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

2019 Annual Report

CHARACTERISTICS OF THE 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.

Contents

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
(Resigned with effect from 26th June 2019)

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

HLB Hodgson Impey Cheng Limited
31/F., Gloucester Tower, The Landmark
11 Pedder Street, Central
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

Financial Highlights

– The Company and its subsidiaries (the "Group") recorded a turnover of continuing operations of approximately HK$119,216,000 for the year ended 31 March 2019.

– Gross profit from continuing operations was approximately HK$81,108,000 for the year ended 31 March 2019.

– Loss attributable to shareholders was approximately HK$106,546,000 for the year ended 31 March 2019.

– No final dividend was proposed by the Directors for the year ended 31 March 2019.

– As at 31 March 2019, the Group had bank balances and cash amounting to approximately HK$120,984,000.

Chairman's Statement

For the year ended 31 March 2019, the Group recorded a turnover of continuing operations of approximately HK$119,216,000 which was increased 0.35% compared to the turnover of approximately HK$118,799,000 in the last financial year. The loss attributable to shareholders has been decreased from approximately HK$60,735,000 recorded in the year ended 31 March 2018 to a loss of HK$106,546,000. The loss in this year was mainly due to losses generated from impairment loss of goodwill, foreign exchange loss and finance cost.

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, 28 June 2019

Management Discussion and Analysis

FINANCIAL PERFORMANCE

The Group recorded a turnover of continuing operations of approximately HK$119,216,000 for the year ended 31 March 2019 which was increased 0.35% compared to the turnover of approximately HK$118,799,000 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 direct costs of continuing operations were decreased to approximately HK$38,108,000 from approximately HK$51,434,000 recorded during last year. The increase of 20% in gross profit percentage was mainly due to the increase in revenue of money lending business. The staff costs (excluding other benefits) were slightly decreased to approximately HK$32,793,000 (2018: HK$32,909,000).

Administrative expenses of continuing operations made a decrease of 19% to approximately HK$86,138,000 compared to HK$106,462,000 in 2018. The decrease was mainly due to the effect of reclassification of loss on foreign exchange.

The net loss of the Group for the year ended 31 March 2019 was approximately HK$105,538,000 as compared with the net loss of approximately HK$60,735,000 of the last financial year. The reason of the increase in net loss was mainly due to impairment loss of goodwill, increase in finance costs and loss on foreign exchange.

GEARING RATIO

The gearing ratio, is calculated as borrowings divided by total equity, was approximately -275.25% (31 March 2018: -761.63%).

CAPITAL STRUCTURE

There are no movements in share capital during the year ended 31 March 2019.

EMPLOYEE INFORMATION

The total number of employees was 74 as at 31 March 2019 (2018: 78), and the total remuneration for the year ended 31 March 2019 was approximately HK$33,243,000 (2018: HK$32,512,000). 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

On 30 October 2018, Guangdong Higher People's Court has been directed by the Supreme People's Court of the PRC to hear the claim (the "Claim") made by Mr. Chiu Ming ("Mr. Chiu") and Diamond Ocean Development Limited ("Diamond Ocean") against, amongst others, Sun Finance Company Limited ("Sun Finance"), a wholly-owned subsidiary of the Company, Mr. Cheng, a controlling shareholder of the Company and an executive Director and

Mr. Chau, a controlling shareholder of the Company, in relation to, among others, the enforcement of the share charge in 2011 over certain shares (the "Charged Shares") of a listed company (the "Listed Company") in Hong Kong provided by Diamond Ocean, being the security for a loan provided by Sun Finance to Diamond Ocean, which was alleged by Mr. Chiu and Diamond Ocean to have infringed their rights. According to the Claim, Mr. Chiu and Diamond Ocean requested the court to order Sun Finance, Mr. Cheng and Mr. Chau to compensate Mr. Chiu and Diamond Ocean for direct economic loss of RMB500,000,000 and bear all the litigation costs. In addition, Mr. Chiu and Diamond Ocean will seek compensation for indirect loss after the valuation company engaged by the court has assessed the assets of a PRC subsidiary (the "PRC Subsidiary") of the Listed Company. For more information please refer to note 50 to the consolidated financial statements.

(2018: Nil).

FOREIGN EXCHANGE EXPOSURE

The income and expenditure of the Group are denominated in Hong Kong Dollars, and Australian Dollars. The Company has not entered into any foreign exchange hedging arrangement. The management is required to monitor the Group's foreign exchange exposure by closely monitoring the movement of foreign currency rates. The Group may use financial tools such as foreign exchange forward contracts, dual currency options etc. to manage the foreign exchange risks.

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 2019 (2018: Nil).

BUSINESS REVIEW

The East Asia and Pacific region, where most of the Group's operations are situated, achieved a stable economic growth of approximately 5.7% in 2019. 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.

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. 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.

Management Discussion and Analysis

Apart from the operating results, the board of directors was also mindful of the overall financial position of the Group. On 14 February 2019, the Company and First Cheer entered into the subscription agreement, pursuant to which First Cheer has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 868,434,000 subscription shares of the Company at the subscription price of HK$0.345 per subscription share. Pursuant to the Subscription Agreement, the subscription monies shall be set off against (i) the entire principal amounts of the advances from Chau's Holdings Company Limited and Cheng Family Investment Holdings Company Limited; (ii) the outstanding interest accrued of a promissory note; and (iii) the relevant principal amount of certain promissory notes in an aggregate amount equivalent to the subscription monies upon completion of the Subscription.

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 22% of the Group's stallions and bloodstocks are located outside Australia.

For the twelve months ended 31 March 2019, the revenue and operating profit/(loss) of the equine service segment was approximately HK$46,538,000 (2018: HK$75,869,000) and approximately HK$31,310,000 (2018: HK$(43,920,000)) 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 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 2019, loan portfolio of the money lending business amounted to HK$134,357,000, representing approximately 24% 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.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

As at 31 March 2019, the Group had current assets of approximately HK$492,959,000 (2018: HK $637,594,000). The Group's current ratio, calculated on the basis of current assets of approximately HK$492,959,000 (2018: HK$637,594,000) over current liabilities of approximately HK$463,771,000 (2018: HK$458,766,000) was at level of approximately 1.06:1 (2018: 1.39:1). The bank balances as at 31 March 2019 was approximately HK$110,525,000 as compared to the balance of approximately HK$86,168,000 as at 31 March 2018. There were no interest-bearing borrowings (2018: HK$40,000,000) 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$34,369,000 (2018: HK$34,955,000). The equity attributable to Company's equity owners amounted to approximately HK$188,617,000 (2018: HK$73,249,000), representing a decrease of approximately 160% compared to 2018.

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 2019 (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 equine services, computer services and financial services businesses for the coming year as the Group will continue to take very effort on expanding potential market shares for the existing businesses.

Management Discussion and Analysis

The finance costs

The Group recorded a finance costs approximately HK$48,757,000 (2018: HK$36,316,000) for the year ended 31 March 2019, representing an increase of HK$12,441,000 compared to that in the last financial year. The finance costs was mainly for interest bearing borrowings, promissory notes and medium-term bonds.

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$34,369,000 (2018: HK$34,955,000).

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$106,546,000 (2018: HK$60,735,000).

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.

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 44, 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, 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 37, 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. During his appointment as an independent non-executive director, Mr. Jim was appointed as the executive director and type 9 responsible officer of Great Wall Securities Limited. And later Mr. Jim joined in Golden Great China Fund Management Limited and was also previously appointed as the executive director and type 4 and 9 responsible officer. And he has been as an 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") from 1 January 2016 to 3 August 2018. Currently, Mr. Jim is appointed as the executive director and type 4 and 9 responsible officer of Seeds International Asset Management Limited.

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 2019.

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The principal activities and other details of its subsidiaries are set out in note 47 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 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on pages 51 to 52.

The financial position of the Group and the Company as at 31 March 2019 is set out in the consolidated statement of financial position on pages 53 to 54 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 (2018: 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 164.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2019 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 22 to the consolidated financial statements.

DONATIONS

No charitable and other donations were made by the Group during the year (2018: 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 38 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 55 and in note 48 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 2019 (2018: 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' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 March 2019, 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 Cheok 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 2019 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	Exercise period 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 2019, 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.

Save as disclosed above, during the year ended 31 March 2019, 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 43 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.

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 2019, 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 beneficial 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 2019, 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 2019 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

(iv) 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.

COMPETITION AND CONFLICT OF INTERESTS

Except of the above, as at 31 March 2019, 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.

Category participants	Date of grant	2018 exercise price	Exercise period	Number of share options								
				Outstanding at 31 March 2017	Grant during the year	Exercise during the year	Lapsed during the year	Outstanding at 31 March 2018	Grant during the year	Exercise during the year	Lapsed during the year	Outstanding at 31 March 2019
	(note 1)	HK$										
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	–	–	–	–	–
	17.08.2007	0.520	17.08.2007-16.08.2017	13,292,308	–	–	13,292,308	–	–	–	–	–
	21.08.2007	0.500	21.08.2007-20.08.2017	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	25.11.2010-06.11.2020	26,413,750	–	–	–	26,413,750	–	–	–	26,413,750
	07.12.2010	1.260	07.12.2010-06.12.2020	12,635,714	–	–	–	12,635,714	–	–	–	12,635,714
				198,948,198	–	–	50,653,036	148,295,162	–	–	80,604,958	67,690,204
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	–	–	17,264,820	90,172,512
				347,015,738	–	–	50,653,036	296,362,702	–	–	97,869,778	198,492,924
Weighted average exercise price				0.745				0.781				0.757

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) 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:

	The Group									
Date of grant	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 2019 (2018: Nil). At 31 March 2019, the Company had 198,492,924 share options (2018: 296,362,702) 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 198,492,924 (2018: 296,362,702) additional ordinary shares of HK$0.04 each (2018: HK$0.04 each) of the Company and additional share capital of HK$7,939,717 (2018: HK$11,854,508) and cash proceeds to the Company of HK$150,174,911 (2018: HK$231,473,112) (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 41%, respectively of the total turnover for the year. The Group's largest supplier and five largest suppliers accounted for 8% and 24% purchases of the Group for the year ended 31 March 2019.

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.

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 2019.

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 2019.

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 2019.

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

HLB Hodgson Impey Cheng Limited was appointed as auditor of the Company on 27 August 2018 following the resignation of Andes Glacier CPA Limited on 27 August 2018. Apart from this, there was no change in auditors of the Company in any of the preceding three years.

HLB Hodgson Impey Cheng Limited will retire as the Company's auditors at the end of the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-appointment.

A resolution will be submitted to the annual general meeting of the Company to re-appoint HLB Hodgson Impey Cheng Limited, as auditor of the Company.

On behalf of the Board

Cheng Ting Kong
Chairman

Hong Kong, 28 June 2019

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 2018 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 2018 AGM in replying to questions raised by shareholders at the 2018 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 2019, 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).

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 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 7 meetings during the year ended 31 March 2019. Details of attendance of individual Directors at Board Meetings are presented below:

	Attended/ Eligible to attend
Chairman	
Mr. Cheng Ting Kong	7/7
Executive Directors	
Ms. Cheng Mei Ching	7/7
Mr. Lui Man Wah	7/7
Independent non-executive Directors	
Mr. Tou Kin Chuen	7/7
Mr. Chan Tin Lup, Trevor	7/7
Mr. Jim Ka Shun	7/7

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.

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 2019 the Directors participated in the continuous professional developments in the following manner:

Name	Reading Materials/ Attending seminars/ courses/conferences in relation to Continuous Professional Developments
Executive Directors	
Mr. Cheng Ting Kong	✓
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	✓

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.

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.

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 2019 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.

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

For the year ended 31 March 2019, 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 2019 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;

(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 2019 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 *(Chairman)*	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 2019, 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 2019 are set out in note 14 to the consolidated financial statements.

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 13.

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 2019. The attendance records are presented below:

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

For the year ended 31 March 2019, 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.

BOARD DIVERSITY POLICY

The Board has established a set of Board Diversity Policy setting out the approach to achieve diversity on the Board with the aims of enhancing Board effectiveness and corporate governance as well as achieving our business objectives and sustainable development. It endeavors to ensure that the Board has balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills and knowledge. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

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.

For the year ended 31 March 2019, 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. During the year ended 31 March 2019, the independent auditors had been engaged in providing non-audit services in relation to annual review of continuing connected transaction at a fee of HK$100,000. The audit fees of the independent auditors for auditing the consolidated financial statements of the Group for the year ended 31 March 2019 was HK$1,650,000.

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.

Corporate Governance Report

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.

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 2019.

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 2019.

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 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 2019, 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.

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.

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 2019, 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.

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.

Independent Auditors' Report

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

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

TO THE SHAREHOLDERS OF SUN INTERNATIONAL GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of Sun International Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on page 51 to page 163, which comprise the consolidated statement of financial position at 31 March 2019, 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, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

MATERIAL UNCERTAINTIES RELATED TO GOING CONCERN

Without further qualifying our qualified opinion, we draw attention to note 3 to the consolidated financial statements which indicate that the Group incurred a net loss of approximately HK$105,538,000 during the year ended 31 March 2019 and, as of that date, the Group's total liabilities exceeded its total assets by approximately HK$185,030,000. These conditions, along with other matters as set forth in note 3 indicate the existence of a material uncertainty which may cast significant doubts about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

BASIS FOR QUALIFIED OPINION

(a) Goodwill

Included in goodwill of the Group as at 31 March 2018 as disclosed in note 21 to the consolidated financial statements were carrying amounts of approximately HK$52,538,000 and HK$3,500,000 which had been allocated to cash-generating-units ("CGUs") of securities brokerage and asset management business and money lending business respectively. We have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the recoverability of the goodwill allocated to the CGUs as at 31 March 2018 and that no impairment loss on goodwill was required as at 31 March 2018 and hence as to whether the carrying amount of goodwill as at 31 March 2018 and Nil impairment loss on goodwill recognised in consolidated profit or loss for the year then ended were free from material misstatements. As disclosed in note 21, impairment loss on goodwill recognised in consolidated profit or loss for the year ended 31 March 2019 amounted to approximately HK$8,943,000. Any adjustments found to be necessary to the carrying amount of goodwill as at 31 March 2018 and impairment loss for the year then ended might also have a consequential significant impact on the impairment loss for the year then ended and hence on the loss, total comprehensive loss and cash flows of the Group for the years ended 31 March 2019 and 2018 and the Group's net liabilities as at 31 March 2018, and the related disclosures thereof in the consolidated financial statements.

