannot be derived, initial cost of acquisition may be used to approximate fair value, particularly where the horse was acquired within the past year.

### **Valuation technique and major inputs**

The major inputs for the above models are the discount rate, income from the horse and expected remaining life of the horse and the fertility rate of the Stallions. Details are as follow:

#### ***Breeding Stock***

Valuation of broodmares takes into account the age of the individual, her race record and if applicable her cover status and her progeny record, both commercially and on the track. Valuers watch as well the last price she was sold for in the scenario the individual had been exposed to a public market in recent years. As well they may compare this profile to a similar that went through public auction in the past year.

#### ***Weanlings and Foals***

Valuation of weanlings and foals takes into account the assessment of market trends, the depth of the pedigree of the individual (i.e. the black type performances through the female line), the race record and the age of the first dam, and if applicable the progeny record of the first dam as well as the stallion's commercial trends.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 22. BIOLOGICAL ASSETS *(Continued)*

### **Valuation technique and major inputs** *(Continued)*

#### **Yearlings**

Valuation of yearlings and foals takes into account the assessment of market trends, the depth of the pedigree of the individual (i.e. the black type performances through the female line), the race record and the age of the first dam, and if applicable the progeny record of the first dam as well as the stallion's commercial trends.

#### **Racing Stock**

Valuation of racing stock takes into account the assessment of market trends, the race record of the individual and if applicable his/her breeding residual value. In the scenario the individual is still at a young age and hasn't been exposed to races or trials, valuers base their valuation on the public auction price at the yearling stage, or an assessment of the value the individual would have possibly made if he/her was exposed to a public market at the yearling stage.

#### **Stallions**

Valuation of stallions takes into account the stallion's prior activity, his age, his average live foal ratio, his progeny racetrack and sale's results. Valuers then set their own activity projections over 2 or 3 years depending on the age of the stallions to determine a value.

### **Valuation assumptions**

In addition, the following principal assumptions have been adopted by the Valuer:

- i) All horses being in good health, of good conformation, and suitable for future rearing, sale, racing and breeding purposes in the opinion of a qualified veterinary surgeon.
- ii) A market participant would acquire the asset for utilization in its highest and best usage.
- iii) An acquirer is financially feasible, physically possible, and equally permissible with respect to the assets.
- iv) The current utilization of the assets is presumed to represent the highest and best usage.

As the valuation results are subjective based on the experiences of the Valuer and current market conditions which are unable to be quantitatively measured, accordingly, the Directors of the Company consider that no sensitivity analysis is presented.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 23. INVENTORIES

	2018 HK\$	2017 HK\$
Finished goods	–	218,526

All the inventories as at the reporting dates are carried at cost.

None of the inventories was written down during the year (2017: Nil).

## 24. LOAN RECEIVABLES

	2018 HK\$	2017 HK\$
Loan Receivable	282,131,989	38,000,000
Less: Provision for impairment of loans receivable	(53,089,944)	–
Loan receivable written off	(2,824,101)	–
Loan receivable, net of provision	226,217,944	38,000,000

Except for loans receivable of HK\$50,000,000, which are unsecured, interest-bearing and are repayable with fixed terms, all loans receivable are secured by collaterals provided by customers, interest-bearing and are repayable with fixed terms. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the loans receivable mentioned above.

Provision for impairment of on loan receivable included HK\$3 million was impaired at 31 March 2018.

The aging analysis of these past due but no specific impairment was made on loans receivables is as follows

	2018 HK\$	2017 HK\$
0-30 days	–	–
31-90 days	–	–
over 90 days	71,292,648	–
	71,292,648	–

The amount of HK\$71,292,648 was overdue and no renewal of loan contracts was signed at 31 March 2018. The interest accrued to these loans overdue was HK\$1,805,345 at 31 March 2018. In the opinion of directors, it was not necessary to impair as the customers still keep on repay interest.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 25. TRADE RECEIVABLES

	2018 HK\$	2017 HK\$
Trade receivables	13,415,671	13,616,333
Less: Provision for bad debts	(3,571,599)	(3,791,761)
	<b>9,844,072</b>	9,824,572
Accounts receivables from brokers, dealers and clearing house	449,624	1,112,013
	<b>10,293,696</b>	10,936,585

Accounts receivables from brokers, dealers and clearing house are due and settled on two business days after the trade date and denominated in Hong Kong Dollars. Therefore, no ageing analysis is disclosed.

The following is an ageing analysis of trade receivables (excluding accounts receivables from brokers, dealers and clearing house) after provision for bad debts, based on invoice date, at the end of the reporting period:

	2018 HK\$	2017 HK\$
Within 30 days	7,812,372	5,951,087
31–60 days	212,389	–
61–90 days	27,528	1,120,745
Over 90 days	1,791,783	2,752,740
	<b>9,844,072</b>	9,824,572

The average credit period on the trade receivables is 30–90 days. The carrying amounts of the trade receivables are mainly denominated in Hong Kong Dollars and Australian Dollars. The age of trade receivables which are overdue but not impaired was as follows:

	2018 HK\$	2017 HK\$
Overdue Within 30 days	1,791,783	2,748,124
31–60 days	–	–
61–90 days	–	1,184
Over 90 days	–	3,432
	<b>1,791,783</b>	2,752,740

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 25. TRADE RECEIVABLES (Continued)

HK\$Nil of trade receivables (2017: HK\$3,432) was past due for over 90 days but not impaired. These balances related to a number of customers that have good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

In determining the recoverability of trade receivables, the directors of the Company considered any change in the credit quality of the trade receivables from the date credit was initially granted up to the reporting date. Accordingly, the directors of the Company considered provision for impairment be made in respect of trade receivables to their recoverable amounts and believe that there is no further provision for impairment required in excess of the provision for bad debts.

