



2016
2017

ANNUAL REPORT

(Continued in Bermuda with limited liability)
(Stock Code: 08317)

New Field New Finet



財華社
FINET

Finet Group Limited

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

GEM has been positioned as a market designed to accommodate companies to which a higher 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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this annual report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this annual report.

This annual report, for which the directors (the “Directors”) of Finet Group Limited (the “Company” together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (“GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in this annual report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this annual report misleading.

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Corporate Profile

The Company was incorporated in the Cayman Islands in 1998. The Company was deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda in June 2011. The shares of the Company are listed on GEM (stock code: 08317). The major business segments of the Group are provision of financial information services (including media business), securities and futures business, money lending and property investment.

The Group is headquartered in Hong Kong with offices in Beijing and Shenzhen.







2016 港股100強
香港上市公司港股100強評選

首屆香港上市公司發展高峰論壇

主辦機構

騰訊網 qq.com 華 財華社 FINET



Corporate Information

Board of Directors

Executive Directors

Ms. LO Yuk Yee (*Chairman and Chief Executive Officer*)

Mr. CHOW Wing Chau

Mr. YIU Wing Hei

Mr. LI Hong

(appointed on 30 September 2016)

(resigned on 8 May 2017)

Independent Non-executive Directors

Mr. WONG Wai Kin

Mr. SIU Siu Ling, Robert

Mr. LEUNG Chi Hung

Audit Committee

Mr. WONG Wai Kin (*Chairman*)

Mr. SIU Siu Ling, Robert

Mr. LEUNG Chi Hung

Remuneration Committee

Mr. SIU Siu Ling, Robert (*Chairman*)

Mr. WONG Wai Kin

Ms. LO Yuk Yee

Nomination Committee

Ms. LO Yuk Yee (*Chairman*)

Mr. WONG Wai Kin

Mr. SIU Siu Ling, Robert

Corporate Governance Committee

Mr. LEUNG Chi Hung (*Chairman*)

Mr. WONG Wai Kin

Mr. SIU Siu Ling, Robert

Company Secretary

Mr. PO Eric

Authorized Representatives

Ms. LO Yuk Yee

Mr. CHOW Wing Chau

Legal Advisors

ONC Lawyers

Auditors

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Registered Office

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

Head Office

Room C, 11/F

Bank of East Asia Harbour View Centre

56 Gloucester Road Wanchai

Hong Kong

Principal Place of Business in Hong Kong

30/F, Fortis Tower

77-79 Gloucester Road, Wanchai

HK

Company Website

www.finet.hk

Principal Banker

The Hongkong and Shanghai Banking
Corporation Limited

Stock Code

08317

Investor Relations

Email: ir@finet.com.hk

Website: <http://ir.finet.hk/>

Financial Highlights

Year ended 31 March

	2017 HK\$'000	2016 HK\$'000
Operating results		
Revenue	10,766	11,183
Loss attributable to owners of the Company	(29,122)	(35,957)
Loss attributable to non-controlling interests	(3,025)	(4,775)

As at 31 March

	2017 HK\$'000	2016 HK\$'000
Financial position		
Total assets	205,730	140,305
Total liabilities	117,852	53,786
Net assets	87,878	86,519
Cash and cash equivalents	57,016	25,718

Year ended 31 March

	2017	2016
Loss per share for loss attributable to owners to the Company during the year		
Basic and diluted	<u>(6.11) cents</u>	<u>(7.94) cents</u>



Statement from the Chairman

The financial year of 2016/17 is a challenging year for the Finet Group Limited (“Finet”). Finet is determined to transform into an integrated platform for investors relationship business, media business and financial services.

We are an online media serving the stock investors in both Chinese and Hong Kong communities and we are subject to risks associated with operating in a rapidly developing and evolving industry.

The online advertising and marketing industry is rapidly evolving in China and is subject to continuous technological developments and changing customer demands. As an online media company which generates a significant portion of its revenues from distribution of news and financial public relation services to listed companies in Hong Kong, our future success depends largely upon our ability to enhance our existing services and solutions and to introduce new services and solutions with features that meet evolving technological developments, user preferences and customer demands, all in a timely and cost-effective manner. For example, we must develop innovative new services and solutions to address the rapidly developing mobile internet environment in order to maintain our competitive position.