(b) Medium-term bonds

Included in medium-term bonds as at 31 March 2018 as disclosed in note 35 to the consolidated financial statements were bonds with carrying amount of approximately HK$34,955,000 issued to various independent third parties. The medium-term bonds were initially recognised in their principal amounts of HK$36,000,000 and the transaction costs of approximately HK$5,472,000 were recognised in profit or loss at inception date. We have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the basis of measurement of the effective interest for the years ended 31 March 2018 and 2019 of approximately HK$9,870,000 and HK$1,934,000 respectively were prepared by the effective interest method in accordance with the applicable HKFRSs and whether the carrying amounts of medium-term bonds as at 31 March 2018 were free from material misstatements. Based on the calculation provided by the management of the Company, the carrying amounts of the medium-term bonds as at 31 March 2019 were at their amortised cost under effective interest methods. Any adjustments found to be necessary to the balance may have a consequential significant impact on the loss, total comprehensive loss and cash flows of the Group for the years ended 31 March 2019 and 2018 and the Group's net liabilities as at 31 March 2018, and the related disclosures thereof in the consolidated financial statements.

(c) Promissory notes

Included in promissory notes as at 31 March 2018 as disclosed in note 36 to the consolidated financial statements was promissory notes issued by the Company during the years ended 31 March 2016 and 2018 with carrying amount of approximately HK$122,747,000 (the "2016 Promissory Note") and HK$360,191,000 (the "2018 Promissory Notes") respectively. We have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the basis of measurement of the effective interest of the 2016 Promissory Note for the years ended 31 March 2018 and 2019 of approximately HK$10,957,000 and HK$8,522,000 respectively were prepared by the effective interest method in accordance with the applicable HKFRSs and whether the carrying amount of the 2016 Promissory Note as at 31 March 2018 were free from material misstatements. Based on the calculation provided by the management of the Company, the carrying amount of the 2016 Promissory Note as at 31 March 2019 were at its amortised cost under effective interest method. Furthermore, the 2018 Promissory Notes were initially recognised in their principal amounts of HK$378,000,000 instead of their fair value of approximately HK$360,191,000 measured by a firm of independent professional valuers. We have been unable to obtain sufficient appropriate audit evidence to satisfy ourselves as to the basis of measurement of the effective interest of the 2018 Promissory Notes for the years ended 31 March 2018 and 2019 of approximately HK$1,631,000 and HK$36,308,000 respectively were prepared by the effective interest method in accordance with the applicable HKFRSs and whether the carrying amounts of the 2018 Promissory Notes as at 31 March 2018 were free from material misstatements. Based on the calculation provided by the management of the Company, the carrying amounts of the 2018 Promissory Notes as at 31 March 2019 were at their amortised cost under effective interest methods. Any adjustments found to be necessary to the balance may have a consequential significant impact on the loss, total comprehensive loss and cash flows of the Group for the years ended 31 March 2019 and 2018 and the Group's net liabilities as at 31 March 2018, and the related disclosures thereof in the consolidated financial statements.

(d) Corresponding figures – loan and interest receivables and advances to customers in margin financing

The consolidated financial statements of the Group for the year ended 31 March 2018, which formed the basis for the corresponding figures presented in the current year's consolidated financial statements, were audited by another auditor. The predecessor auditor issued an adverse opinion on the consolidated financial statements of the Group for the year ended 31 March 2018 because of the omission of the information mentioned in the "Basis for Adverse Opinion" section of its audit report. Further, the predecessor auditor was unable to obtain sufficient and appropriate audit evidence on the recoverability of, and hence the adequacy of the impairment loss on, certain loan and interest receivables and certain advances to customers in margin financing as at 31 March 2018. Details of the basis for the adverse audit opinion are set out in the predecessor auditors' report dated 22 June 2018. These matters remain unresolved as at the date of our audit report.

In relation to the loan and interest receivables and advances to customers in margin financing brought forward from prior years, the Group has recorded an impairment loss amounting to approximately HK$21,673,000 and HK$4,775,000 respectively as at 1 April 2018 upon adoption of HKFRS 9 "Financial Instruments". We have not been provided with sufficient appropriate audit evidence to satisfy ourselves that the impairment loss recorded as at 1 April 2018 upon adoption of HKFRS 9 was free from material misstatement and as to whether the impairment loss should be recorded as at 1 April 2018 or in prior year. As disclosed in note 11, the Group recognised loss in respect of loan and interest receivables amounting to approximately HK$17,605,000 and reversal of impairment loss in respect of advances to customers in margin financing amounting to approximately HK$2,436,000 in consolidated profit or loss for the year ended 31 March 2019. Any adjustments found to be necessary to the carrying amounts of these accounts as at 31 March 2018 and 1 April 2019 might also have a consequential significant impact on the reversal of impairment loss recognised in the year ended 31 March 2019 and hence on the loss, total comprehensive loss and cash flows of the Group for the years ended 31 March 2019 and 2018 and the Group's net liabilities as at 31 March 2018, and the related disclosures thereof in the consolidated financial statements.

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for Qualified Opinion and Emphasis of Matter sections, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of loans and interest receivables and advances to customers in margin financing	
Refer to notes 25 and 27 to the consolidated financial statements.	
As at 31 March 2019, the carrying amounts of loans and interest receivables and advances to customers in margin financing were approximately HK$99,247,000 and HK$78,310,000 respectively. Accumulated provision of impairment loss of approximately HK$42,368,000 and HK$2,339,000 was provided for loans and interest receivables and advances to customers in margin financing respectively. During the year ended 31 March 2019, impairment loss of approximately HK$17,605,000 was provided for loans and interest receivables and impairment loss of approximately HK$2,436,000 was reversed for advances to customers in margin financing.	Our procedures in relation to management's impairment assessment of loans and interest receivables and advances to customers in margin financing included, but were not limited to: • Understanding the credit control procedures performed by management, including its procedures on periodic review of aged receivables and assessment on expected credit losses allowance of receivables; • Testing, on a sample basis, the accuracy of ageing profile of receivables by checking to the underlying agreements;

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of loans and interest receivables and advances to customers in margin financing (Continued)	
Management applied judgment in assessing the expected credit losses. Receivables relating to customers with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for impairment allowance. Expected credit losses are also estimated by grouping the remaining receivables based on shared credit risk characteristics and collectively assessed for likelihood of recovery, taking into account the nature of the customer and its ageing category, and applying expected credit loss rates to the respective gross carrying amounts of the receivables. The expected credit loss rates are determined based on historical credit losses experienced and are adjusted to reflect current and forward-looking information affecting the ability of the customers to settle the receivables.	• Testing, on a sample basis, the subsequent settlement of receivables against bank receipts; and • Obtaining management's assessment on the expected credit losses allowance of receivables. Checking management's assessment based on the historical settlement pattern, correspondence with the customers, evidence from external sources including the relevant public search results relating to the financial circumstances of the relevant customers and market research regarding the relevant forward-looking information used in management's assessment. We considered management's conclusion to be consistent with the available information.

Key audit matter	How our audit addressed the key audit matter
Impairment assessing of goodwill *Refer to note 21 to the consolidated financial statements.* The Group has goodwill with carrying amount of approximately HK$47,095,000 as at 31 March 2019 respectively, which are allocated to the cash-generating units ("CGUs") represented by securities brokerage and asset management business and money lending business. In determining the recoverable amounts of goodwill, the Group engaged an independent professional valuer to perform such valuation. The valuation is determined based on the value-in-use model for the CGU discounted to their present values and it requires the use of key assumptions, including the discount rate, terminal growth rate, budgeted revenue and gross margin, taking into account the financial budgets approved by the directors of the Company based on the management's experience from securities brokerage and asset management business and money lending business, and also management's expectations for the market development. During the year ended 31 March 2019, impairment loss of approximately HK$5,443,000 and HK$3,500,000 had been recognised on goodwill for securities brokerage and asset management business and money lending business respectively.	Our procedures in relation to the management's impairment assessment of the carrying amount of goodwill included, but were not limited to: • Understanding the Group's impairment assessment process, including the impairment model, basis of allocation of goodwill to CGUs, the preparation of the cash flow projections ("Cashflow Forecasts") and key assumptions adopted in these Cashflow Forecasts through enquiries with the independent valuer and management's review process of the work of the independent valuer with respect to the valuation of CGUs; • Evaluating the independent valuer's competence, capabilities and their experiences in conducting valuation of similar goodwill; • Checking the respective independent valuation reports and discussing the valuation of the carrying amount of goodwill with the management, and together with our own external valuation specialists, where necessary:

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

Key audit matter	How our audit addressed the key audit matter
Valuation of biological assets	
Refer to note 24 to the consolidated financial statements.	
As at 31 March 2019, biological assets measured at fair value are classified as level 3 under the fair value hierarchy, amounted to approximately HK$110,166,000. For the year ended 31 March 2019, the net fair value gains on biological assets is approximately HK$6,581,000. In determining the fair values of biological assets, the Group engages independent professional valuers to perform valuation of the aforesaid biological assets. We identified the valuation of the aforesaid biological assets as a key audit matter due to the degree of complexity involved in valuing biological assets, the significance of the judgment and estimates made by the management in determining the inputs used in the valuation models and the subjectivity in determination of Level 3 fair value given the lack of availability of market-based data.	Our procedures in relation to valuation of biological assets included, but were not limited to: • Obtaining understanding of the valuation models and the processes through enquiries with the independent valuers and management's review process of the work of the independent valuers with respect to the valuation of biological assets; • Evaluating the independent valuers' competence, capabilities and their experiences in conducting valuation of similar biological assets; • Checking the respective independent valuation reports and discussing the valuation of biological assets with the management, and together with our own external valuation specialists, where necessary: – evaluating the appropriateness of the valuation models and assumptions based on the industry knowledge; – evaluating the appropriateness of the key inputs by independent checking of the relevant external market data and/or relevant historical financial information; – checking the mathematical accuracy of valuation calculations; and • Making inquiry for the background of the contracted parties and obtaining direct external confirmations from the contracted parties to understand the relevant investments and identifying any conditions that were relevant to the valuation of biological assets. We found the fair values to be consistent with the key assumptions and available information.

Independent Auditors' Report

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact.

As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about goodwill, medium-term bonds, promissory notes and corresponding figures. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 March 2018 were audited by another auditor who expressed an adverse opinion on 22 June 2018.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Yu Chi Fat
Practising Certificate Number: P05467

Hong Kong, 28 June 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Continuing operations			
Revenue	8	**119,216**	118,799
Direct costs		**(38,108)**	(51,434)
Gross profit		**81,108**	67,365
Other operating income	10	**3,156**	8,414
Impairment losses, net of reversal	11	**(14,861)**	(2,780)
Other gains and losses, net	12	**(44,070)**	8,560
Administrative expenses		**(86,138)**	(106,462)
Finance costs	13	**(48,757)**	(36,316)
Fair value change of biological assets, net		**6,581**	10,992
Loss before taxation from continuing operations	14	**(102,981)**	(50,227)
Income tax expense	15	**(2,557)**	(1,603)
Loss for the year from continuing operations		**(105,538)**	(51,830)
Discontinued operation	18		
Loss for the year from discontinued operation, net of income tax		**–**	(11,658)
Loss for the year		**(105,538)**	(63,488)
Other comprehensive income/(loss):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of financial statements of foreign operations		**22,447**	(4,374)
Total comprehensive loss for the year		**(83,091)**	(67,862)
Loss for the year attributable to:			
Owners of the Company			
Continuing operations		**(105,538)**	(49,077)
Discontinued operation		**–**	(11,658)
		(105,538)	(60,735)

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2019

	Notes	**2019** **HK$'000**	2018 HK$'000
Non-controlling interests			
Continuing operations		**–**	(2,753)
Discontinued operation		**–**	–
		–	(2,753)
		(105,538)	(63,488)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(83,091)**	(65,151)
Non-controlling interests		**–**	(2,711)
		(83,091)	(67,862)
Loss per share (HK cents)	*19*		
From continuing and discontinued operations			
Basic and diluted		**(7.59)**	(4.37)
From continuing operations			
Basic and diluted		**(7.59)**	(3.53)

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

Consolidated Statement of Financial Position

At 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Intangible assets	20	**1,524**	2,331
Goodwill	21	**47,095**	56,038
Property, plant and equipment	22	**42,641**	47,814
Other assets	23	**275**	350
Biological assets	24	**35,083**	36,536
Loan receivables	25	**17,339**	–
		143,957	143,069
CURRENT ASSETS			
Biological assets	24	**47**	92,566
Loan receivables	25	**81,908**	226,218
Trade receivables	26	**18,570**	10,294
Advances to customers in margin financing	27	**78,310**	83,378
Prepayments, deposits and other receivables	28	**8,535**	18,964
Tax recoverable		**4,790**	–
Cash and cash equivalents	29	**110,525**	86,168
Cash held on behalf of customers	30	**120,984**	120,006
		423,669	637,594
Assets classified as held for sale	45	**83,034**	–
		506,703	637,594
CURRENT LIABILITIES			
Trade payables	31	**143,379**	129,900
Accruals and other payables	32	**58,743**	42,242
Deposits received and deferred income	33	**543**	235
Amount due to related companies	34	**118,979**	123,394
Medium-term bonds	35	**8,744**	–
Promissory notes	36	**128,695**	122,747
Interest-bearing borrowings	37	**–**	40,000
Tax payables		**–**	248
		459,083	458,766
Liabilities classified as held for sale	45	**4,760**	–
		463,843	458,766
NET CURRENT ASSETS		**42,860**	178,828
TOTAL ASSETS LESS CURRENT LIABILITIES		**186,817**	321,897