The directors of the Company consider that the carrying amounts of the trade receivables and accounts receivables at the reporting date are approximated to their fair values.

## 26. ADVANCES TO CUSTOMERS IN MARGIN FINANCING

	2018 HK\$	2017 HK\$
Advances to margin customers	83,377,862	61,074,551
Less: Impairment allowance	–	(1,001,742)
	<b>83,377,862</b>	<b>60,072,809</b>

The credit facility limits to margin customers are determined by reference to the discounted market value of the collateral securities accepted by the Group.

The advances to margin customers are secured by the underlying pledged securities and interest bearing. The Group maintains a list of approved stocks for margin financing at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call which the customers have to make good the shortfall.

As at 31 March 2018, advances to customers of HK\$83,377,862 (2017: HK\$61,074,551) were secured by securities pledged by the customers to the Group as collateral with undiscounted market value of approximately HK\$211 million (2017: HK\$424 million).

The advances to customers in margin financing have been reviewed by management to assess impairment allowances which are based on the evaluation of collectability, ageing analysis of accounts and on management's judgement, including the current creditworthiness and the past collection statistics of individual account. No impairment during the year ended 31 March 2018 (2017: HK\$1,001,742).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 26. ADVANCES TO CUSTOMERS IN MARGIN FINANCING *(Continued)*

For the impaired advances to customers, the Group has taken necessary procedure to recover the debts from customers by monthly settlement. And the Group will recognise the recovered amount as other income in the period of recovery.

No ageing analysis is disclosed as in the opinion of the directors, the ageing analysis is not meaningful in view of the revolving nature of the business of securities margin financing.

The advances to customers in margin financing are provided in the ordinary and usual course of business of securities brokerage under normal commercial terms, the directors consider that it is fully exempted from shareholders' approval, annual review and all disclosure requirements pursuant to Rules 19.04(l)(e)(iii) of GEM Listing Rules.

## 27. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018 HK\$	2017 HK\$
Prepayments	6,021,375	1,991,718
Deposits	5,842,624	3,937,866
Other receivables	7,100,227	3,061,089
	<b>18,964,226</b>	8,990,673

The directors of the Company consider that the carrying amounts at the reporting date are approximated to their fair values.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 28. BANK BALANCES AND CASH

The carrying amounts of the Group's bank balances and cash are denominated in the following currencies:

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Hong Kong Dollar	73,111,076	37,552,675
Australian Dollar	10,592,035	19,078,362
United States Dollar	2,040,852	3,386,934
Indonesian Rupiah	2,805	2,854
Renminbi ("RMB")	19,959	14,519
British Pound	55,014	1,485,984
Others	346,035	332,795
	<b>86,167,776</b>	61,854,123

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

At 31 March 2018, bank balances of approximately HK\$86,167,776 (2017: HK\$61,854,123) are subject to floating interest rate ranged from 0% to 0.3% (2017: 0% to 0.3%) per annum.

## 29. CASH HELD ON BEHALF OF CUSTOMERS

The Group maintains segregated trust accounts with authorised institutions to hold clients' monies arising from its normal course of business. The Group has classified the clients' monies as cash held on behalf of customers under the current assets section of the consolidated statement of financial position and recognised the corresponding accounts payable (note 30) to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The cash held on behalf of customers is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

	2018 <i>HK\$</i>	2017 <i>HK\$</i>
Cash held on behalf of customers		
– HKD	119,929,172	115,688,468
– AUD	–	335,330
– CNY	51,966	31,574
– USD	25,296	929,907
– JPY	–	1,744
	<b>120,006,434</b>	116,987,023

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 30. TRADE PAYABLES

	2018 HK\$	2017 HK\$
Trade payables	3,889,517	2,444,234
Accounts payables to clients and clearing house	126,010,232	122,384,440
	<b>129,899,749</b>	124,828,674

Majority of the accounts payables to clients are repayable on demand except where certain accounts payables to clients represent deposits received from clients for their securities trading activities under normal course of business. Only the excess amounts over the required margin deposits are repayable on demand.

Accounts payables to clients and clearing house include those payables placed in trust accounts with authorised institutions of HK\$120,006,434 (2017: HK\$116,610,013), amounts due to other futures dealers of HK\$658,493 (2017: HK\$1,035,562) and amount due to clearing house of HK\$6,422,528 (2017: HK\$4,738,865). Amount due to clearing house of HK\$29,454,177 (2017: HK\$27,436,635) has been offset against a corresponding amount due from the clearing house.

No ageing analysis for accounts payables to clients and clearing house is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of the business.

The Group has a practice to satisfy all the requests for payments immediately within the credit period.

Except for the accounts payables to clients which bear interest at 0.0001% per annum as at 31 March 2018 (2017: 0.001%), all the trade payables are non-interest bearing.

The following is an ageing analysis of trade payables (excluding accounts payables to clients and clearing house), based on invoice date, at the end of reporting period:

	2018 HK\$	2017 HK\$
Within 30 days	3,630,837	1,029,780
31–90 days	240,623	1,382,105
91–120 days	18,057	32,349
	<b>3,889,517</b>	2,444,234

The average credit period on trade payables is 90 days (2017: 90 days). The Group has financial risk management policies in place to ensure all payables are settled within the credit period.