The development of mobile technology and the increasing penetration of internet have brought China into a new era in which people gradually turn away from traditional portal websites to mobile applications for obtaining and consuming information. Along this development, we have observed slower growth of our portal advertising revenues, particularly the advertising revenues generated from our portal website, as many brand advertisers shift their budget to mobile applications that attract an increasing amount of user traffic. We have to put more investment into development of new mobile platform for displaying news and Public Relation services. At the same time, we have been experiencing drop in our revenues from traditional business in online advertising. We have made and will continue to make

various efforts to cater to such changing user behavior and meet evolving customer demands. But if we do not successfully execute our business strategies, we may lose users and customers, which could have material adverse impact on our business and results of operations.

Our ability to successfully penetrate into the Chinese communities had generated a large population of viewers for our news and video on most of the major portals in China such as Tencent, Sina, Sohu news, NetEase and TuDou, plus our strong base of our viewers in Hong Kong, we can execute our business strategies in expansion of our business into FinTech sector. For example, we can launch investment fund for high yield return for professional investors. This can help us to reduce our reliance on advertising business.

Other factor that may also help us to expand our business into financial public relation is our ability to reach to all the listed companies in Hong Kong through our Ranking Event for “The Top 100 Hong Kong Listed Companies Selection Award” which had been organized successfully with Tencent for 5 years.

Our business is facing intense competition, we have to spend more expenditures in building awareness of our brand and develop more partnership with different channels and websites in China. We also moved our focus from advertising revenue to fee based revenue such as project based Crisis Management for corporations. We also commenced our business on joint production of video programs with large portal website such as Sina, in order to monetize the traffic on these popular portals in China.

Our monetization may require users to accept “promoted” marketing in their feeds or private messages, and the platform that they have selected to follow. We started to engage social media platforms such as Facebook for introducing our news and video programs.



Statement from the Chairman

The markets for internet and social media and social networking services are highly competitive, and we may be unable to compete successfully against established industry competitors and new entrants. We provide more online content and services for the Chinese community and value added services which are more multi app and interacted services on our new platform, Stock Talk and X D Cloud.

Finally, I would like to take this opportunity to thank for the hard work of our staffs and continuous support from our shareholders.

Lo Yuk Yee
Chairman

26 June 2017



Management Discussion and Analysis

During the year, the Group continued its Internet, Mobile and Media (“IMM”) growth strategy, the Group further strengthened its hold on media business with focus on financial sector through the continuous development of the “FinTV” branding. Both the broadness and depth of programmes offered by FinTV has continued to multiply. FinTV brings investors and financial elites in greater China the latest professional report, through television, internet and mobile channels at the same time. The Group believes that the FinTV will be one of the major drivers for future growth in business. To broaden its revenue bases and to better utilize its resources, the Group continued to tap on the property investment with satisfactory results.

Media Business

The Group mainly conducted its media business through the establishment of Xian Dai TV Limited together with a number of subsidiaries (“Xian Dai”). In addition to the production and distribution of programmes through the branding “FinTV”, Xian Dai also engaged in investor relationship business and creative advertising. For the purpose of segment reporting in this annual results, the results of the media business has been included in the “Financial information service business” segment.

Property Investment Business

The investment properties in Hong Kong which have been vacant for a period of time during the financial year were successfully leased out during the year. Together with the investment properties in the People’s Republic of China (the “PRC”), the property investment business continued to provide stable income and result a positive contribution to the financial results of the Group.

Money Lending Business

The Group has been focusing on money lending business in this financial year. Despite the keen competition within the market, the loan interest income from the money lending business increased significantly in this year by approximately HK\$1,248,000.

Financial Information Service Business

Taking into consideration of the adverse market situation, the Group has decided to gradually scale down the provision of financial information services and technology platform to our customers. The major reason of the scale down since the decreasing in profit margin with this business segment in recent years. As a result of our downsizing exercise, our data center cost and information supplier cost have significantly decreased in this financial year, and is expected to remain stable in next financial year.