Consolidated Statement of Financial Position

At 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT LIABILITIES			
Medium-term bonds	*35*	**25,625**	34,955
Promissory notes	*36*	**346,222**	360,191
		371,847	395,146
TOTAL ASSETS LESS TOTAL LIABILITIES		**(185,030)**	(73,249)
EQUITY			
Share capital	*39*	**55,656**	55,656
Reserves		**(240,686)**	(128,905)
Equity attributable to owners of the Company		**(185,030)**	(73,249)
Non-controlling interests		**–**	–
Total equity		**(185,030)**	(73,249)

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

Cheng Ting Kong
Director

Lui Man Wah
Director

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

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Attributable to owners of the Company										
	Share capital	Share premium	Capital redemption reserve	Merger reserve	Share options reserve	Translation reserve	Amounts relating to non-current assets held for sale	Accumulated losses	Sub-total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2017	55,656	775,075	255	370	46,555	20,280	–	(906,289)	(8,098)	2,711	(5,387)
Loss for the year	–	–	–	–	–	–	–	(60,735)	(60,735)	(2,753)	(63,488)
Other comprehensive loss:											
Currency translation differences on translating foreign operations	–	–	–	–	–	(4,416)	–	–	(4,416)	42	(4,374)
Total comprehensive loss for the year	–	–	–	–	–	(4,416)	–	(60,735)	(65,151)	(2,711)	(67,862)
At 31 March 2018	55,656	775,075	255	370	46,555	15,864	–	(967,024)	(73,249)	–	(73,249)
Adjustment (note 2.2)	–	–	–	–	–	–	–	(28,690)	(28,690)	–	(28,690)
At 1 April 2018 (Restated)	55,656	775,075	255	370	46,555	15,864	–	(995,714)	(101,939)	–	(101,939)
Loss for the year	–	–	–	–	–	–	–	(105,538)	(105,538)	–	(105,538)
Other comprehensive income:											
Currency translation differences on translating foreign operations	–	–	–	–	–	22,447	–	–	22,447	–	22,447
Reclassification relating to non-current assets classified as held for sale	–	–	–	–	–	(5,241)	5,241	–	–	–	–
Total comprehensive loss for the year	–	–	–	–	–	17,206	5,241	(105,538)	(83,091)	–	(83,091)
Lapsed of share options	–	–	–	–	(22,355)	–	–	22,355	–	–	–
At 31 March 2019	55,656	775,075	255	370	24,200	33,070	5,241	(1,078,897)	(185,030)	–	(185,030)

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

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Loss before tax			
– from continuing operations		**(102,981)**	(50,227)
– from discontinued operation		**–**	(11,658)
		(102,981)	(61,885)
Adjustments for:			
Amortisation of intangible assets		**193**	204
Depreciation of property, plant and equipment		**2,532**	5,391
Interest income		**(415)**	(290)
Finance costs		**48,757**	36,316
Impairment loss recognised in respect of loan receivables		**17,605**	3,000
Reverse of impairment loss recognised in respect of advances to customers in margin financing		**(2,436)**	–
Impairment loss recognised in respect of goodwill		**8,943**	–
Impairment loss recognised in respect of property, plant and equipment		**674**	–
Impairment loss recognised in respect of intangible assets		**479**	–
Fair value change of biological assets, net		**(6,581)**	(10,992)
Net gain on disposal of a subsidiary		**–**	(435)
Gain on disposal of property, plant and equipment		**–**	(1)
Loss on early redemption for promissory nets		**304**	–
(Reversal of) provision for bad debts		**(308)**	757
Gain on disposal of biological assets – non-current		**3,331**	(15)
Operating cash flows before working capital change		**(29,903)**	(27,950)
Decrease/(increase) in other assets		**75**	(75)
Decrease in biological assets – current portion		**(3,331)**	45,589
Decrease in inventories		**–**	222
Decrease in loan receivables		**109,367**	262,207
Increase in trade receivables		**(14,660)**	(231)
Decrease/(increase) in advance to customers in margin financing		**7,504**	(23,305)
Decrease/(increase) in prepayments, deposits and other receivables		**9,124**	(9,030)
Increase in amount of cash held on behalf of customer		**(978)**	(3,019)
Increase in trade payables		**13,929**	3,994
Decrease in accruals and other payables		**(28,092)**	(12,845)
Increase/(decrease) in deposits received and deferred income		**357**	(1,304)
(Decrease)/increase in amount due to related companies		**(709)**	4,338
Cash generated from operations		**62,683**	238,591
Income tax paid		**(7,595)**	(60)

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Net cash generated from operating activities		**55,088**	238,531
Cash flows from investing activities			
Purchase of biological assets – non-current		**(11,482)**	(5,842)
Interest received		**415**	290
Net cash inflow from acquisition of subsidiaries		**–**	38,457
Sale proceeds from biological assets – non-current		**24,011**	196
Net cash inflows from disposal of subsidiaries		**–**	823
Purchase of property, plant and equipment		**(182)**	(242)
Sale proceeds from property, plant and equipment		**91**	62
Net cash generated from investing activities		**12,853**	33,744
Cash flows from financing activities			
Payment of interest on medium-term bonds		**(586)**	(212,000)
Repayment of borrowings		**(40,000)**	(5,000)
Repayment of promissory notes		**(25,000)**	–
Interest paid		**(1,993)**	(36,315)
Net cash used in financing activities		**(67,579)**	(253,315)
Net increase in cash and cash equivalents		**362**	18,960
Cash and cash equivalents at the beginning of the year		**86,168**	61,854
Effect of changes in exchange rate, net		**23,995**	5,354
Cash and cash equivalents at the end of the year	*29*	**110,525**	86,168
Non-cash investing and financing activities			
Acquisition of subsidiaries		**–**	(339,542)
Proceeds from disposal of subsidiaries		**–**	823
Issuance of promissory notes		**–**	378,000

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

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 GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). As at the reporting date, the ultimate holding company of the Company is First Cheer Holdings Limited ("First Cheer"), a company incorporated in the British Virgin Islands, and is beneficially owned as to 50% by Mr. Chau Cheok Wa ("Mr. Chau") and as to 50% by Mr. Cheng Ting Kong ("Mr. Cheng").

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

During the year ended 31 March 2019, the Group was principally engaged in money lending, securities, trading of bloodstocks, provision of equine related services and investment in stallions.

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

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

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

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

HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 Financial Instruments ("HKFRS 9") and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities, (2) expected credit losses ("ECL") for financial assets and (3) general hedge accounting.

2.1 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 Financial Instruments (Continued)

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

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

Accounting policies resulting from application of HKFRS 9 are disclosed in note 4.

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

	Loan receivables	Trade receivables	Advances to customers in margin financing	Accmulated losses
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Closing balance as at 31 March 2018				
– HKAS 39	226,218	10,294	83,378	(967,024)
Effect arising from initial application of HKFRS 9:				
Remeasurement				
Impairment under ECL model (note)	(21,673)	(2,242)	(4,775)	(28,690)
Opening balance as at 1 April 2018				
– HKFRS 9	204,545	8,052	78,603	(995,714)

2.1 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

HKFRS 9 Financial Instruments (Continued)

note:

Impairment under ECL model

Loss allowances for loan receivables, trade receivables and advances to customers in margin financing that is not result of transactions within the scope of HKFRS 15, are assessed to be credit-impaired ("Stage 3") since initial recognition.

As at 1 April 2018, additional credit loss allowance of approximately HK$28,690,000 has been recognised against accumulated losses. The additional loss allowance is charged against the respective assets.

HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current year. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. The application of HKFRS 15 on 1 April 2018 has no material impact on the Group's financial performance and positions at the initial application and during the current year, and accordingly, there is no adjustment on the opening consolidated statement of financial position and consolidated statement of changes in equity.

Information about the Group's performance obligations and the accounting policies resulting from application of HKFRS 15 are disclosed in note 4.

2.2 NEW OR AMENDED HKFRSs THAT HAVE BEEN ISSUED BUT NOT YET EFFECTIVE

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

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

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

Except for the new HKFRS mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

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

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

2.2 NEW OR AMENDED HKFRSs THAT HAVE BEEN ISSUED BUT NOT YET EFFECTIVE (Continued)

HKFRS 16 Leases (Continued)

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

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of approximately HK$4,328,000 as disclosed in note 42. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC) – Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC) – Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

3. GOING CONCERN

The Group incurred a net loss of approximately HK$105,538,000 (2018: HK$63,488,000) during the year ended 31 March 2019 and, as of that date, the Group's total liabilities exceeded its total assets by approximately HK$185,030,000 (2018: HK$73,249,000). The Group has sustained losses for seven consecutive years. The losses incurred by the Group for the seven years ended 31 March 2019 was approximately HK$1,873,159,000 (2018: six years ended 31 March 2018 was approximately HK$1,767,621,000. In addition, the Group's equine business attributed to the Group's losses for the year of approximately HK$56,870,000 (2018: HK$43,346,000).

In the view of these circumstance, there exist material uncertainties related to the events and conditions described above that, individually or collectively, may cast significant doubts on the Group's ability to continue as a going concern and, therefore, that the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors of the Company are of the opinion that the Group is able to continue to operate as a going concern in the coming year after taking into consideration the following conditions and/or measures:

(a) Disposal loan receivables

On 14 February 2019, Sun Finance Company Limited ("Sun Finance"), being a wholly-owned subsidiary of the Company, entered into the disposal agreement to sell the loan receivables with outstanding principal of HK$30,000,000 (the "Sale Loan") and the outstanding interest accrued thereon which was approximately HK$1,998,000 as at 2 August 2018 (the "Disposal") at the consideration of HK$31,998,000. Upon completion of the Disposal, the consideration shall be set off against part of the principal amount and the outstanding interest accrued of certain promissory notes in the amount of approximately HK$31,998,000, which is equivalent to the outstanding amount of the Sale Loan and the outstanding interest accrued thereon as at 2 August 2018.

3. GOING CONCERN (Continued)

(b) Disposal of Sun Kingdom

On 14 February 2019, Sun Macro Limited ("Sun Macro"), being a wholly-owned subsidiary of the Company, entered into the share sale agreement to sell the entire issued share capital of Sun Kingdom Pty Ltd ("Sun Kingdom") (the "Share Sale") at the purchase price of AUD 1 (subjected to adjustments). Upon completion of the Share Sale, the whole amount of the interest free loan owing or incurred by the Sun Kingdom to the Company shall be set off against part of the principal amount of a promissory note.

Sun Stud Pty Limited ("Sun Stud"), being a wholly-owned subsidiary of the Company, and Sun Kingdom will enter into the master service agreement, pursuant to which Sun Stud and its subsidiaries (collectively the "Sun Stud Group") will agree to provide horse racing related services to the Sun Kingdom and/or its affiliates for a term commencing from the date of completion of the Share Sale and ending on 31 March 2021 (both days inclusive) (the "Master Service Agreement"). It is expected that upon completion of the Share Sale, all the horse racing related services will be provided by the Sun Stud Group to Sun Kingdom and/or its affiliates under the Master Service Agreement.

(c) Subscription of shares

On 14 February 2019, the Company and First Cheer entered into the subscription agreement, pursuant to which First Cheer has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 868,434,000 subscription shares of the Company (the "Subscription") at the subscription price of HK$0.345 per subscription share (the "Subscription Agreement"). Pursuant to the Subscription Agreement, the subscription monies shall be set off against (i) the entire principal amounts of the advances from Chau's Holdings Company Limited and Cheng Family Investment Holdings Company Limited; (ii) the outstanding interest accrued of a promissory note; and (iii) the relevant principal amount of certain promissory notes in an aggregate amount equivalent to the subscription monies upon completion of the Subscription.

The directors of the Company have reviewed the Group's cash flow projections prepared by the management. The cash flow projections cover a period of not less than twelve months from 31 March 2019. Based on these cash flow projections, the Group will have sufficient financial resources to meet its financial obligations as and when they fall due in the coming twelve months from 31 March 2019. Management's projections make key assumptions with regard to the anticipated cash flows from the Group's operations and capital expenditures.

3. GOING CONCERN (Continued)

The directors consider that, after making due enquiries and considering the basis of management's projections and after taking into account the completion of the Disposal, Share Sale and Subscription, (i) the net liabilities position of the Group will be improved due to the derecognition of the promissory notes and other loans; (ii) the annual interest expenses of the Group in relation to promissory notes will be reduced; and (iii) the net loss position of the Group may be alleviated due to the reduction in the interest expenses for promissory notes. They also believe that there will be sufficient financial resources to meet the Group's financial obligations as and when they fall due in the coming twelve months from 31 March 2019. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 (the "HKICPA"). In addition, the consolidated financial statements included applicable disclosures required by the GEM Rules Governing the Listing Securities on the GEM of the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for biological assets, which have been 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 and services.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The 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.

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of consolidation (Continued)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Business combinations (Continued)

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 share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 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 amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount 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 relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. 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.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Business combinations (Continued)

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

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 and measured under HKFRS 9/HKAS 39 would be accounted from the same basis as would be required if the Group had disposed directly of the previously held equity interest.

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 retrospectively 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.

(c) Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units), that is expected to benefit from the synergies of the combination which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than the carrying amount, the impairment loss is allocated to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Goodwill (Continued)

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

(d) Property, plant and equipment

Property, plant and equipment 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%
Leasehold improvements	4% to 20%
Farm and vet equipment	10% to 15%
Furniture, fixtures and office equipment	11.25%-20%
Motor vehicles	8.3% to 20%
Yacht	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.

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.