The directors of the Company consider that the carrying amounts at the reporting date are approximated to their fair values.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 31. ACCRUALS AND OTHER PAYABLES

	2018 HK\$	2017 HK\$
Accruals	15,922,694	15,430,822
Other payables	25,213,281	17,637,650
Provision for long service payment and annual leave	1,107,001	1,229,251
	<b>42,242,976</b>	34,297,723

The directors of the Company consider that the carrying amounts at the reporting date are approximated to their fair values.

## 32. DEPOSITS RECEIVED AND DEFERRED INCOME

	2018 HK\$	2017 HK\$
Deposits received	102,763	177,129
Deferred income	132,307	1,336,119
	<b>235,070</b>	1,513,248

Deposits received are expected to be settled within one year.

Deferred income represents the Stallions services income received but deferred to recognise as revenue until viable live foal is produced and is expected to be settled within one year. The Group has changed the billing practice to bill customers after live foal is produced, therefore there is no further increase in deferred income.

The directors of the Company consider that the carrying amounts at the reporting date are approximated to their fair values.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 33. PROMISSORY NOTE

	2018 HK\$	2017 HK\$
At 1 April	111,789,721	244,016,328
Issuance upon acquisition of Target Companies	378,000,000	–
Imputed interest charged	(6,852,433)	10,347,298
– Settlement of the consideration of Yuet Sing Group Limited and its subsidiary	–	(140,000,000)
– Repayment	–	(2,573,905)
At 31 March	<b>482,937,288</b>	111,789,721

The promissory note are repayable as follows:

	2018 HK\$	2017 HK\$
Within one year (note (a))	122,746,753	2,573,905
In the third year (note (b))	360,190,535	109,215,816
	<b>482,937,288</b>	111,789,721

- (a) On 31 March 2018, the Company issued a promissory note in aggregate principal amount of HK\$378,000,000 as consideration for the acquisition of Sun Finance Company Limited. The promissory note bears interest at 7% per annum and with maturity date on 31 January, 2021.

The principal amount of promissory note finally issued was HK\$378,000,000 as at the issue date by using the discounted cash flow approach at prevailing market rate. The promissory note is carried at the amortised cost until settlement on the due date.

As at 31 March, 2018, the carrying amount of the promissory note was HK\$360,190,535 and is approximated to its fair value.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 33. PROMISSORY NOTE *(Continued)*

- (b) On 29 February 2016, the Company issued a promissory note in aggregate principal amount of HK\$147,300,000 (subject to breakeven guarantee adjustment) as consideration for the acquisition of Infinite Success Investments Limited. The promissory note bears interest at 2% per annum and with maturity date on 28 February 2019. The Company has the right to redeem in full or in part of principal amount of the promissory note before maturity date.

Since the profit specified in the breakeven guarantee for the year ended 31 March 2016 has not been met, the amount payable by the Company on redemption of the promissory note shall be reduced on a dollar for dollar basis by the amount of HK\$18,604,741.

The principal amount of promissory note finally issued was HK\$128,695,259 and its fair value (net of the fair value of breakeven guarantee) was approximately HK\$103,178,491 as at the issue date by using the discounted cash flow approach at prevailing market rate of approximately 9.5% per annum. The promissory note is carried at the amortised cost until settlement on the due date.

As at 31 March 2018, the carrying amount of the promissory note was HK\$122,746,753 (2017: HK\$111,789,721) and is approximated to its fair value.

## 34. AMOUNTS DUE TO RELATED COMPANIES

	2018 HK\$	2017 HK\$
Trade related		
Companies which are beneficially owned and controlled by Chau Cheok Wa	<b>123,393,924</b>	113,514

These amounts due are unsecured, non-interest bearing and repayable on demand. The directors of the Company consider that the carrying amounts at the reporting date are approximated to their fair values.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 35. MEDIUM-TERM BONDS

	2018 HK\$	2017 HK\$
Medium-terms bonds due:		
Within one year	–	212,000,000
In the second year	–	–
In the third to fifth year inclusive	<b>34,954,765</b>	36,000,000
	<b>34,954,765</b>	248,000,000

The details of the medium-term bonds issued are set out as follows:

	Date of issue	Principal amount HK\$	Fair value HK\$	Nominal interest rate	Effective interest rate	Date of maturity
Bonds A	From 5 June 2014 to 24 September 2014	– (2017: 212,000,000)	–	9.5%	10.31%	From 4 June 2017 to 23 September 2017
Bonds B	From 2 January 2015 to 5 November 2015	36,000,000 (2017: 36,000,000)	34,954,765	7%	8.43%	From 1 January 2020 to 4 November 2020

Bonds A and B were issued to various independent third parties according to the approvals issued by CONVOY Investment Services Limited.

According to the terms and conditions of bonds B, the nominal interest rate of the bonds is 7% per annum for the five years, up to 4 November 2020.

Interest is repayable annually. Issue costs are included in the carrying amount of the medium-term bonds and amortised over the tenure of the medium-term bonds using the effective interest method.

## 36. DEFERRED TAXATION

At 31 March 2018, the Group has unused tax losses of approximately HK\$51,629,901 (2017: HK\$224,228,891) available for offset against future profits. No deferred tax assets have been recognised in the consolidated financial statements due to the unpredictability of future profit streams.

There are no other significant unprovided deferred taxation for the year and at the end of the reporting period.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 37. SHARE CAPITAL

	2018 HK\$	2017 HK\$
Issued and fully paid:		
1,391,400,000 ordinary shares of HK\$0.04 each (2017: 1,391,400,000 ordinary shares of HK\$0.04 each)	<b>55,656,000</b>	55,656,000

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

## 38. RETIREMENT BENEFIT SCHEME

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all its qualifying employees. The assets of the Scheme are held separately from those of the Group, in funds under the control of trustees. The Group contributes the lower of 5% of the relevant payroll costs or HK\$1,500 for each of its employees to the Scheme per month, which contribution is matched by employees.