Securities and Future Business

Due to the keen competition within the market, the improvement in Group’s securities and future business is still a challenging task.

Financial Review

Revenue of the Group for the year ended 31 March 2017 was approximately HK\$10,766,000 (2016: HK\$11,183,000), which represented a decrease of approximately 3.7% as compared to the previous financial year. The net decrease was primarily attributable to: (i) an increase in loan interest income of approximately HK\$1,248,000 from money lending business; (ii) a decrease in income from financial information services and advertising services of approximately HK\$153,000; (iii) a decrease in the income from securities and futures business of approximately HK\$293,000; and (iv) a decrease in rental income from property investment business of approximately HK\$1,219,000.

Other income and gains of the Group for the year ended 31 March 2017 was approximately HK\$22,437,000 (2016: HK\$4,869,000). The increase was mainly due to: (i) an increase in fair value gain on investment properties of approximately HK\$9,700,000; (ii) gain on disposal of subsidiaries of approximately HK\$8,144,000; and (iii) a decrease in referral commission income of approximately HK\$1,263,000.

Management Discussion and Analysis

Cost of sales of the Group for the year ended 31 March 2017 was approximately HK\$3,066,000 (2016: HK\$7,906,000) representing a decrease of approximately 61.2% as compared to the previous financial year in line with financial information service business.

Selling and marketing expenses of the Group for the year ended 31 March 2017 were approximately HK\$145,000 and was decreased by approximately HK\$592,000 compared with approximately HK\$737,000 in 2016, representing a decrease of approximately 80.3% because of saving of expenses in sponsorship activities this year.

General and administrative expenses of the Group for the year ended 31 March 2017 were increased by approximately HK\$6,852,000 to approximately HK\$53,780,000 (2016: HK\$46,928,000), representing an increase of approximately 14.6% which was mainly due to provision for impairment loss of other receivables of HK\$8,779,000 made during the year.

Finance costs for the year ended 31 March 2017 were approximately HK\$9,639,000 (2016: HK\$1,093,000), which represented the interest charges on bank loans for the investment properties in Hong Kong of approximately HK\$703,000 (2016: HK\$407,000) and the charge of effective interest expenses on convertible bonds equity component of approximately HK\$8,936,000 (2016: HK\$686,000).

The Hong Kong taxation expenses for the year ended 31 March 2017 were approximately HK\$6,000 representing taxation expenses under provided for previous financial year. Approximately HK\$143,000 was paid during the year ended 31 March 2017 (2016: HK\$154,000) for income tax on rental income for the investment properties of the Company in the PRC. The deferred tax of approximately HK\$1,429,000 was mainly attributable to investment properties in Hong Kong, and the movement of the convertible bonds in equity component during the year.

Loss attributable to non-controlling interests of approximately HK\$3,025,000 in 2017 (2016: HK\$4,775,000), represented its share of loss in the Group's media business.

The consolidated loss attributable to owners of the Company for the year ended 31 March 2017 was approximately HK\$29,122,000 (2016: HK\$35,957,000).

Liquidity, Financial Resources and Capital Structure

	As at 31 March		
	2017 HK\$'000	2016 HK\$'000	change
Net current assets	54,775	14,420	279.9%
Total assets	205,730	140,305	46.6%
Total liabilities	117,852	53,786	119.1%
Total equity	87,878	86,519	1.6%
Cash and cash equivalents	57,016	25,718	121.7%
Debts to equity ratio	1.3x	0.62x	109.7%
Gearing ratio	1.02x	0.28x	264.3%

As at 31 March 2017, the total assets of the Group increased by approximately HK\$65,425,000 to approximately HK\$205,730,000 as compared to approximately HK\$140,305,000 as at the end of the previous financial year, representing an increase of approximately 46.6%.

As at 31 March 2017, the total liabilities of the Group increased by approximately HK\$64,066,000 to approximately HK\$117,852,000 as compared to approximately HK\$53,786,000 as at the end of the previous financial year, representing an increase of approximately 119.1%.