(g) Financial instruments

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

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

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

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

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9)
Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9) (Continued)

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

A financial asset is classified as held for trading if:

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

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

(i) Amortised cost and interest income

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9) (Continued)

(ii) Debt instruments/receivables classified as at FVTOCI

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

(iii) Equity instruments designated as at FVTOCI

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

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

(iv) Financial assets at FVTPL

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

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

Impairment of financial assets (upon application HKFRS 9)

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9) (Continued)
Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9) (Continued)

(i) Significant increase in credit risk (Continued)

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

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

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

(ii) Definition of default

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9) (Continued)

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9) (Continued)

(v) Measurement and recognition of ECL (continued)

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

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

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

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

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

Except for investments in debt instruments/receivables that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of loan receivables, trade receivables and advances to customers in margin financing where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments/receivables.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018) (Continued)

Financial assets at FVTPL (Continued)

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.

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).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018) (Continued)

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 (before application of HKFRS 9 on 1 April 2018)

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

Financial assets (Continued)

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

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 receivables, 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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

Financial assets (Continued)

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

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 loses 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.

Derecognition of financial assets

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

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

On derecognition of an investment in a debt instrument classified as at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets (Continued)

On derecognition of an AFS financial asset, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities (Continued)

Financial liabilities at FVTPL (Continued)

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 HKFRS9/HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

Prior to application of HKFRS 9 on 1 April 2018, financial liabilities designated at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liability.

Financial liabilities at amortised cost

Financial liabilities including trade payables, accruals and other payables, deposits received, amounts due to related companies, medium-term bonds, promissory notes and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities (Continued)

Derivative financial instruments (Continued)

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

Embedded derivatives (under HKFRS 9 since 1 April 2018)

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

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

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

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

Derecognition/non-substantial modification of financial liabilities

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

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Financial instruments (Continued)

Financial liabilities and equity (Continued)

Derecognition/non-substantial modification of financial liabilities (Continued)

Non-substantial modifications of financial liabilities (under HKFRS 9 since 1 April 2018)

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Non-substantial modifications of financial liabilities (before application of HKFRS 9 on 1 April 2018)

For non-substantial modifications of financial liabilities that do not result in derecognition, at the point of modification, the carrying amount of the relevant financial liabilities is revised for directly attributable transaction costs and any consideration paid to or received from the counterparty. The effective interest rate is then adjusted to amortise the difference between the revised carrying amount and the expected cash flows over the life of the modified instrument.

(h) Borrowing costs

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

(i) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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.

(j) Revenue from contracts with customers (upon application of HKFRS 15)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Revenue from contracts with customers (upon application of HKFRS 15) (Continued)

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

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

Description of the Group's performance obligations in respect of its main sources of income under the scope of HKFRS 15 are as follows:

(1) Brokerage

The Group provides brokering and dealing services for securities, futures and options contracts. Commission income is recognised at a point in time on the execution date of the trades at a certain percentage of the transaction value of the trades executed. Fee income is recognised when the transaction is executed and service is completed, except for custodian service fee which is recognised over time.

(2) Asset management

The Group provides asset management and advising on securities to customers. The customers simultaneously receives and consumes the benefit provided by the Group, hence the revenue is recognised as a performance obligation satisfied over time. Asset management fee income is charged at a fixed percentage per month of the net asset value of the managed accounts under management of the Group.

The Group is also entitled to a performance fee when there is a positive performance for the relevant performance period and it is recognised at the end of the relevant performance period, when it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

(3) Sales of biological assets

Revenue from sales of biological assets is recognised at the point in time when control of the asset is transferred to the customer, i.e., when the products are collected by the customers.

(4) Stallions service

Service income is recognised at the point in time when a vet certificate is produced for confirming that a viable live foal was produced.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Revenue from contracts with customers (upon application of HKFRS 15) (Continued)

(5) Biological assets handling service

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.

(6) Interest income

Interest income is recognised and accrued using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

Variable consideration

For contracts that contain variable consideration, such as performance and incentive fee income, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Revenue from contracts with customers (upon application of HKFRS 15) (Continued)

Variable consideration (Continued)

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (to specify), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Revenue recognition (prior to 1 April 2018)

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Revenue from contracts with customers (upon application of HKFRS 15) (Continued)

Revenue recognition (prior to 1 April 2018) (Continued)

- 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.

- Interest income from a financial asset is accrued on a time basis using the effective interest method, 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;

(k) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Taxation (Continued)

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 assets 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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) 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 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.

Operating lease payments are recognised as an expense on a straight-ling 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.

(m) 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Retirement benefit scheme (Continued)

(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.

(n) 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.

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).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Foreign currencies (Continued)

On the disposal of a foreign operation (that is, 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.

(o) 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 straight-line 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Share-based payments (Continued)

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.

(p) 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.

(q) Provisions and contingent liabilities

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).

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Related parties

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

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 a parent of the Group.

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. If the Group is itself such a plan, the sponsoring employers are also 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 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).
(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the Group.

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.

(s) Discontinued operation

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 coordinated 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject to terms that are usual and customary for sales of such asset (or disposal group) and its sale is highly probable. Management of the Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale from the time when the investment (or a portion of the investment) is classified as held for sale.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell, except for (other than biological assets that are measured at fair value less costs to sell in accordance with HKAS 41 “Agriculture” and financial assets within the scope of HKFRS 9) .

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINLY

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 seven consecutive years. In particular, the Group incurred loss of approximately HK$105,538,000 for the year ended 31 March 2019 and as of that date, the Group's total liabilities exceeded its total assets by approximately HK$185,030,000. These conditions indicate the existence of material uncertainties which may cast doubt on the Group's ability to continue as a going concern. The assessment of the going concern assumptions involves making judgement 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 the ability to continue as a going concern notwithstanding the major conditions that may cast doubts about the going concern assumptions, which are set out in note 3 to the consolidated financial statements.

Key sources of estimation uncertainty

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

Estimated income tax and deferred tax

The Group is subject to income taxes mainly in 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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINLY (Continued)

Key sources of estimation uncertainty (Continued)

Provision of ECL for loan receivables and advances to customer in margin financing (after adoption of HKFRS 9)

The Group makes allowance for loan receivables and advances to customers in margin financing based on the ECL model on an individual basis which requires considerable amount of judgement.

In assessing ECL of loan receivables and advances to customer in margin financing, management adopts internal credit risk grading system which is built on loan borrowers' and margin customers' past-due status. Elements of key accounting judgements and estimates incorporated as the key variables in ECL model include assigning probability of default to individual credit risk grade, assessing if there has been a significant increase in credit risk, considering qualitative creditworthiness, collateral values and determining associations between macroeconomic scenarios and economic inputs. The assessment of the credit risk of loan receivables involves high degree of estimation and uncertainty. The provision of ECL is sensitive to changes in estimates.

The information about the ECL, the Group's loan receivables and advances to customers in margin financing are disclosed in Note 6(b), 25 and 27, respectively.

Impairment of loans and advances to customers (before adoption of HKFRS 9)

The Group reviews its loans and advances to customers (including loan receivables 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 judgements 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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINLY (Continued)

Key sources of estimation uncertainty (Continued)

Impairment of loans and advances to customers (before adoption of HKFRS 9) (Continued)

In assessing the lifetime ECL on credit-impaired financial assets classified as stage 3, the Group performs the assessment based on the Group's historical credit loss experience, adjusted for factors that specific to the debtors or borrowers, general economic conditions and both the current conditions at the reporting date as well as the forecast of future conditions with significant judgments involved. Moreover, the Group 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 material differences between loss estimates and actual loss experience.

Details of disclosures for loans receivables and advances to customers in margin financing are set out in notes 25 and 27 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.

Provision of ECL for trade receivables (upon adoption of HKFRS 9)

The Group uses provision matrix to calculate ECL for the trade receivables except trade receivables with significant balances or credit impaired that are assessed individually. The provision rates are based on debtors' aging as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 6(b) and 26, respectively

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINLY (Continued)

Key sources of estimation uncertainty (Continued)

Estimated impairment of receivables (before adoption of HKFRS 9)

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 ageing analysis of accounts and on management's judgement. A considerable amount of judgement 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 24.

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 21.

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 20.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019 HK$'000	2018 HK$'000
Financial assets		
Amortised cost loans and receivables (including cash and cash equivalents)	315,187	479,143
Financial liabilities		
Amortised cost	830,387	853,429

(b) Financial risk management objectives and policies

The Group's major financial instruments include promissory notes, medium-term bonds, interest-bearing borrowings, trade receivables, loan receivables, deposits and other receivables, advances to customers in margin financing, cash and cash equivalents, trade payables, accruals and other payables and amount due to related parties. 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, advances to customers in margin financing, 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 is responsible for overall monitoring of the credit risk of its customers and will make margin calls to those customers whose trades exceed their respective limits. Advances to customers in margin financing are backed by collateral. The Group only accepts collateral in the form of cash and liquid stocks. Concentration risk of advances to customers in margin financing is managed by reference to individual customers.

6. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

The Group manages and analyses the credit risk for each of its 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 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 utilisation 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.

As at 31 March 2019, 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 receivables, 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 receivables.

For margin lending, the working team is responsible for approval of shares 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.

6. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

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.

For the loan receivables, 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 assets, the Group ensures 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 the exposure to credit risk arising from below major recognised financial assets as stated in the consolidated statement of financial position.

- For trade receivables, approximately HK$Nil (2018: HK$Nil) was receivable from clients arising from dealing in securities, which normally had a delivery-against payment settlement term of 2 days.

6. FINANCIAL INSTRUMENTS (Continued)

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

Credit risk (Continued)

- 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 27.

- Loan receivables are either secured or backed by guarantees as set out in note 25.

- Majority of bank balances were deposited in reputable large commercial banks.

Trade receivables

The Group applies a simplified approach in calculating ECLs for its trade receivables. An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns and adjusted for factors specific to the debtors, general economic conditions forecasts and forward-looking information that is available without undue cost or effort.

An impairment analysis is performed at each reporting date using the probability of default approach to measure expected credit losses. The probabilities of default rates are estimated based on comparable companies with published credit ratings. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forward-looking credit risk information. As at 31 March 2019, the probability of default applied ranged from 31.9% to 100.0% and the loss given default was estimated to be 38.8%.

As at 31 March 2019, the balance of credit loss allowance of trade receivables was approximately HK$5,506,000 (2018: HK$3,572,000).

Loan receivables, advances to customers on margin financing and cash and cash equivalents

The Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on loan receivables, advances to customers on margin financing and cash and cash equivalents based on 12m-ECL.

6. FINANCIAL INSTRUMENTS (Continued)

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

Loan receivables, advances to customers on margin financing and cash and cash equivalents (Continued)

Loan receivables and advances to customers on margin financing with known financial difficulties or significant doubt on collection of receivables are assessed individually for provision for credit loss allowance. As at 31 March 2019, the balance of credit loss allowance in respect of these individually assessed receivables were approximately HK$42,368,000 (2018: HK$53,090,000) and HK$2,339,000 (2018: HK$ Nil) respectively.

In respect of cash and cash equivalents, the credit risk is considered to be low as the counterparties are reputable banks. The existing counterparties do not have defaults in the past. Therefore, expected credit loss rate of cash at bank is assessed to be close to zero and no provision was made as of 31 March 2019.

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's exposure to price risk is minimal.

(i) Foreign currency risk

The majority of the Group's monetary assets and monetary liabilities by value and the 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.

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:

	2019	2018
	HK$'000	*HK$'000*
Assets		
AUD	**17,914**	29,813

	2019	2018
	HK$'000	*HK$'000*
Liabilities		
AUD	**19,283**	12,151

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 a decrease in loss 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 loss and the balances below would be negative.

	2019	2018
	HK$'000	*HK$'000*
Impact of AUD	**68**	883

6. FINANCIAL INSTRUMENTS (Continued)

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

Price risk (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 (2018: Nil) and no usage of bank overdraft during the current year (2018: Nil).

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.

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	Within 1 to 5 years	Over 5 years	Total undiscounted cash flow	Carrying amount
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
2019 Non-derivative financial liabilities						
Accruals and other payables		**58,743**	**–**	**–**	**58,743**	**58,743**
Trade payables		**143,379**	**–**	**–**	**143,379**	**143,379**
Promissory notes	**7%**	**128,695**	**380,845**	**–**	**509,540**	**474,917**
Medium-term bonds	**8.43%**	**8,800**	**26,810**	**–**	**35,610**	**34,369**
Amounts due to related companies		**118,979**	**–**	**–**	**118,979**	**118,979**
		458,596	**407,655**	**–**	**866,251**	**830,387**
2018 Non-derivative financial liabilities						
Accruals and other payables	–	42,069	–	173	42,242	42,242
Trade payables	–	129,900	–	–	129,900	129,900
Promissory notes	7%-10%	122,747	360,191	–	482,938	482,938
Medium-term bonds	8.43%	–	34,955	–	34,955	34,955
Amounts due to related companies	–	123,394	–	–	123,394	123,394
Interest-bearing borrowings	8%	40,000	–	–	40,000	40,000
		458,110	395,146	173	853,429	853,429

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.

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 date (unobservable inputs).

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

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 2018.

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 2019, the capital structure of the Group mainly consists of debts, which include medium-term bonds, promissory note and 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.

	2019 ***HK$'000***	2018 *HK$'000*
Borrowings	**509,286**	557,893
Total equity	**(185,030)**	(73,248)
Gearing ratio	**(275.25%)**	(761.65%)

8. REVENUE

	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
Revenue within the scope of HKFRS 15 (Note (i)):		
Revenue from financial services		
Fees and commission income:		
– Securities	**11,047**	13,675
– Futures	**238**	15
– Fund and bond	**173**	716
	11,458	14,406
Revenue from equine services		
Biological assets handling services income	**10,157**	2,831
Stallions service income	**15,721**	26,492
Sales of biological assets	**20,660**	46,546
	46,538	75,869
	57,996	90,275
Revenue outside the scope of HKFRS 15:		
Interest income from cash and margin clients	**14,475**	11,091
Interest income from loan receivables	**46,745**	17,433
	61,220	28,524
	119,216	118,799

Note:

(i) Revenue within the scope of HKFRS 15:

	2019	2018
	HK$'000	*HK$'000*
Recognised at a point in time	**57,996**	90,275

9. SEGMENT INFORMATION

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

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, each of which represent an operating segment for segment reporting purposes, 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 stallion services and trading and breeding of bloodstocks

Discontinued operation

Computer software and services	–	provision of computer hardware and software services solution (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 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.

9. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2019

	Continuing operations				Discontinued operation	
	Equine services HK$'000	Financial services HK$'000	Others and unallocated corporate HK$'000	Sub-total HK$'000	Computer software solution and services HK$'000	Total HK$'000
Revenue						
External sales	46,538	72,678	–	119,216	–	119,216
Profit/(loss) before interest, tax and depreciation	(54,279)	(23,915)	26,502	(51,692)	–	(51,692)
Depreciation	(1,942)	(79)	(511)	(2,532)	–	(2,532)
Finance costs	(649)	(1,419)	(46,689)	(48,757)	–	(48,757)
Segment results	(56,870)	(25,413)	(20,698)	(102,981)	–	(102,981)
Gain on disposal of a subsidiary				–	–	–
Loss before taxation				(102,981)	–	(102,981)
Income tax expense				(2,557)	–	(2,557)
Loss for the year				(105,538)	–	(105,538)

As at 31 March 2019

	Continuing operations					Discontinued operation	
	Equine services HK$'000	Financial services HK$'000	Others and unallocated corporate HK$'000	Sub-total HK$'000	Disposal group held for sale HK$'000	Computer software solution and services HK$'000	Total HK$'000
Segment assets	101,887	463,950	1,789	567,626	83,034	–	650,660
Segment liabilities	19,932	326,042	484,956	830,930	4,760	–	835,690

9. SEGMENT INFORMATION (Continued)

For the year ended 31 March 2018

	Continuing operations				Discontinued operation	
	Equine services HK$'000	Financial services HK$'000	Others and unallocated corporate HK$'000	Sub-total HK$'000	Computer software solution and services HK$'000	Total HK$'000
Revenue						
External sales	75,869	42,930	–	118,799	1,240	120,039
Profit/(loss) before interest, tax and depreciation	(15,639)	24,472	(18,356)	(9,523)	(11,091)	(20,614)
Depreciation	(2,372)	(675)	(1,777)	(4,824)	(567)	(5,391)
Finance costs	(25,909)	(61)	(10,345)	(36,315)	–	(36,315)
Segment results	(43,920)	23,736	(30,478)	(50,662)	(11,658)	(62,320)
Gain on disposal of a subsidiary				435	–	435
Loss before taxation				(50,227)	(11,658)	(61,885)
Income tax expense				(1,603)	–	(1,603)
Loss for the year				(51,830)	(11,658)	(63,488)

As at 31 March 2018

	Continuing operations					Discontinued operation	
	Equine services HK$'000	Financial services HK$'000	Others and unallocated corporate HK$'000	Sub-total HK$'000	Disposal group held for sale HK$'000	Computer software solution and services HK$'000	Total HK$'000
Segment assets	204,806	563,144	12,713	780,663	–	–	780,663
Segment liabilities	11,037	247,798	595,077	853,912	–	–	853,912

9. SEGMENT INFORMATION (Continued)

Geographical analysis

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:

	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
Hong Kong	**72,678**	42,930
Australia	**46,538**	75,869
	119,216	118,799
Discontinued operation		
Macau	**–**	1,240
	119,216	120,039

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

	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
Hong Kong	**49,956**	57,914
Australia	**76,387**	84,805
	126,343	142,719
Discontinued operation		
Macau	**–**	–
	126,343	142,719

10. OTHER OPERATING INCOME

	2019 HK$'000	2018 HK$'000
Continuing operations:		
Bank interest	415	290
Prize money from race horses	688	677
Sundry income	2,053	7,447
	3,156	8,414

11. IMPAIRMENT LOSSES, NET OF REVERSAL

	2019 HK$'000	2018 HK$'000
Continuing operations:		
Impairment losses recognised on/(reversal of):		
– Advances to customers in margin financing	(2,436)	–
– Trade receivables	(308)	(220)
– Loan and interest receivables	17,605	3,000
	14,861	2,780

12. OTHER GAINS AND LOSSES, NET

	2019 HK$'000	2018 HK$'000
Continuing operations:		
Net impairment loss (recognised)/reversed in respect of:		
– Goodwill	(8,943)	–
– Intangible assets	(479)	–
– Property, plant and equipment	(674)	–
Gain on disposal of a subsidiary	–	435
Gain on disposal of property, plant and equipment	–	1
Loss on early redemption for promissory notes	(304)	–
Net foreign exchange (loss)/gain	(33,670)	8,124
	(44,070)	8,560

13. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Continuing operations:		
Effective interest expense on medium-term bonds	**1,934**	9,870
Handling charges for interest-bearing borrowings	**–**	382
Effective interest expense on promissory notes	**44,830**	12,588
Interest expense on interest-bearing borrowings	**1,993**	13,476
	48,757	36,316

14. LOSS BEFORE TAXATION

	2019 HK$'000	2018 HK$'000
Continuing operations:		
Employee benefit expenses:		
Directors' remuneration:		
– Directors' emoluments (Note 16)	**4,124**	3,847
– Salaries and other benefits	**25,185**	25,976
– Retirement benefit scheme contributions (excluding directors)	**1,482**	1,596
Sub-total	**30,791**	31,419
Auditors' remuneration	**1,750**	1,912
Amortisation	**193**	204
Depreciation on property, plant and equipment	**2,532**	5,391
Direct costs	**38,108**	51,434

15. INCOME TAX EXPENSE FROM CONTINUING OPERATIONS

	2019 *HK$'000*	2018 *HK$'000*
Income tax expense comprises:		
Current tax:		
Hong Kong Profits Tax	**2,547**	1,603
Underprovision in prior years:		
Hong Kong Profits Tax	**10**	–
Income tax expense for the year	**2,557**	1,603

The Group is subject to Hong Kong Profit Tax at a rate of 16.5% for the year ended 31 March 2018.

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

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:

	2019 *HK$*	2018 *HK$*
Continuing operations:		
Loss before taxation	**(102,981)**	(50,227)
Tax credit at the Hong Kong Profits Tax rate of 16.5%	**(16,992)**	(8,287)
Tax effect of income not taxable for tax purposes	**(185)**	(43,950)
Tax effect of expenses not deductible for tax purposes	**2,887**	6,621
Tax effect of different tax rates for subsidiaries operating in other jurisdictions	**3,484**	(4,589)
Underprovision in prior years	**10**	–
Tax effect of tax losses not recognised	**12,348**	51,436
Tax effect of unrecognised temporary differences	**1,005**	372
Income tax expense for the year	**2,557**	1,603

16. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

(a) Directors' emoluments

The emoluments paid or payable to each director for the years ended 31 March 2019 and 2018 were as follows:

	Director fee		Salaries and other benefits		Retirement benefits scheme contributions		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors								
Mr. Cheng Ting Kong	–	–	430	430	18	18	448	448
Ms. Cheng Mei Ching	–	–	1,720	1,638	18	18	1,738	1,656
Mr. Lui Man Wah	–	–	1,560	1,365	18	18	1,578	1,383
	–	–	3,710	3,433	54	54	3,764	3,487
Independent non-executive directors								
Mr. Chan Tin Lup, Trevor	120	120	–	–	–	–	120	120
Mr. Tou Kin Chuen	120	120	–	–	–	–	120	120
Mr. Jim Ka Shun	120	120	–	–	–	–	120	120
	360	360	–	–	–	–	360	360
Total	360	360	3,710	3,433	54	54	4,124	3,847

(b) Five highest paid employees

Of the five individuals with the highest emoluments in the Group, three (2018: two) were directors of the Company whose emoluments are included in (a) above. The emoluments of the remaining two (2018: three) individuals were as follows:

	2019	2018
	HK$'000	HK$'000
Salaries and other benefit	2,876	2,969
Retirement benefit scheme contributions	54	54
	2,930	3,023

16. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES (Continued)

The number of the highest paid employees who are not the directors of the Company whose remuneration fell within the following bands is as follows:

	2019	2018
Nil – HK$1,000,000	–	1
HK$1,000,001 – HK$2,000,000	2	2
	2	3

During the years ended 31 March 2019 and 2018, 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.

There was no arrangement under which the directors and five highest paid individuals waived or agreed to wave any remuneration during both years.

17. DIVIDEND

No dividend was paid or proposed by the board of directors of the Company for the year ended 31 March 2019 (2018: HK$Nil).

18. 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, for the consideration HK$1,000,000.00. Alliance Computer Services Limited held the entire issued share capital of Jet Trade Limited, a company incorporated in Hong Kong with limited liability (together with Loyal King Investments Limited and its other subsidiaries, the "Disposal Group"). The Disposal Group was engaged in information technology (IT) business. The Group disposed of this sector of business due to keen competition for IT experts and in the market. The IT business was treated and presented as discontinued operations and hence the comparative figures in the consolidated statements of profit or loss in respect of the year ended 31 March, 2018 present and disclose separately the profit or loss from such discontinued operation.

18. DISCONTINUED OPERATION (Continued)

The results of the discontinued operation are summarised as follows:

	2018
	HK$'000
Revenue	1,240
Other income and gains (note (a))	114
Administrative expenses	(13,012)
Loss before taxation	(11,658)
Income tax expense	–
Loss for the year from discontinued operation	(11,658)

Note:

(a) Other income and gains from discontinued operation

	2018
	HK$'000
Sundry Income	114

The consideration receivable of HK$1,000,000 relating to the disposal was settled during the year ended 31 March 2018.

	2018
	HK$
Loss per share (HK cents):	
Basic and diluted, from the discontinued operation	0.84

The calculation of basic and diluted loss per share from the discontinued operation are based on:

	2018
	HK$'000
Loss attributable to owners of the Company from the discontinued operation	(11,658)

18. DISCONTINUED OPERATION (Continued)

	Number of shares 2018
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	1,391,400,000

19. 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:

	2019 HK$'000	2018 HK$'000
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share		
– Continuing operations	**(105,538)**	(49,077)
– Discontinued operation	**–**	(11,658)
	(105,538)	(60,735)

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**1,391,400,000**	1,391,400,000

The computation of diluted loss per share for the year ended 31 March 2019 and 2018 does not assume (i) the exercise of the Company's share options because the exercise price of those share options was higher than the average market price for shares for both 2019 and 2018 or the exercise would result in a decrease in loss per share; and (ii) the completion of the Subscription since the assumed subscription of shares would result in a decrease in loss per share.

20. INTANGIBLE ASSETS

	Trading right (Note a) *HK$'000*	Breeding right (Note b) *HK$'000*	Total *HK$'000*
Cost			
At 1 April 2017	500	2,537	3,037
Foreign currency realignment	–	40	40
At 31 March 2018 and 1 April 2018	500	2,577	3,077
Foreign currency realignment	–	(186)	(186)
At 31 March 2019	500	2,391	2,891
Accumulated amortisation and impairment loss			
At 1 April 2017	–	534	534
Charge for the year	–	204	204
Foreign currency realignment	–	8	8
At 31 March 2018 and 1 April 2018	–	746	746
Charge for the year	–	193	193
Impairment loss recognised in the year	–	479	479
Foreign currency realignment	–	(51)	(51)
At 31 March 2019	–	1,367	1,367
Carrying amount			
At 31 March 2019	**500**	**1,024**	**1,524**
At 31 March 2018	500	1,831	2,331

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 9 December 2015, at a price of GBP 200,000, which amounted to approximately AUD427,000 at date of purchase. At the date of purchase, the stallion was 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 amortisation rate is 10% per annum.

20. INTANGIBLE ASSETS (Continued)

Impairment testing on breeding rights assets

During the year ended 31 March 2019, the open market stud fee of Golden Horn (GB) was reduced. The directors of the Company appointed an independent professional valuer, to perform a breeding right valuation with respect to Golden Horn (GB). The independent qualified professional valuer determined that the recoverable amount of Golden Holden (GB) amounted to approximately GBP100,000 (equivalent to approximately HK$1,024,000) and an amount of impairment loss of approximately HK$479,000 was recognised.

Impairment testing on trading right

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

	Brokerage business *HK$'000*
Carrying amount of trading right	**500**

The trading right held by the Group is considered by the directors of the Company as having indefinite useful lives because it is expected to contribute net cash inflows indefinite. The trading right will not be amortised until their useful life is determined to be definite and have an expiry date.

Instead, it will be tested for impairment annually and impairment loss will be recognised whenever there is an indication that it is impaired. The recoverable amount of the cash generating unit relating to brokerage business, whereby this trading right is allocated to, using a value in use calculation, exceeds the carrying amounts. Accordingly, there is no impairment loss on the trading right as at 31 March 2019 and 2018.

21. GOODWILL

	HK$'000
Cost	
At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	56,038
Accumulated impairment loss	
At 1 April 2017, 31 March 2018 and 1 April 2018	–
Impairment loss recognised in the year	8,943
At 31 March 2019	8,943
Carrying amount	
At 31 March 2019	**47,095**
At 31 March 2018	56,038

Impairment testing on goodwill

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

	2019	2018
	HK$'000	*HK$'000*
Securities brokerage and asset management business	**47,095**	52,538
Money lending business	**–**	3,500
	47,095	56,038

21. GOODWILL (Continued)

Securities brokerage and asset management business

The recoverable amount of securities brokerage and asset management business CGU under the financial services segment was determined based on a value-in-use calculation and used cash flow projections based on financial budgets approved by the directors of the Company with reliance on the valuation performed by an independent valuer covering a five-year period and pre-tax discount rates from 11.12% to 11.61% (2018: 14.22% to 14.58%) per annum. Cash flows beyond that five-year period have been extrapolated at 3% (2018: 3%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Key assumptions used in the preparation of the financial budgets included revenue and gross margin which were determined by the directors of the Company based on past performance and its expectation for market development. The values assigned to key assumptions were based on historical experience, current market condition and approved forecasts and consistent with external information sources. The directors of the Company considered that due to the global economic growth is expected to slow down, the Group's securities brokerage and asset management business would be more prudent. The directors, therefore, reduced the financial budgeted revenue estimation, which caused the carrying amount of securities brokerage and asset management business CGU as at 31 March 2019 exceeds its value in use based on cash flow projections. Accordingly, an impairment loss of approximately HK$5,443,000 (2018: HK$Nil) was recognised to goodwill allocated to securities brokerage and asset management business CGU during the year ended 31 March 2019. The recoverable amount of securities brokerage and asset management business CGU is approximately HK$136,022,000 as at 31 March 2019. Any adverse change in the assumptions used in the value-in-use calculation may lead to further impairment loss on the goodwill.