The employees for the equine business are employed by the Australian subsidiaries. These employees are members of a state-managed retirement benefit scheme in Australia (Superannuation fund). The Group is required to contribute a 9.50% (2017: 9.50%) of their payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

## 39. SHARE OPTION SCHEME

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Option Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, any person or entity providing research, development or other technological support to the Group, and any other person or entity determined by the directors as having contributed or may contribute to the development and growth of the Group. The Company has two share option schemes, one was adopted on 29 November 2000 and expired in 2010 and another one was adopted on 5 December 2006 (the "New Scheme") and expired in 2016. Following the expiry of the 2006 Share Option Scheme on 4 December 2016, no further share option can be granted, but the provisions of the 2006 Share Option Scheme will remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the provisions of the 2006 Share Option Scheme.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 39. SHARE OPTION SCHEME *(Continued)*

### **New Scheme**

On 5 December 2006, the Company adopted a new share option scheme. The New Scheme became valid and effective for a period of ten years commencing from the adoption of the New Scheme, after which period no further options will be granted but the provisions of the New Scheme shall remain in full force and effect in all other respects.

The participants of the New Scheme to whom options may be granted by the Board shall include any director, employee, consultant, adviser, agent, contractor, customer or supplier of any member of the Group whom the Board in its sole discretion considers eligible for the New Scheme on the basis of his/her contribution to the development and growth of the Group.

No participant shall be granted an option if the total number of Shares issued and to be issued upon exercise of the options granted and to be granted (including options exercised, cancelled and outstanding) in any 12 month period up to and including the date of grant to such participant would exceed 1% of the shares for the time being in issue unless the proposed grant has been approved by the shareholders in general meeting with the proposed grantee and his associates abstaining from voting. The number and terms of options to be granted to each grantee must be fixed before the shareholders' approval and the date of meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

The total number of shares which may be issued upon exercise of all options to be granted under the New Scheme and all other share option schemes of the Company (the "Scheme Mandate Limit") shall not exceed 10% of the total number of Shares in issue unless the Company obtains a fresh approval from its shareholders pursuant to the approval of the shareholders in general meetings. At 31 March 2018, the number of shares issuable under share options granted under the Share Option Scheme was 296,362,702, which represented approximately 21.3% of the Company's shares in issue as at that date. The limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other schemes shall not exceed 30% of the shares of the Company from time to time.

The offer of a grant of share options may be accepted within 14 days after the date on which the offer becomes or is declared unconditional. The exercise period of the share options granted is determinable by the board of directors, and commences on any date after the date of grant and ends on a date which is not later than ten years from the date of offer of the share options or the expiry date of the New Scheme, if earlier.

The exercise price of share options is determined by the board of directors, but may not be less than the higher of (i) the closing price of the Company's shares on the GEM of the Stock Exchange on the date of grant of the option; (ii) the average of the closing prices of the Company's shares on the GEM of the Stock Exchange for the five trading days immediately preceding the date of grant of the option; and (iii) the nominal value of the shares of the Company.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 39. SHARE OPTION SCHEME (Continued)

### New Scheme (Continued)

The Company will comply with the disclosure requirements under Chapter 23 of the GEM Listing Rules, including without limitation disclosures in the annual and interim reports of the Company including details of the options granted to the following persons: (i) each of the connected person; (ii) each participant with options granted in excess of the limit; (iii) aggregate figures for the employees; (iv) aggregate figures for supplier of goods or services; and (v) all other participants as an aggregate whole.

Category participants	Date of grant	2018 Exercise		Outstanding at 31 March 2016	Grant during the year	Exercise during the year	Outstanding at 31 March 2017	Grant during the year	Exercise during the year	Lapsed during the year	Outstanding at 31 March 2018
		price HK\$	Exercise period								
Mr. Cheng Ting Kong	25.11.2010	1.120	25.11.2010-24.11.2020	1,251,250	-	-	1,251,250	-	-	-	1,251,250
				1,251,250	-	-	1,251,250	-	-	-	1,251,250
Ms. Cheng Mei Ching	09.02.2010	0.650	09.02.2010-08.02.2020	11,492,308	-	-	11,492,308	-	-	-	11,492,308
	25.11.2010	1.120	25.11.2010-24.11.2020	12,581,250	-	-	12,581,250	-	-	-	12,581,250
	10.09.2014	0.315	10.09.2014-09.09.2024	1,391,400	-	-	1,391,400	-	-	-	1,391,400
				25,464,958	-	-	25,464,958	-	-	-	25,464,958
Mr. Lui Man Wah	10.09.2014	0.315	10.09.2014-09.09.2024	13,914,000	-	-	13,914,000	-	-	-	13,914,000
				13,914,000	-	-	13,914,000	-	-	-	13,914,000
Consultants in aggregate	13.08.2007	0.550	13.08.2007-12.08.2017	24,112,728	-	-	24,112,728	-	-	24,112,728	-
	17.08.2007	0.520	17.08.2007-16.08.2017	13,292,308	-	-	13,292,308	-	-	13,292,308	-
	21.08.2007	0.500	21.08.2007-20.08.2017	13,248,000	-	-	13,248,000	-	-	13,248,000	-
	19.08.2008	0.830	19.08.2008-18.08.2018	73,976,386	-	-	73,976,386	-	-	-	73,976,386
	27.08.2008	0.840	27.08.2008-26.08.2018	6,628,572	-	-	6,628,572	-	-	-	6,628,572
	16.12.2009	0.540	16.12.2009-15.12.2019	28,640,740	-	-	28,640,740	-	-	-	28,640,740
	25.11.2010	1.120	25.11.2010-24.11.2020	26,413,750	-	-	26,413,750	-	-	-	26,413,750
	07.12.2010	1.260	07.12.2010-06.07.2020	12,635,714	-	-	12,635,714	-	-	-	12,635,714
				198,948,198	-	-	198,948,198	-	-	50,653,036	148,295,162
Other employees in aggregate	19.08.2008	0.830	19.08.2008-18.08.2018	17,264,820	-	-	17,264,820	-	-	-	17,264,820
	16.12.2009	0.540	16.12.2009-15.12.2019	39,603,704	-	-	39,603,704	-	-	-	39,603,704
	09.02.2010	0.650	09.02.2010-08.02.2020	11,492,308	-	-	11,492,308	-	-	-	11,492,308
	25.11.2010	1.120	25.11.2010-24.11.2020	25,162,500	-	-	25,162,500	-	-	-	25,162,500
	10.09.2014	0.315	10.09.2014-09.09.2024	13,914,000	-	-	13,914,000	-	-	-	13,914,000
				107,437,332	-	-	107,437,332	-	-	-	107,437,332
				347,015,738	-	-	347,015,738	-	-	50,653,036	296,362,702
Weighted average exercise price				0.745			0.745				0.781