As at 31 March 2017, the total equity of the Group increased by approximately HK\$1,359,000 to approximately HK\$87,878,000 as compared to approximately HK\$86,519,000 as at the end of the previous financial year, representing an increase of approximately 1.6%.

Gearing Ratio

As at 31 March 2017, the Group's gearing ratio was approximately 102% (2016: 28%), based on total borrowings and the convertible bonds of approximately HK\$89,525,000 (2016: HK\$24,068,000) and total equity of the Group of approximately HK\$87,878,000 (2016: HK\$86,519,000).

Significant Investments Held

As of 31 March 2017, the Group held financial assets at fair value through profit or loss of approximately HK\$10,400,000 (2016: HK\$Nil) representing highly liquid equity securities listed in the Stock Exchange of Hong Kong Limited. The equity investment as of 31 March 2017 consists solely of 20,000,000 shares of equity securities of Daisho Microline Holdings Limited (SEHK: 567) which were acquired through placement during the year. The investment represented approximately 3.47% of shareholding in Daisho Microline Holdings Limited. As at 31 March 2017, based on the fair value of HK\$0.52 per share, the fair value and carrying amount of the equity investment was approximately HK\$10,400,000.

In addition, the Group has acquired 8,000,000 equity shares of Prosper Construction Holdings Limited (SEHK: 6816) at HK\$1 per share through placement during year. Prosper Construction Holdings Limited is listed in the Stock Exchange of Hong Kong Limited. This investment represented 1% of the shareholding in Prosper Construction Holdings Limited. The shares have been fully disposed during the financial year resulting a realized gain of approximately HK\$299,000 (2016: Realized gain of approximately HK\$42,000 from disposal of equity securities of another investee).

The board of Directors (the "Board") acknowledges that the performance of the equity investment may mainly be affected by worldwide economy and the degree of volatility in the PRC and Hong Kong stock markets, and susceptible to other external factors that may affect their values. In order to mitigate possible financial risk related to the equity investment, the management will closely monitor the performance of the equity investment and the changes of market condition.

Charges of Assets

As at 31 March 2017, the Group's investment properties with an aggregate carrying value of approximately HK\$68,000,000 (2016: HK\$58,200,000) was pledged as security for the borrowing facilities of the Group.

Exposure to Fluctuation in Exchange Rates

The Group holds investment properties which denominated in RMB. The Group is therefore exposed to currency risks, as the value of the assets will fluctuate due to change in exchange rates.

Staff

The Group had 124 (2016: 110) full-time employees (including directors) in Hong Kong and the PRC as at 31 March 2017.

Management Discussion and Analysis

During the year, the Group incurred total staff costs (including Directors' emoluments) of approximately HK\$25,428,000 (2016: HK\$28,293,000).

Employees' remuneration are determined in accordance with their experiences, competence, qualifications and nature of duties and the current market trend. Apart from the basic salary, commission, discretionary bonus or other incentives are offered to employees to reward their performance and contributions.

The emoluments of the Directors are decided by their individual performance, their responsibilities and the current market rate.

The Company has adopted a share option scheme under which the Company may grant options to Directors and eligible employees to subscribe the shares of the Company.

Dividend

The Board does not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: Nil).

Event After the Reporting Period

Details of significant events subsequent to the reporting date are set out in Note 38 to the consolidated financial statements.

Disclosure Under Chapter 17 of the GEM Listing Rules

The Directors confirmed that they were not aware of any circumstances which would give rise to disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

Prospect

We will continue to allocate our resources in FinTV as we aim to strengthen our leading position in providing financial news services.

We have high recognition in both Hong Kong and PRC market. Also, FinTV has high penetration power and reputation.

With our experienced production team, FinTV is able to generate high quality program for our audience.

We will strengthen our sales and marketing team in coming year to boost the advertising income of FinTV. Moreover, FinTV is expected to provide strong support to our investor relationship business.