Money lending business

The recoverable amount of money lending business CGU under the financial services segment was determined based on a value-in-use calculation and used cash flow projections based on financial budgets approved by the directors of the Company with reliance on the valuation performed by an independent valuer covering a five-year period and pre-tax discount rates of 13.49% (2018: 14.61%) per annum. Cash flows beyond that five-year period have been extrapolated at 3% (2018: 3%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Key assumptions used in the preparation of the financial budgets included revenue and gross margin which were determined by the directors of the Company based on past performance and its expectation for market development. The values assigned to key assumptions were based on historical experience, current market condition and approved forecasts and consistent with external information sources. The directors of the Company considered that due to the global economic growth is expected to slow down, the Group's money lending business would be more prudent. The directors, therefore, reduced the financial budgeted revenue estimation, which caused the carrying amount of money lending CGU as at 31 March 2019 exceeds its value in use based on cash flow projections. Accordingly, an full impairment loss of approximately HK$3,500,000 (2018: HK$Nil) was recognised to goodwill allocated to money lending CGU during the year ended 31 March 2019. The recoverable amount of securities brokerage and asset management business CGU is approximately HK$160,000,000 as at 31 March 2019.

22. PROPERTY, PLANT AND EQUIPMENT

	Buildings *HK$'000*	Leasehold improvement *HK$'000*	Farm and vet equipment *HK$'000*	Furniture, fixtures and office equipment *HK$'000*	Motor vehicles *HK$'000*	Yacht *HK$'000*	Total *HK$'000*
Cost							
At 1 April 2017	24,770	7,953	25,011	4,593	4,473	30,081	96,881
Additions	–	1,174	192	160	962	47	2,535
Disposal	–	(1,082)	(60)	(37)	(333)	–	(1,512)
Disposal of a subsidiary	–	(1,103)	–	(823)	(2,002)	–	(3,928)
Foreign currency realignment	902	–	(121)	16	33	–	830
At 31 March 2018	25,672	6,942	25,022	3,909	3,133	30,128	94,806
Additions	–	–	98	84	–	–	182
Disposal	–	–	(89)	(2)	–	–	(91)
Foreign currency realignment	(1,223)	–	(2,078)	(79)	(97)	–	(3,477)
At 31 March 2019	24,449	6,942	22,953	3,912	3,036	30,128	91,420
Accumulated depreciation and impairment loss							
At 1 April 2017	2,402	5,218	4,360	2,627	2,561	28,292	45,460
Charge for the year	835	711	1,183	478	407	1,777	5,391
Written back	–	–	(53)	–	–	–	(53)
Written back upon disposal of a subsidiary	–	(1,102)	–	(824)	(2,002)	–	(3,928)
Foreign currency realignment	36	–	66	10	10	–	122
At 31 March 2018	3,273	4,827	5,556	2,291	976	30,069	46,992
Charge for the year	611	619	618	287	373	24	2,532
Written back	–	–	(89)	(2)	–	–	(91)
Impairment loss recognised in the year	–	87	–	86	466	35	674
Foreign currency realignment	(272)	–	(934)	(49)	(73)	–	(1,328)
At 31 March 2019	3,612	5,533	5,151	2,613	1,742	30,128	48,779
Carrying amount							
At 31 March 2019	**20,837**	**1,409**	**17,802**	**1,299**	**1,294**	**–**	**42,641**
At 31 March 2018	22,399	2,115	19,466	1,618	2,157	59	47,814

At the reporting date, the Group's interests in buildings of gross carrying amount of HK$20,837,000 (2018: HK$22,399,000) are located in Australia.

23. OTHER ASSETS

	2019 HK$'000	2018 HK$'000
At cost:		
Deposits with the Stock Exchange:		
Compensation fund	**50**	50
Fidelity fund	**50**	50
Stamp duty	**75**	150
Contributions to the Central Clearing and Settlement System Guarantee Fund	**50**	50
Admission fees paid to Hong Kong Securities Clearing Company Limited	**50**	50
	275	350

24. 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.

	2019		2018	
	No. of horses	HK$'000	No. of horses	HK$'000
Current assets				
Bloodstocks				
Mares	**44**	**39,015**	48	52,992
Colts	**33**	**26,335**	48	22,097
Fillies	**20**	**9,468**	32	17,477
Geldings	**7**	**265**	1	–
Total bloodstocks	**104**	**75,083**	129	92,566
Non-current assets				
Stallions	**12**	**35,083**	12	36,536
Total biological assets, at fair value	**116**	**110,166**	141	129,102
Less: assets classified as held for sale	**(101)**	**(75,036)**	–	–
	15	**35,130**	141	129,102

24. BIOLOGICAL ASSETS (Continued)

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 racing horses held primarily for trading purpose and are classified as current assets.

31 (2018: 35) live foals were born during the year and there is no other output of agricultural products (2018: Nil) during the year.

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

	2019 Bloodstocks *HK$'000*	2018 Bloodstocks *HK$'000*	**2019 Stallions *HK$'000***	2018 Stallions *HK$'000*
At the beginning of the reporting period at fair value	**92,566**	113,427	**36,536**	42,536
Increase due to purchases and natural increase	**11,482**	8,992	**–**	5,429
Foreign currency realignment	**(6,820)**	1,729	**(2,837)**	682
Net gain/(loss) in fair value change	**5,197**	22,923	**1,384**	(11,930)
Decrease due to sales	**(24,011)**	(52,506)	**–**	(181)
Decrease due to death	**(3,331)**	(1,999)	**–**	–
At the end of the reporting period at fair value	**75,083**	92,566	**35,083**	36,536
Less: assets classified as held for sale	**(75,036)**	–	**–**	–
	47	92,566	**35,083**	36,536

24. BIOLOGICAL ASSETS (Continued)

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 at the farm around 10–45 minutes, or delivery to veterinarian hospital within 15–30 minutes. The insurance coverage for 73 (2018: 129) bloodstocks and 12 (2018: 12) stallions, for the year is approximately AUD25,031,000 and AUD13,360,000 (2018: AUD10,450,000 and AUD2,202,000), which covered 185.68% and 212.10% (2018: 68.10% 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 for acquisition of additional biological assets at the end of reporting period. The management is regularly reviewing the portfolio of biological assets to maximise 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. The biological assets of the Group are classified as level 3 under the fair value hierarchy. The level into which a classified fair value measurement is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

Bloodstocks

The qualification of valuer

As at 31 March 2019, the Group's bloodstocks were independently valued by Magic Millions Sales Pty Limited ("Magic Millions"), which is an Australia's leading bloodstock sales company, a major market place and key actor of the global horse economy. The professional valuer in charge of this valuation is Mr. Clint DONOVAN, Bloodstock Manager of Magic Millions, who has appropriate qualification and relevant experiences in various appraisal assignments involving biological assets and 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:

– James DAWSON (Magic Millions' Bloodstock Consultant)

– Ben CULHAM (Magic Millions' Bloodstock Consultant)

All experts are full time members of the bloodstock department of Magic Millions, the leading bloodstock trading company in Australia, and member of the Federation of Bloodstock Agents Australia Limited. Magic Millions 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 Magic Millions, the directors of the Company are of the view that Magic Millions is competent to determine the fair value of the Group's bloodstocks.

24. BIOLOGICAL ASSETS (Continued)

Bloodstocks (Continued)

Valuation methodology of bloodstocks

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

Valuation of bloodstocks (including Mares, Colts, Fillies and Geldings)

The valuations are arrived at based on market approach to estimate the fair market value of bloodstocks. In determining the fair market value, Magic Millions 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, the valuer has adopted valuation techniques with inputs that valuer believes are reasonably based.

With respect to the valuation of horses, the 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 realised 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.

24. BIOLOGICAL ASSETS (Continued)

Bloodstocks (Continued)

Valuation technique and major inputs

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. Magic Millions watched 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 as they may compare this profile to a similar profile 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.

Yearlings

Valuation of yearlings 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, Magic Millions 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.

24. BIOLOGICAL ASSETS (Continued)

Bloodstocks (Continued)

Stallions

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

The fair value of each stallions was individually determined at the end of each reporting period based on an income approach and used revenue projections based on historical service fees income of the stallions and also takes into account the stallion's prior activity, his age, his average live foal ratio, his progeny racetrack and sales results. The directors of the Company with reliance on the valuation performed by an independent valuer covering a two to three years period depending on the age of the stallions to determine a value and pre-tax discount rate of 19% per annum.

25. LOAN RECEIVABLES

The exposure of the Group's loan receivables, net of impairment, to their contractual maturity dates are as follows:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**80,761**	226,218
In more than one year but not more than two years	**3,614**	–
In more than two years but not more than five years	**13,725**	–
	98,100	226,218
Less: amount classified as current assets	**(80,761)**	(226,218)
Non-current assets	**17,339**	–

The grants of these loans were approved and monitored by the Group's management and directors.

As at 31 March 2019, loan receivable with an aggregate carrying amount of approximately HK$91,218,000 (2018: HK$128,293,000) are secured by share charges, properties, mortgage and convertible bonds.

Included in the carrying amount of loan receivables as at 31 March 2019 is accumulated impairment losses of approximately HK$42,368,000 (2018: HK$53,090,000).

25. LOAN RECEIVABLES (Continued)

As at 31 March 2019, included in the Group's loan receivables balances are debtors with an aggregate carrying amount of approximately HK$81,387,000 (2018: HK$71,293,000) which was past due as at the end of the reporting period. In the event that an installment repayment of a loan receivable is past due, the entire outstanding balances of the loan receivables are deemed as past due.

The ageing analysis of these past due but no specific impairment was made on loan receivables is as follows:

	2019	2018
	HK$'000	*HK$'000*
0-30 days	**–**	–
31-90 days	**–**	–
over 90 days	**81,387**	71,293
	81,387	71,293

Movement in the allowances for credit losses on loan receivables, is as follow:

	2019	2018
	HK$'000	*HK$'000*
At the beginning of the year	**53,090**	–
Effect of adoption of HKFRS 9	**21,673**	–
At the beginning of the year after adoption of HKFRS 9	**74,763**	–
Acquisition of a subsidiary	**–**	50,090
Written-off	**(50,000)**	–
Allowance for credit losses recognised	**17,605**	3,000
At the end of the year	**42,368**	53,090

The amount of HK$81,387,000 was overdue and no renewal of loan contracts was signed at 31 March 2019. The interest accrued to these loans overdue was HK$19,908,000 at 31 March 2019. In the opinion of directors, it was not necessary to impair as the customers still keep on repaying interest.

25. LOAN RECEIVABLES (Continued)

As at 31 March 2019, the Group had loan and interest receivables from a customer ("Borrower A") of approximately HK$9,714,000 (2018: HK$13,663,000) and another customer ("Borrower B") of approximately HK$37,928,000 (2018: HK$39,365,000) which were overdue. The Group entered into a deed of settlement with Borrower A and Borrower B on 11 September 2018 pursuant to which Borrower A and Borrower B shall make full repayment of the outstanding loans and interests and the interests accrued thereon by monthly instalments of HK$2,500,000. Details of the deed of settlement are set out in the announcement of the Company dated 11 September 2018.

As at 31 March 2019, the Group had loan and interest receivables from a customer ("Borrower C") of approximately HK$32,146,000 (2018: HK$Nil) which was overdue. The Group ended into a disposal agreement with a company ultimately wholly-owned by Mr. Cheng on 14 February 2019 to dispose the loan and interest receivables from Borrower C. Details of the disposal are set out in note 51 to the consolidated financial statements, the announcements of the Company dated 14 February 2019 and 24 June 2019 and circular of the Company dated 6 June 2019.

As at 31 March 2018, the Group had a loan and interest receivables from a customer ("Borrower D") of approximately HK$20,069,000 which was overdue. The Group entered into a new loan agreement with Borrower D on 6 August 2018 to renew the loan for a fixed term of 12 months from the date of drawn down at an interest rate of 18% per annum. Mr. Cheng entered into a deed of indemnity on 30 August 2018 in favour of Sun Finance Company Limited ("Sun Finance"), a subsidiary of the Company and the lender to Borrower D, to indemnify Sun Finance against all losses and damages out of any failure by Borrower D to repay all or any part of the loan or interest or any costs under the new loan agreement. Details of the new loan agreement are set out in the announcement of the Company dated 6 August 2018. On 7 November 2018, all the outstanding principal and interest under the new loan agreement were settled in full.

26. TRADE RECEIVABLES

	2019 ***HK$'000***	2018 *HK$'000*
Trade receivables	**14,209**	13,416
Less: allowance for credit losses	**(5,506)**	(3,572)
	8,703	9,844
Accounts receivables from brokers, dealers and clearing house	**16,559**	450
	25,262	10,294
Less: assets classified as held for sale	**(6,692)**	–
	18,570	10,294

Accounts receivables from brokers, dealers and clearing house are due and settled on two business days after the trade date and denominated in HK$. Therefore, no ageing analysis is disclosed.

26. TRADE RECEIVABLES (Continued)

The following is an ageing analysis of trade receivables (excluding accounts receivables from brokers, dealers and clearing house) net of allowance for credit loss, presented based on invoice date, at the end of the reporting period:

	2019 HK$'000	2018 HK$'000
Within 30 days	7,832	7,812
31–60 days	871	212
61–90 days	–	27
Over 90 days	–	1,793
	8,703	9,844

The average credit period on the trade receivables is 30–90 days. The carrying amounts of the trade receivables are mainly denominated in HK$ and Australian Dollars ("AUD"). The age of trade receivables which are overdue but not impaired was as follows:

	2019 HK$'000	2018 HK$'000
Overdue within 30 days	1,848	1,792

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.