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 39. SHARE OPTION SCHEME (Continued)

### New Scheme (Continued)

Notes:

- (1) The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
- (2) The exercise price of the share option is subject to adjustment in the case of a capitalization issue, rights issue, sub-division or consolidation of the Company's shares or reduction of the Company's share capital.
- (3) As at 31 March 2018, the weighted average remaining contractual life of the share options is 1.53 years (2017: 2.53 years).
- (4) These fair values of the share options granted for the years ended were calculated using the Black-Scholes pricing model. The inputs into the model were at the date of grant of options as follows:

Date of grant	The Group									
	13 August	17 August	21 August	19 August	27 August	16	9 February	25	7 December	10
	2007	2007	2007	2008	2008	December 2009	2010	November 2010	2010	September 2014
Number of share option	19,200,000	14,400,000	14,500,000	74,200,000	9,600,000	58,100,000	24,900,000	56,720,000	9,150,000	14,609,700
Share price at grant date (HK\$)	0.38	0.28	0.34	1.11	1.16	0.74	0.89	1.54	1.74	0.63
Weighted average exercise price (HK\$)	0.38	0.36	0.35	1.14	1.16	0.74	0.90	1.54	1.74	0.63
Expected volatility (expressed as weighted average volatility)	61.97%	62.15%	62.15%	99.81%	96.08%	76.61%	75.08%	60.28%	59.75%	101.47%
No. of years for option life (expressed as weighted average life)	10	10	10	10	10	10	10	10	10	10
Expected dividends	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Risk-free interest rate	3.96%	3.97%	3.88%	1.00%	1.15%	0.08%	0.18%	0.27%	0.35%	1.979%

The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

Expected volatility was determined by using the historical volatility of the Company's share price over the previous year. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

- (5) No share options were granted for the year ended 31 March 2018 (2017: Nil). At 31 March 2018, the Company had 296,362,702 share options (2017: 347,015,738) outstanding under the Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 296,362,702 (2017: 347,015,738) additional ordinary shares of HK\$0.04 each (2017: HK\$0.04 each) of the Company and additional share capital of HK\$11,854,509 (2017: HK\$13,880,629) and cash proceeds to the Company of HK\$258,271,113 (2017: HK\$258,271,113) (before share issue expenses).

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 40. DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2018, the Group disposed of its subsidiary, Loyal King Investments Limited ("LYIL") to an independent third party for a consideration of HK\$1,000,000. After the disposal, the Group disposed the computer services operations segment in March 2018.

The net assets of LYIL at the date of disposal were as follows:

	<i>HK\$</i>
<b>Analysis of assets over which control was lost:</b>	
Trade receivables	379,500
Prepayment, deposit and other receivable	53,573
Bank balances and cash	176,739
Tax credit	(45,016)
	<hr/>
Net assets disposed of	564,796
	<hr/>
<b>Gain on disposal of a subsidiary</b>	
Cash consideration received	1,000,000
Net assets disposed of	564,796
	<hr/>
Gain on disposal of a subsidiary	435,204
	<hr/>
<b>Net cash outflow arising on disposal</b>	
Cash consideration	1,000,000
Bank balances and cash disposed of	(176,739)
	<hr/>
	823,261
	<hr/>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 41. ACQUISITION OF BUSINESS

On 29 September 2017, Pioneer Frontier Limited ("Pioneer Frontier"), a subsidiary of the Company, entered into a sale and purchase agreement ("Acquisition Agreement") with sellers, Eminent Crest Holdings Limited ("ECHL"), Peak Stand Holdings Limited ("PSHL") and Sheen Light Holdings Limited ("SLHL"), companies incorporated in BVI with limited liability and is a related party, pursuant to which Pioneer Frontier agreed to acquire and, ECHL, PSHL and SLHL agreed to sell the entire equity interest in Sun Finance Company Limited, a company incorporated in Hong Kong with limited liability and a corporation, for consideration of HK\$378,000,000. The Acquisition completed on 31 January 2018.