Investor relationship business is expected to become our profitable stream ("IR business") of the Group in the coming years. IR business will both cover the listed companies and pre-IPO assignments. The services that we have been providing include the followings: (1) production of promotional videos; (2) arrangement of press conferences and celebration events; (3) arrangement of investor meetings; (4) preparing of investor relationship articles; (5) news distribution for the listed companies and pre-IPO assignments.

Our outstanding FinTV production team can support the growth and expansion of our IR business. In addition, the Group has accumulated ample experience in event management through the running of TOP 100 HK awards Ceremony.

The Group has successfully hosted the TOP 100 HK awards Ceremony events this year. This major event has created a strong foundation for us to develop the event management business. On the other hand, the Group has earned a lot of reputation and recognition by running TOP 100 HK awards Ceremony events.



Management Discussion and Analysis

Meanwhile, Finet Securities Limited ("Finet Securities"), our securities arm, has successfully obtained the SFC license type 4 (advisory in securities) and type 9 (Asset Management). We aim to expand our services including discretionary portfolio management, investment advisory and management of private funds. Finet Securities is expected to generate satisfactory management fee and performance fee income from fund management business in near future.

Lastly, we are planning to commence the margin financing business by providing margin facility to our clients, which may help to increase the trading volume and benefit our brokerage business.

Board of Directors and Senior Management

Executive Directors

Ms. LO Yuk Yee (“Ms. LO”)

Ms. LO, aged 57, is an experienced investor in cutting-edge technology and venture capital in the past 23 years, her experience covers a broad range of industries crossing biotechnology, internet business, and finance field in the PRC, United States of America and Hong Kong. Ms. LO also worked in the banking, insurance and finance fields before she became an entrepreneur.

She was the chief executive officer and chairman of a listed company in Hong Kong between 2002 and 2006. Ms. LO is a director of Maxx Capital International Limited and Pablos International Limited, which have an interest in the share capital of the Company that are required to be disclosed under the provision in Division 2 and 3 of Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (“SFO”). Ms. LO joined our Group on 28 October 2010.

Mr. CHOW Wing Chau, Rico (“Mr. CHOW”)

Mr. CHOW, aged 51, has more than 21 years of experience in financial control, company secretary, enterprise risk management and fund raising activities. Since 1995, Mr. CHOW has held various senior finance and management positions with private companies and public companies.

Currently, he is director of private companies in Hong Kong and the PRC, focusing on internal control, business development and other financial aspects. His industrial experience includes consulting, education, e-business, information technology, and mining etc. He graduated with Bachelor of Economics degree from Macquarie University in Australia, and Executive Diploma of ERM. He is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia. Mr. CHOW joined our Group on 26 August 2010.

Mr. YIU Wing Hei (“Mr. YIU”)

Mr. YIU, aged 37, is the Investment Director of General Nice Resources (Hong Kong) Limited (“GNR”) and the Investment Consultant of Abterra Limited (“Abterra”), a company listed in the Singapore Exchange Securities Trading Limited. Mr. YIU graduated from the University of Hong Kong with a Bachelor degree, majoring in Economics and Finance. He has been investing in various industries and has accumulated enormous successful business experience. Mr. YIU is also experienced in securities trading, asset management and financial investment.

Currently Mr. YIU focuses on development and trading of mineral resources like coal, iron and non-ferrous metals. He has been keen in developing minerals projects in South East Asian countries such as Indonesia and Philippines with over 5 years solid experience. His experience and expertise in financial investments have brought a number of high quality mineral resource projects to GNR and Abterra, at the same time resolving their financial needs. Mr. YIU joined our Group on 26 August 2010.

Mr. LI Hong

Mr. LI, aged 39, joined the Company in 30 September, 2016 (and resigned on 8 May 2017). Mr. Li graduated from Tongji University in 1998 with degree in Transportation Engineering. Before joining the Company, Mr. Li has previously worked at Hang Yi Holdings Co. Ltd as vice president from January 2016, and served as the general manager of South Giant New Energy Holdings Limited in China from March 2008 to January 2016.