Movement in the allowances for credit losses on trade receivables, is as follow:

	2019 HK$'000	2018 HK$'000
At the beginning of the year	3,572	3,792
Effect of adoption of HKFRS 9	2,242	–
At the beginning of the year after adoption of HKFRS 9	5,814	–
Allowance for credit losses reversed	(308)	(220)
At the end of the year	5,506	3,572

27. ADVANCES TO CUSTOMERS IN MARGIN FINANCING

	2019 HK$'000	2018 HK$'000
Advances to margin customers	**80,649**	83,378
Less: allowance for credit losses	**(2,339)**	–
	78,310	83,378

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 2019, advances to margin customers of approximately HK$80,649,000 (2018: HK$83,378,000) were secured by securities pledged by the margin customers to the Group as collateral with undiscounted market value of approximately HK$376,772,000 (2018: HK$220,758,000).

The advances to margin customers in margin financing have been reviewed by management to assess allowance for credit losses 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. Allowance for credit losses of approximately HK$2,436,000 (2018: HK$Nil) was reversed during the year ended 31 March 2019.

Movement in the allowances for credit loss on advances to customers in margin financing, is as follow:

	2019 HK$'000	2018 HK$'000
At the beginning of the year	**–**	–
Effect of adoption of HKFRS 9	**4,775**	–
At the beginning of the year after adoption of HKFRS 9	**4,775**	–
Allowance for credit losses reversed	**(2,436)**	–
At the end of the year	**2,339**	–

28. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	HK$'000	HK$'000
Prepayments	2,096	6,021
Deposits	4,646	5,843
Other receivables	2,705	7,100
	9,447	18,964
Less: assets classified as held for sale	(912)	–
	8,535	18,964

29. CASH AND CASH EQUIVALENT

The carrying amounts of the Group's bank balances and cash are denominated in the following currencies:

	2019	2018
	HK$'000	HK$'000
HK$	96,269	73,111
AUD	12,530	10,592
United States Dollar ("US$")	1,344	2,040
Indonesian Rupiah	3	3
Renminbi ("RMB")	16	20
British Pound	393	55
Others	364	347
	110,919	86,168
Less: assets classified as held for sale	(394)	–
	110,525	86,168

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 2019, bank balances of approximately HK$109,541,000 (2018: HK$84,451,000) are subject to floating interest rate ranged from 0% to 0.3% (2018: 0% to 0.3%) per annum.

30. 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 payables (note 31) 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.

	2019 HK$,000	2018 HK$,000
Cash held on behalf of customers		
– HK$	120,906	119,929
– RMB	52	52
– US$	26	25
	120,984	120,006

31. TRADE PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables	4,331	3,890
Accounts payables to clients and clearing house	139,498	126,010
	143,829	129,900
Less: liabilities classified as held for sale	(450)	–
	143,379	129,900

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.

31. TRADE PAYABLES (Continued)

Accounts payables to clients and clearing house include those payables placed in trust accounts with authorised institutions of approximately HK$120,984,000 (2018: HK$120,006,000), amounts due to other futures dealers of approximately HK$17,054,000 (2018: HK$658,000) and amount due to clearing house of approximately HK$2,958,000 (2018: HK$6,422,000). Amount due to clearing house of approximately HK$15,184,000 (2018: HK$29,454,000) 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 0.001% per annum as at 31 March 2019 (2018: 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), presented based on invoice date, at the end of reporting period:

	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**3,926**	3,630
31–90 days	**401**	240
91–120 days	**4**	20
	4,331	3,890

The average credit period on trade payables is 90 days (2018: 90 days). The Group has financial risk management policies in place to ensure all payables are settled within the credit period.

32. ACCRUALS AND OTHER PAYABLES

	2019 *HK$'000*	2018 *HK$'000*
Accruals	**54,284**	15,922
Other payables	**4,474**	25,214
Provision for long service payment and annual leave	**540**	1,106
	59,298	42,242
Less: liabilities classified as held for sale	**(555)**	–
	58,743	42,242

33. DEPOSITS RECEIVED AND DEFERRED INCOME

	2019 *HK$'000*	2018 *HK$'000*
Deposits received	**49**	103
Deferred income	**543**	132
	592	235
Less: liabilities classified as held for sale	**(49)**	–
	543	235

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.

34. AMOUNTS DUE TO RELATED COMPANIES

The name of and the relationship with related parties are as follows:

	2019 HK$'000	2018 HK$'000
Trade payables to companies which are beneficially owned and controlled by Mr. Chau	122,685	123,394
Less: Liabilities classified as held for sale	(3,706)	–
	118,979	123,394

These amounts due are unsecured, non-interest bearing and repayable on demand.

35. MEDIUM-TERM BONDS

	2019 HK$'000	2018 HK$'000
Medium-terms bonds due:		
Within one year	8,744	–
In the second year	15,143	–
In the third to fifth year inclusive	10,482	34,955
	34,369	34,955

The details of the medium-term bonds issued are set out as follows:

	Date of issue	Principal amount HK$	Nominal interest rate	Date of maturity
Bonds A	From 2 January 2015 to 5 November 2015	36,000,000 (2018: 36,000,000)	7%	From 1 January 2020 to 4 November 2020

Bonds A was issued to various independent third parties according to the approvals issued by CIS Securities Asset Management Limited (formerly known as CONVOY Investment Services Limited).

Interest is repayable semi-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.

The directors of the Company consider that the carrying amounts of the medium-term bonds are approximately to their fair value.

36. PROMISSORY NOTES

	2019 HK$'000	2018 HK$'000
At the beginning of the reporting period	**482,937**	111,789
Issuance upon acquisition of Target Companies	**–**	378,000
Imputed interest charged	**16,676**	(6,852)
Early redemption	**(24,696)**	–
At the end of the reporting period	**474,917**	482,937

The promissory notes are repayable as follows:

	2019 HK$'000	2018 HK$'000
Within one year (note (a))	**128,695**	122,747
In the third year (note (b))	**346,222**	360,191
	474,917	482,938

Notes:

(a) 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 approximately HK$18,605,000.

The principal amount of promissory note issued and not reduced was finally fixed at approximately HK$128,695,000 and its fair value (net of the fair value of breakeven guarantee) was approximately HK$103,178,000 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.

The Company extended the promissory note for one month to 31 March 2019 and further extended three months to 30 June 2019.

As at 31 March 2019, the fair value of the promissory note was approximately HK$128,695,000 (2018: HK$122,747,000).

36. PROMISSORY NOTES (Continued)

Notes: (Continued)

(b) On 31 January 2018, the Company issued promissory notes in aggregate principal amount of HK$378,000,000 as consideration for the acquisition of Sun Finance. The promissory notes bear interest at 7% per annum and with maturity date on 31 January 2021.

The principal amount of promissory notes finally issued was HK$378,000,000 as at the issue date and their fair value at initial recognition were determined by using the discounted cash flow approach at prevailing market borrowing rate of 8.64%. The promissory notes are carried at the amortised cost until settlement on the due date.

On 28 November 2018, the Company early redeemed a partial of the promissory notes with the principal amount of HK$25,000,000.

As at 31 March 2019, the fair value of the promissory notes were approximately HK$346,220,000 (2018: HK$360,191,000).

37. INTEREST-BEARING BORROWINGS

Other borrowings

	2019	2018
	HK$'000	*HK$'000*
Interest bearing borrowings:		
– Unsecured	**–**	40,000

The lenders of the interest-bearing borrowings are related companies which are beneficially owned and controlled by Mr. Cheng.

(a) The interest-bearing borrowings are repayable as follows:

	2019	2018
	HK$'000	*HK$'000*
On demand or within one year	**–**	40,000

(b) The following table profiles the Group's interest bearing borrowings at the reporting date:

	2019		2018	
	Effective interest rate	***HK$'000***	Effective interest rate	*HK$'000*
Fixed rate borrowings	**Nil**	**Nil**	8%	40,000

38. DEFERRED TAXATION

At 31 March 2019, the Group has unused tax losses of approximately HK$243,730,000 (2018: HK$51,630,000) 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.

39. SHARE CAPITAL

	2019	2018
	HK$'000	*HK$'000*
Issued and fully paid:		
1,391,400,000 ordinary shares of HK$0.04 each (2018: 1,391,400,000 ordinary shares of HK$0.04 each)	**55,656**	55,656

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.

40. 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 (the "2006 Share Option Scheme") and another one was adopted on 5 December 2006 (the "New Scheme") and expired in 2016. Following the expiry of the New Scheme on 4 December 2016, no further share option can be granted, but the provisions of the New 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 New 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.

40. SHARE OPTION SCHEME (Continued)

New Scheme (Continued)

The participants of the New Scheme to whom options may be granted by the board of directors of the Company shall include any director, employee, consultant, adviser, agent, contractor, customer or supplier of any member of the Group whom the board of directors of the Company 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.

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.

40. SHARE OPTION SCHEME (Continued)

New Scheme (Continued)

Category participants	Date of grant	2019 Exercise price	Exercise period	Outstanding at 1 April 2017	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 March 2018	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding at 31 March 2019
Mr. Cheng Ting Kong	25.11.2010	1.12	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	0.05	09.02.2010-08.02.2020	11,492,308	–	–	–	11,492,308	–	–	–	11,492,308
	25.11.2010	1.12	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	0.55	13.08.2007-12.08.2017	24,112,728	–	–	24,112,728	–	–	–	–	–
	17.08.2007	0.52	17.08.2007-16.08.2017	13,292,308	–	–	13,292,308	–	–	–	–	–
	21.08.2007	0.50	21.08.2007-20.08.2017	13,248,000	–	–	13,248,000	–	–	–	–	–
	19.08.2008	0.83	19.08.2008-18.08.2018	73,976,386	–	–	–	73,976,386	–	–	73,976,386	–
	27.08.2008	0.84	27.08.2008-26.08.2018	6,628,572	–	–	–	6,628,572	–	–	6,628,572	–
	16.12.2009	0.54	16.12.2009-15.12.2019	28,640,740	–	–	–	28,640,740	–	–	–	28,640,740
	25.11.2010	1.12	25.11.2010-24.11.2020	26,413,750	–	–	–	26,413,750	–	–	–	26,413,750
	07.12.2010	1.26	07.12.2010-06.12.2020	12,635,714	–	–	–	12,635,714	–	–	–	12,635,714
				198,948,198	–	–	50,653,036	148,295,162	–	–	80,604,958	67,690,204
Other employees in aggregate	19.08.2008	0.83	19.08.2008-18.08.2018	17,264,820	–	–	–	17,264,820	–	–	17,264,820	–
	16.12.2009	0.54	16.12.2009-15.12.2019	39,603,704	–	–	–	39,603,704	–	–	–	39,603,704
	09.02.2010	0.65	09.02.2010-08.02.2020	11,492,308	–	–	–	11,492,308	–	–	–	11,492,308
	25.11.2010	1.12	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	–	–	17,264,820	90,172,512
				347,015,738	–	–	50,653,036	296,362,702	–	–	97,869,778	198,492,924
Weighted average exercise price				0.745				0.781				0.757

40. 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 2019, the weighted average remaining contractual life of the share options is 1.8 years (2018: 2.0 years).

The fair values of the share options granted for the years ended were calculated using the Black-Scholes pricing model. 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.

(4) No share options were granted for the year ended 31 March 2019 (2018: Nil). At 31 March 2019, the Company had 198,492,924 (2018: 296,362,702) share options outstanding under the New Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 198,492,924 (2018: 296,362,702) additional ordinary shares of HK$0.04 (2018: HK$0.04) each of the Company and additional share capital of 7,939,717 (2018: 11,854,509) and cash proceeds to the Company of approximately HK$150,175,000 (2018: HK$231,473,000) (before share issue expenses).

41. 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.

41. FINANCIAL ASSETS AND FINANCIAL LIABILITIES OFFSETTING (Continued)

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.

As at 31 March 2019

	Gross amounts of recognised financial assets (liabilities) after impairment	Gross amounts of recognised financial assets (liabilities) set off in the consolidated statement of financial position	Net amounts of financial assets (liabilities) presented in the consolidated statement of financial position
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Accounts receivables from:			
Futures dealers	16,539	–	16,539
Funds and bonds dealers	20	–	20
Clearing house	15,184	(15,184)	–
	31,743	(15,184)	16,559
Financial liabilities			
Accounts payables to:			
Securities – cash clients	65,013	–	65,013
Securities – margin clients	54,465	–	54,465
Futures clients	17,054	–	17,054
Clearing house	18,142	(15,184)	2,958
Others	8	–	8
	154,682	(15,184)	139,498

41. FINANCIAL ASSETS AND FINANCIAL LIABILITIES OFFSETTING (Continued)

As at 31 March 2018

	Gross amounts of recognised financial assets (liabilities) after impairment	Gross amounts of recognised financial assets (liabilities) set off in the consolidated statement of financial position	Net amounts of financial assets (liabilities) presented in the consolidated statement of financial position
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Accounts receivables from:			
Futures dealers	426	–	426
Funds and bonds dealers	24	–	24
Clearing house	29,454	(29,454)	–
	29,904	(29,454)	450
Financial liabilities			
Accounts payables to:			
Securities – cash clients	43,694	–	43,694
Securities – margin clients	75,227	–	75,227
Futures clients	658	–	658
Clearing house	35,877	(29,454)	6,423
Other	8	–	8
	155,464	(29,454)	126,010

42. 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:

	2019	2018
	HK$'000	*HK$'000*
Within one year	**1,847**	1,987
In the second and fifth year inclusive	**2,481**	2,417
	4,328	4,404

Leases and rentals are negotiated for an average term of three years.