The carrying amount of the acquired assets of the Target Company at the date of acquisition comprised:

	Total HK\$
Fixed assets	786,964
Loan receivables	503,494,918
Prepayments, deposits and other receivables	939,054
Cash and cash equivalents	38,457,457
Tax recoverable	1,354,962
Trade payables	(921,128)
Accruals and other payables	(92,381)
Amount due to Shareholders	(118,949,603)
Provision for bad and doubtful debts	(50,070,243)
	<hr/>
Net identifiable assets	375,000,000
Goodwill arising on acquisition	3,000,000
	<hr/>
Consideration transferred, satisfied by issue of Promissory Note	378,000,000
	<hr/>
Analysis of net inflow of cash and cash equivalents in respect of acquisition of subsidiaries:	
Cash consideration as settled by Promissory note	–
Cash and cash equivalents acquired	(38,457,457)
	<hr/>
	(38,457,457)
	<hr/>

Pursuant to the Acquisition Agreement, the full consideration of HK\$378 million is settled by the issue of three promissory notes which bear interest at 7% per annum with a maturity of 3 years.

Revenue of HK\$8,888,851 and profit of HK\$4,836,572 attributable to the Target Companies for the period from the acquisition date to 31 March 2018 was consolidated in the Group's profit or loss for the year ended 31 March 2018.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 42. FINANCIAL ASSETS AND FINANCIAL LIABILITIES OFFSETTING

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's consolidated statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the Group's consolidated statement of financial position.

Under the agreement of continuous net settlement made between the Group and Hong Kong Securities Clearing Company Limited ("HKSCC"), and brokers, the Group has a legally enforceable right to set off the money obligation receivable and payable with HKSCC and brokers on the same settlement date and the Group intends to set off these balances on a net basis.

In addition, the Group has a legally enforceable right to set off the accounts receivable and payable with brokerage clients that are due to be settled on the same date and the Group intends to settle these balances on a net basis.

Except for balances which are due to be settled on the same date which are being offset, amounts due from/to HKSCC, brokers and brokerage clients that are not to be settled on the same date, financial collateral including cash and securities received by the Group, deposits placed with HKSCC and brokers do not meet the criteria for offsetting in the consolidated statement of financial position since the right of set-off of the recognised amounts is only enforceable following an event of default.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 42. FINANCIAL ASSETS AND FINANCIAL LIABILITIES OFFSETTING (Continued)

As at 31 March 2018

	Gross amounts of recognised financial assets (liabilities) after impairment <i>HK\$'000</i>	Gross amounts of recognised financial assets (liabilities) set off in the consolidated statement of financial position <i>HK\$'000</i>	Net amounts of financial assets (liabilities) presented in the consolidated statement of financial position <i>HK\$'000</i>
<b>Financial assets</b>			
Accounts receivables from:			
Futures dealers	426	–	426
Funds and bonds dealers	24	–	24
Clearing house	29,454	(29,454)	–
	<b>29,904</b>	<b>(29,454)</b>	<b>450</b>
<b>Financial liabilities</b>			
Accounts payables to:			
Securities – cash clients	43,694	–	43,694
Securities – margin clients	75,217	–	75,217
Futures clients	658	–	658
Clearing house	35,877	(29,454)	6,423
	<b>155,446</b>	<b>(29,454)</b>	<b>125,992</b>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 42. FINANCIAL ASSETS AND FINANCIAL LIABILITIES OFFSETTING (Continued)

As at 31 March 2017

	Gross amounts of recognised financial assets (liabilities) after impairment <i>HK\$'000</i>	Gross amounts of recognised financial assets (liabilities) set off in the consolidated statement of financial position <i>HK\$'000</i>	Net amounts of financial assets (liabilities) presented in the consolidated statement of financial position <i>HK\$'000</i>
<b>Financial assets</b>			
Accounts receivables from:			
Futures dealers	892	–	892
Funds and bonds dealers	156	–	156
Clearing house	27,501	(27,437)	64
	<u>28,549</u>	<u>(27,437)</u>	<u>1,112</u>
<b>Financial liabilities</b>			
Accounts payables to:			
Securities – cash clients	69,439	–	69,439
Securities – margin clients	47,171	–	47,171
Futures clients	1,036	–	1,036
Clearing house	32,176	(27,437)	4,739
	<u>149,822</u>	<u>(27,437)</u>	<u>122,385</u>

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 43. OPERATING LEASE ARRANGEMENTS

### The Group as lessee

At the reporting date, the Group had commitments for the future minimum lease payments in respect of rented premises under non-cancellable operating leases which fall due as follows:

	<b>2018</b> <i>HK\$</i>	2017 <i>HK\$</i>
Within one year	<b>1,987,115</b>	11,572,366
In the second and fifth year inclusive	<b>2,417,064</b>	5,680,249
After five years	–	–
	<b>4,404,179</b>	17,252,615

Leases and rentals are negotiated for an average term of three years.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 44. RELATED PARTY TRANSACTIONS

(a) The name of and the relationship with related parties are as follows:

<b>Name</b>	<b>Relationship</b>
Cheng Ting Kong	Director of the Company
Lui Man Wah	Director of the Company
Sage International Group Limited	Sage International Group Limited, a company with Cheng Ting Kong being common director
Yiu Tak Yin	Responsible officer of Sun International Securities Limited
Imperium Credit Limited	Imperium Credit Limited, a company with Cheng Ting Kong being common director
Sun International Financial Group Limited	Sun International Financial Group Limited, a company with Cheng Ting Kong being common director
Eminent Crest Holdings Limited	Eminent Crest Holdings Limited, a company with Cheng Ting Kong being common director
Sheen Light Holdings Limited	Sheen Light Holdings Limited, a company with Cheng Ting Kong being common director
Peak Stand Holdings Limited	Peak Stand Holdings Limited, a company with Cheng Ting Kong being common director

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 44. RELATED PARTY TRANSACTIONS (Continued)

- (b) In addition to those related party transactions and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions and balances with related parties during the year.