43. RELATED PARTY TRANSACTIONS

(a) The name of and the relationship with related parties are as follows:

Name	Relationship
Mr. Cheng	Director of the Company
Lui Man Wah	Director of the Company
Yiu Tak Yin	Responsible officer of Sun International Securities Limited

(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:

	2019 *HK$'000*	2018 *HK$'000*
Included in revenue		
Equine related income (bloodstock sale and service fee) from a related company which is beneficially owned and controlled by Mr. Cheng	**10,471**	11,148
Included in revenue		
Service fee income for general offer from a related company which is beneficially owned and controlled by Mr. Cheng	**1,371**	1,785
Included in revenue		
Brokerage income from Mr. Cheng, Lui Man Wah and Yiu Tak Yin	**29**	55
Included in revenue		
Margin interest income from Lui Man Wah and Yiu Tak Yin	**169**	174
Included in finance cost		
Interest expenses on interest-bearing borrowings to a related company which is beneficially owned and controlled by Mr. Cheng	**1,993**	13,476
Interest expenses on promissory notes to related companies which are beneficially owned and controlled by Mr. Cheng and/or Mr. Chau	**28,154**	2,574

The directors of the Company consider that the above transactions are conducted on normal commercial terms or better and in the ordinary and usual course of business of the Group.

44. 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 9.50% (2018: 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.

45. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 14 February 2019, the Group entered into a sale agreement to dispose of a subsidiary, Sun Kingdom Pty Ltd ("Sun Kingdom"), which carried out a part of the Group's equine business. Details of the disposal are set out in note 51 to the consolidated financial statements.

Assets classified as held for sale

	2019
	HK$'000
Biological assets	75,036
Trade receivables	6,692
Prepayments, deposits and other receivables	912
Cash and cash equivalents	394
	83,034

Liabilities classified as held for sale

	2019
	HK$'000
Trade payables	450
Accruals and other payables	555
Deposits received and deferred income	49
Amounts due to related companies	3,706
	4,760

As at 31 March 2019, Sun Kingdom has an amount due to the Company of approximately HK$80,465,000.

46. 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:

	HK$'000
Analysis of assets over which control was lost:	
Trade receivables	379
Prepayment, deposit and other receivable	54
Bank balances and cash	177
Tax credit	(45)
Net assets disposed of	565
Gain on disposal of a subsidiary	
Cash consideration received	1,000
Net assets disposed of	(565)
Gain on disposal of a subsidiary	435
Net cash outflow arising on disposal	
Cash consideration	1,000
Bank balances and cash disposed of	(177)
	823

47. ACQUISITION OF BUSINESS

On 29 September 2017, Pioneer Frontier Limited ("Pioneer Frontier"), a subsidiary of the Company, entered into a sale and purchase agreement (the "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, 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.

47. ACQUISITION OF BUSINESS (Continued)

The carrying amount of the acquired assets of Sun Finance at the date of acquisition comprised:

	HK$'000
Fixed assets	787
Loan receivables	503,495
Prepayments, deposits and other receivables	939
Cash and cash equivalents	38,457
Tax recoverable	1,355
Trade payables	(921)
Accruals and other payables	(92)
Amount due to Shareholders	(118,950)
Provision for bad and doubtful debts	(50,070)
Net identifiable assets	375,000
Goodwill arising on acquisition	3,000
Consideration transferred, satisfied by issue of Promissory Note	378,000
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)
	(38,457)

Pursuant to the Acquisition Agreement, the full consideration of HK$378,000,000 is settled by the issue of three promissory notes which bear interest at 7% per annum with a maturity of 3 years.

Revenue of approximately HK$8,889,000 and profit of approximately HK$4,837,000 attributable to Sun Finance 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.

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Statement of financial position of the Company at the end of the reporting period:

	2019 HK$'000	2018 HK$'000
Non-current asset		
Investment in a subsidiary	–	–
Current assets		
Prepayments, deposits and other receivables	584	329
Amounts due from subsidiaries	395,508	559,255
Bank balances and cash	1,680	7,082
	397,772	566,666
Current liabilities		
Accruals and other payables	37,905	29,933
Amounts due to subsidiaries	260,951	270,949
Promissory notes	128,695	122,747
Medium-term bonds	8,744	–
Interest-bearing borrowings	–	40,000
	436,295	463,629
Net current (liabilities)/assets	(38,523)	103,037
Non-current liabilities		
Medium-term bonds	25,625	34,955
Promissory notes	346,222	360,191
	371,847	395,146
Net liabilities	(410,370)	(292,109)
Capital and reserves		
Share capital	55,656	55,656
Reserves	(466,026)	(347,765)
Total equity	(410,370)	(292,109)

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

Cheng Ting Kong
Director

Lui Man Wah
Director

48. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Movement in the Company's reserve

	Share premium	Contributed surplus	Capital redemption reserve	Share options reserve	Accumulated loss	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2017	775,075	368	255	46,555	(53,911)	768,342
Loss for the year	–	–	–	–	(1,116,107)	(1,116,107)
At 31 March 2018	775,075	368	255	46,555	(1,170,018)	(347,765)
At 1 April 2018	775,075	368	255	46,555	(1,170,018)	(347,765)
Loss for the year	–	–	–	–	(118,261)	(118,261)
Lapsed of share options	–	–	–	(22,355)	22,355	–
At 31 March 2019	**775,075**	**368**	**255**	**24,200**	**(1,265,924)**	**(466,026)**

49. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

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 Directly % 2019	Directly % 2018	Indirectly % 2019	Indirectly % 2018	Principal activities
Galileo Capital Group (BVI) 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
Infinite Success Investment Limited	British Virgin Islands	Limited company	US$1	–	–	100	100	Investment holding
Jet Trade Limited	Hong Kong	Limited company	HK$1	–	–	100	100	Investment holding of yacht
Kimbo Consultancy Pty. Limited	Australia	Limited company	AUD100	–	–	100	100	Provision of human resources and administrative services for the subsidiaries in Australia
Pioneer Frontier Limited	British Virgin Islands	Limited company	US$1	–	–	100	100	Investment holding
Sun Farm Land Pty. Limited	Australia	Limited company	AUD100	–	–	100	100	Property investment holding
Sun Finance	Hong Kong	Limited company	HK$375,000,000	–	–	100	100	Provision for money lending business in Hong Kong
Sun Kingdom	Australia	Limited company	AUD100	–	–	100	100	Trading of bloodstocks
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
Sun International Credit Limited	Hong Kong	Limited company	HK$1	–	–	100	100	Provision for money lending business in Hong Kong
Sun International Securities Limited	Hong Kong	Limited company	HK$140,000,000	–	–	100	100	Provision of securities brokerage services
Sun Macro Limited	British Virgin Islands	Limited company	US$1	–	–	100	100	Investment holding
Sun Stud Pty. Limited	Australia	Limited company	AUD100	–	–	100	100	Provision of equine related services and investment in stallions

50. CONTINGENT LIABILITIES

On 30 October 2018, Guangdong Higher People's Court has been directed by the Supreme People's Court of the PRC to hear the claim (the "Claim") made by Mr. Chiu Ming ("Mr. Chiu") and Diamond Ocean Development Limited ("Diamond Ocean") against, amongst others, Sun Finance Company Limited ("Sun Finance"), a wholly-owned subsidiary of the Company, Mr. Cheng, a controlling shareholder of the Company and an executive Director and Mr. Chau, a controlling shareholder of the Company, in relation to, among others, the enforcement of the share charge in 2011 over certain shares (the "Charged Shares") of a listed company (the "Listed Company") in Hong Kong provided by Diamond Ocean, being the security for a loan provided by Sun Finance to Diamond Ocean, which was alleged by Mr. Chiu and Diamond Ocean to have infringed their rights. According to the Claim, Mr. Chiu and Diamond Ocean requested the court to order Sun Finance, Mr. Cheng and Mr. Chau to compensate Mr. Chiu and Diamond Ocean for direct economic loss of RMB500,000,000 and bear all the litigation costs. In addition, Mr. Chiu and Diamond Ocean will seek compensation for indirect loss after the valuation company engaged by the court has assessed the assets of a PRC subsidiary (the "PRC Subsidiary") of the Listed Company.

As at the date of approval of these consolidated financial statements, no hearing notice issued by Guangdong Higher People's Court has been received by Sun Finance, Mr. Cheng and Mr. Chau.

In preparing the consolidated financial statements of the Group for the year ended 31 March 2019, the directors of the Company have sought the legal opinion from the PRC legal adviser regarding the Claim (the "PRC Legal Opinion").

According to the PRC Legal Opinion, the chances of success of the Claim are very low. In the PRC Legal Opinion, the PRC legal advisers consider that, among others, (i) there is not enough basis to support the allegation that the disposal of the Charged Shares was illegal; (ii) the alleged change of the legal representative of the PRC Subsidiary by the defendants by illegal means is not in conformity with the fact and irrelevant to the Claim; (iii) the amount of the direct loss alleged by the plaintiffs is lack of basis and no definite amount can be derived from the materials provided by the plaintiffs; and (iv) the limitation period of two years for making the Claim have expired.

In order to remove any uncertainty arising from the Claim on the Group, on 4 April 2019, Mr. Cheng executed a deed of indemnity in favour of the Company (for itself and as trustee of Sun Finance and the intermediate holding company of Sun Finance), whereby Mr. Cheng agreed to indemnify and keep the Company (for itself and as trustee of Sun Finance and the intermediate holding company of Sun Finance) indemnified against all loss and damages arising out of or in relation to the Claim.

Having considered the aforementioned factors, the directors of the Company consider that the Claim is unlikely to have any material adverse impact on the Group and no provision is required to be made in relation to the same.

Details of the Claim were set out in the announcements of the Company dated 4 April 2019 and 8 April 2019.

51. EVENTS AFTER REPORTING PERIOD

On 14 February 2019, Sun Finance entered into the disposal agreement with Imperium Credit Limited ("Imperium Credit"), pursuant to which Sun Finance has conditionally agreed to sell and Imperium Credit has conditionally agreed to acquire the Sale Loan and the outstanding interest accrued thereon which was approximately HK$1,998,000 as at 2 August 2018 at the consideration of approximately HK$31,998,000 (the "Disposal Agreement"). Pursuant to the Disposal Agreement, the consideration shall be set off against part of the principal amount and the outstanding interest accrued of certain promissory notes in the amount of approximately HK$31,998,000, which is equivalent to the outstanding amount of the Sale Loan and the outstanding interest accrued thereon as at 2 August 2018.

On 14 February 2019, Sun Macro entered into the share sale agreement with Prestige Summit Investments Limited ("Prestige Summit"), pursuant to which Sun Macro has conditionally agreed to sell and Prestige Summit has conditionally agreed to acquire the entire issued share capital of Sun Kingdom at the purchase price of AUD 1 (subjected to adjustments) (the "Share Sale Agreement"). Pursuant to the Share Sale Agreement, following the completion of the disposal of Sun Kingdom (the "Share Sale Completion"), the whole amount of the Sun Kingdom Loan shall be set off against part of the principal amount of a promissory note of approximately HK$81,447,000 (equivalent to the amount of the Sun Kingdom Loan).

According to the terms of the Share Sale Agreement, upon Share Sale Completion, Sun Stud and Sun Kingdom will enter into the Master Service Agreement, pursuant to which the Sun Stud Group will agree to provide horse racing related services to the Sun Kingdom and/or its affiliates (including but not limited to Sun Bloodstock Pty Limited ("Sun Bloodstock")) for a term commencing from the date of Share Sale Completion and ending on 31 March 2021 (both days inclusive). It is expected that upon Share Sale Completion, all the horse racing related services will be provided by the Sun Stud Group to Sun Kingdom and/or its affiliates (including but not limited to Sun Bloodstock) under the Master Service Agreement.

On 14 February 2019, the Company and First Cheer entered into the subscription agreement, pursuant to which First Cheer has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 868,434,000 subscription shares of the Company at the subscription price of HK$0.345 per subscription share. Pursuant to the Subscription Agreement, the subscription monies shall be set off against (i) the entire principal amounts of the advances from Chau's Holdings Company Limited and Cheng Family Investment Holdings Company Limited; (ii) the outstanding interest accrued of a promissory note; and (iii) the relevant principal amount of certain promissory notes in an aggregate amount equivalent to the subscription monies upon completion of the Subscription.

51. EVENTS AFTER REPORTING PERIOD (Continued)

On 24 June 2019, the Disposal, the Share Sale, the Master Service Agreement and the Subscription have been approved by the shareholders of the Company.

Details of the Disposal, the Share Sale, the Master Service Agreement and the Subscription were set out in the announcements of the Company dated 14 February 2019 and 24 June 2019 and the circular of the Company dated 6 June 2019.

52. COMPARATIVE FIGURES

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

53. AUTHORISATION FOR ISSUE OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 28 June 2019.

Five Year Financial Summary

Summary of the results, assets and liabilities of the Group is as follows:

	For the year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Results					
Revenue	**119,216**	118,799	94,737	121,139	151,293
Loss before taxation	**(102,981)**	(61,885)	(85,817)	(125,236)	(403,194)
Income tax expense	**(2,557)**	(1,603)	(68)	(338)	(665)
Loss for the year	**(105,538)**	(63,488)	(85,885)	(125,574)	(403,859)
(Loss)/Profit attributable to:					
Owners of the Company	**(105,538)**	(60,735)	(85,359)	(115,696)	(427,905)
Non-controlling interests	**–**	(2,753)	(526)	(9,878)	24,046
Loss for the year	**(105,538)**	(63,488)	(85,885)	(125,574)	(403,859)
Loss per share attributable to owners of the Company					
Basic (HK cents)	**(7.59)**	(4.37)	(6.13)	(8.32)	(30.75)
Diluted (HK cents)	**(7.59)**	(3.53)	(6.07)	(8.32)	(30.75)

	At 31 March				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets and liabilities					
Total assets	**650,660**	780,663	560,260	795,158	589,692
Total liabilities	**(835,690)**	(853,912)	(565,648)	(712,770)	(412,006)
Net (liabilities)/assets	**(185,030)**	(73,249)	(5,388)	82,388	177,686