	2018 HK\$	2017 HK\$
Included in Turnover		
Equine related income (bloodstock sales and service fee) received from a related company which is beneficially owned and controlled by Mr. Cheng Ting Kong	–	567,949
Included in Turnover		
Equine related income (bloodstock sale and service fee) received from a related company which is beneficially owned and controlled by Mr. Cheng Ting Kong	<b>11,148,779</b>	9,089,530
Included in Turnover		
Service fee income for general offer from a related company which is beneficially owned and controlled by Mr. Cheng Ting Kong	<b>1,785,411</b>	–
Included in Turnover		
Brokerage income received from Cheng Ting Kong, Lui Man Wah and Yiu Tak Yin	<b>55,746</b>	–
Included in Turnover		
Margin interest income received from Lui Man Wah and Yiu Tak Yin	<b>174,380</b>	–
Included in Gain on disposal of associates		
Sales proceeds received for disposal of associates to director of the associates	–	145,000,000
Included in Administrative expenses		
Management service fee paid to related companies which are beneficially owned and controlled by Mr. Chau Cheok Wa	–	260,000
Included in Administrative expenses		
License fee paid to related companies which are beneficially owned and controlled by Mr. Chau Cheok Wa	–	1,494,000
Included in Finance cost		
Interest expenses on interest-bearing borrowings paid to related companies which are beneficially owned and controlled by Mr. Cheng Ting Kong	<b>9,354,015</b>	1,203,884

The transactions with related parties were entered into in the ordinary course of business between the Group and its related parties on terms as mutually agreed.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 45. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Statement of financial position of the Company at the end of the reporting period:

	Notes	2018 HK\$	2017 HK\$
<b>Non-current asset</b>			
Investment in a subsidiary	46	–	–
<b>Current assets</b>			
Prepayments, deposits and other receivables		328,758	124,342
Amounts due from subsidiaries	46	559,255,261	1,643,675,251
Bank balances and cash		7,081,969	8,129,978
		<b>566,665,988</b>	1,651,929,571
<b>Current liabilities</b>			
Accruals and other payables		29,932,841	10,933,271
Amounts due to subsidiaries	46	270,951,342	412,209,818
Promissory note		122,746,753	2,573,905
Interest-bearing borrowing		40,000,000	45,000,000
Medium-term bonds		–	212,000,000
		<b>463,630,936</b>	682,716,994
<b>Net current assets</b>		<b>103,035,052</b>	969,212,577
<b>Non-current liabilities</b>			
Medium-term bonds		34,954,765	36,000,000
Promissory note		360,190,535	109,215,816
		<b>395,145,300</b>	145,215,816
<b>Net (liabilities)/assets</b>		<b>(292,110,248)</b>	823,996,761
<b>Capital and reserves</b>			
Share capital		55,656,000	55,656,000
Reserves	47	(347,766,248)	768,340,761
<b>Total equity</b>		<b>(292,110,248)</b>	823,996,761

**Cheng Ting Kong**  
Director

**Lui Man Wah**  
Director

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 46. INTERESTS IN SUBSIDIARIES

	2018 HK\$	2017 HK\$
Unlisted investment, at cost	567,874	567,874
Less: impairment loss	(567,874)	(567,874)
Investment in a subsidiary	–	–
Amounts due from subsidiaries	1,876,998,303	1,643,675,251
Less: impairment loss	(1,317,743,042)	–
	559,255,261	1,643,675,251
Amounts due to subsidiaries	(270,051,342)	(412,209,818)

The amounts due from subsidiaries amounting to HK\$27,745,121 (2017: HK\$27,106,412) are interest-bearing at 10% per annum and HK\$409,387,480 (2017: HK\$392,061,772) are interest-bearing 8% per annum and the remaining balances of HK\$1,439,865,702 (2017: HK\$1,231,632,067) are interest free. In the option of the directors, there are impairment amount of HK\$1,317,743,042 in respect of the amounts due from subsidiaries as at the end of the reporting period.

The amounts due from/(to) subsidiaries are unsecured and repayable on demand.

The following list contains only the particulars of the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affect the results, 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. The class of shares held is ordinary unless otherwise stated.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 46. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation	Form of legal entity	Issued and fully paid up ordinary share capital	Proportion of ownership interest and voting power held				Principal activities
				Directly		Indirectly		
				2018	2017	2018	2017	
Galileo Capital Group (BV) Limited	British Virgin Islands	Limited company	US\$10,000	100	100	-	-	Investment holding
Golden Harvest Trading Limited	Hong Kong	Limited company	HK\$2	-	-	100	100	Provision of administrative services for the Group in Hong Kong
Loyal King Investments Limited	British Virgin Islands	Limited company	US\$50,000	-	-	-	100	Investment holding
Alliance Computer Services Limited	Hong Kong	Limited company	HK\$200,000	-	-	-	97	Provision of computer software solution and services
Alliance Systems Development Services Ltd. (MOC)	Macau	Limited company	MOP\$100,000	-	-	-	100	Provision of computer software solution and services
Sun Finance Company Limited	Hong Kong	Limited company	HK\$375,000,000	-	-	100	-	Provision for money lending business in Hong Kong
Sun Macro Limited	British Virgin Islands	Limited company	US\$1	-	-	100	100	Investment holding
Sun Kingdom Pty. Limited	Australia	Limited company	AUD100	-	-	100	100	Trading of bloodstocks
Sun Stud Pty. Limited	Australia	Limited company	AUD100	-	-	100	100	Provision of equine related services and investment in stallions
Sun Farm Land Pty. Limited	Australia	Limited company	AUD100	-	-	100	100	Property investment holding
Kimbo Consultancy Pty. Limited	Australia	Limited company	AUD100	-	-	100	100	Provision of human resources and administrative services for the subsidiaries in Australia
Infinite Success Investment Limited	British Virgin Islands	Limited company	US\$1	-	-	100	100	Investment holding
Sun International Securities Limited	Hong Kong	Limited company	HK\$140,000,000	-	-	100	100	Provision of securities brokerage services
Sun International Asset Management Limited	Hong Kong	Limited company	HK\$7,300,000	-	-	100	100	Provision of asset management and advising services on securities and futures contracts
Pioneer Frontier Limited	British Virgin Islands	Limited company	US\$1	-	-	100	100	Investment holding
Sun International Credit Limited	Hong Kong	Limited company	HK\$1	-	-	100	100	Provision of money lending business in Hong Kong
Jet Trade Limited	Hong Kong	Limited company	HK\$1	-	-	100	100	Investment holding of yacht

None of the subsidiaries had any debt capital outstanding at the end of the year or at any time during the year.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 47. RESERVES

### The Company

	Share premium HK\$	Contributed surplus HK\$	Capital redemption reserve HK\$	Share options reserve HK\$	(Accumulated losses) HK\$	Total HK\$
At 1 April 2016	775,075,169	367,874	254,600	46,554,612	(42,285,942)	779,966,313
Loss for the year	–	–	–	–	(11,625,552)	(11,625,552)
At 31 March 2017	775,075,169	367,874	254,600	46,554,612	(53,911,494)	768,340,761
At 1 April 2017	775,075,169	367,874	254,600	46,554,612	(53,911,494)	768,340,761
Loss for the year	–	–	–	–	(1,116,107,009)	(1,116,107,009)
<b>At 31 March 2018</b>	<b>775,075,169</b>	<b>367,874</b>	<b>254,600</b>	<b>46,554,612</b>	<b>(1,170,018,503)</b>	<b>(347,766,248)</b>

## 48. PARTLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS

The table below shows details of non-wholly owned subsidiaries of the Group that have material noncontrolling interests:

Name of company	Place of establishment/ operation	Proportion of ownership interests and voting rights held by non-controlling interests		(Loss)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	2018	2017	2018	2017
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Alliance Computer Services Limited and its subsidiary ("ACS Group")	Hong Kong	0%	3%	(2,753)	(526)	–	2,711

Summarised financial information in respect of the Group's subsidiaries that have material noncontrolling interests and principally affect the results, assets and liabilities of the Group is set out below. The summarised financial information below represents amounts before intragroup eliminations.

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 48. PARTLY OWNED SUBSIDIARIES THAT HAVE MATERIAL NON-CONTROLLING INTERESTS *(Continued)*

Alliance Computer Services Limited and its subsidiary ("ACS Group") have been discontinued operations in March, 2018.

### ACS Group

	<b>2018</b> <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Current assets	–	332,609
Non-current assets	–	3,795
Current liabilities	–	(244,589)
Non-current liabilities	–	–
Net assets	–	91,815
Equity attributable to the Group	–	89,104
Non-controlling interests	–	2,711
	–	91,815
Loss attributable to the Group	<b>(89,026)</b>	(17,006)
Loss attributable to the non-controlling interests	<b>(2,753)</b>	(526)
Loss for the year	<b>(91,779)</b>	(17,532)
Total comprehensive loss attributable to the Group	<b>(89,026)</b>	(17,006)
Total comprehensive loss attributable to the non-controlling interests	<b>(2,753)</b>	(526)
Total comprehensive loss for the year	<b>(91,779)</b>	(17,532)
Net cash from operating activities	–	(996)
Net cash used in investing activities	–	(24)
Net cash used in financing activities	–	–
Net cash outflow/(inflow)	–	(1,020)
Dividends paid to non-controlling interests	–	–

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## 49. INTEREST-BEARING BORROWINGS

### Other borrowing

	2018 HK\$	2017 HK\$
Interest bearing borrowings:		
– Secured	–	–
– Unsecured	40,000,000	45,000,000
	<b>40,000,000</b>	45,000,000

The lenders of the interest bearing borrowings are related companies which are beneficially owned and controlled by Mr. Cheng Ting Kong.

a) The interest-bearing borrowings are repayable as follows:

	2018 HK\$	2017 HK\$
On demand or within one year	–	–
In the second year	40,000,000	45,000,000
In the third to fifth years, inclusive	–	–
After the fifth year	–	–
	<b>40,000,000</b>	45,000,000
Less: Amounts due within one year	–	–
Amounts due after one year	<b>40,000,000</b>	45,000,000

b) The following table profiles of the Group's interest bearing borrowings at the reporting date:

	2018		2017	
	Effective interest rate	HK\$	Effective interest rate	HK\$
Fixed rate borrowings	8%	40,000,000	8%	45,000,000

# Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

## **50. EVENTS AFTER REPORTING PERIOD**

The Group had no other material event after the reporting period.

## **51. COMPARATIVE FIGURES**

Certain comparative figures have restated to conform with the current year's presentation as a result of the discontinued operations.

## **52. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS**

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 22 June 2018.