Independent non-executive Directors

Mr. WONG Wai Kin (“Mr. W.K. WONG”)

Mr. W.K. WONG, aged 59, is a practising certified public accountant and a proprietor of a public accounting firm in Hong Kong. Mr. W.K. WONG holds a Diploma in Accounting and is a member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. W.K. WONG has over 32 years of professional and commercial experience in accounting, auditing, taxation and corporate finance. Mr. W.K. WONG joined our Group on 13 September 2010.

Mr. SIU Siu Ling, Robert (“Mr. SIU”)

Mr. Siu Siu Ling, Robert (“Mr. Siu”), aged 65, has been appointed as independent non-executive Director of the Company with effect from 13 September 2010. He is a sole proprietor of the firm, Messrs. Robert Siu & Co., Solicitors. He is an independent non-executive director of Central Wealth Financial Group Limited (formerly known as China For You Group Company Limited) (stock code: 0572) and Skyway Securities Group Limited (formerly known as Mission Capital Holdings Limited (stock code: 1141), a company listed on the Main Board of the Stock Exchange, and independent non-executive director of Kaisun Energy Group Limited (stock code: 8203) is listed on the Growth Enterprise Market of the Stock Exchange. Mr. Siu was a director of MBMI Resources Inc. during the period from November 2012 to March 2015, a company listed on the Toronto Stock Exchange. Mr. Siu holds a bachelor’s degree in laws from University of London in the United Kingdom and a postgraduate certificate in laws from The University of Hong Kong and a master degree in laws from University of Greenwich. He has been admitted as a solicitor in Hong Kong since 1992 and has been admitted as a solicitor in England and Wales since 1993. His legal practice is mainly in the field of commercial and corporate finance.

Mr. LEUNG Chi Hung (“Mr. C.H. LEUNG”)

Mr. C.H. LEUNG, aged 61, has commenced his accountancy professional training since 1976 and is a member of certain international accountancy bodies. Mr. C.H. LEUNG is also a Certified Public Accountant (Practising) in Hong Kong and a director of Philip Leung & Co. Limited, Certified Public Accountants (Practising). He is an independent non-executive director of Daido Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 544). Mr. C.H. LEUNG also became an independent non-executive director of eForce Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 943), on 13 December 2013. Mr. C.H. LEUNG is also an independent non-executive director of REF Holdings (stock code: 8177). He was an independent non-executive director of China Investment Development Limited (formerly known as Temujin International Investments Limited), a company listed on the Main Board of the Stock Exchange (stock code: 204) from 30 April 2009 to 11 April 2011. He was an independent non-executive director of Dore Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 628) from 17 April 2002 to 1 June 2010. Mr. C.H. LEUNG joined our Group on 23 February 2011.



Board of Directors and Senior Management

Senior Management's Profile

Mr. LEE Yu Chung ("Mr. Y.C. LEE")

Mr. Y.C. LEE, aged 57, the Head of Internal Audit and Head of IT of the Company, has over 27 years of experience in areas of IT Management, Enterprise Level Project Management, Business Re-engineering, IT Consulting and Solutions Selling. He graduated with Bachelor of Computer Science degree from Queen Mary College, University of London. He holds a Master degree in Business Administration from Asia International Open University (Macau). Mr. Y.C. Lee joined our Group in July 2011 as Head of IT of the Company, he is familiar with the operation of the Company and he took up the position of Head of Internal Audit in June 2016.

Mr. Po Eric ("Mr. Po")

Mr. Po, aged 48, is currently the Company Secretary of the Company. Mr. Po has over 14 years of experience in auditing, accounting and financial management. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. PO joined our Group in November 2014.

Mr. Tso Paul ("Mr. Tso")

Mr. Tso, aged 54, is the Financial Controller of the Company. He joined the Group in October 2016. Mr. Tso has over 25 years of financial, accounting and auditing experience. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He holds a Master degree in Business Administration from Heriot-Watt University, United Kingdom. Prior to joining the Group, Mr. Tso worked for a retail group listed on the Main Board Market of the Stock Exchange of Hong Kong Limited for over 20 years.

Corporate Governance Report

Corporate Governance Practice

The Board is committed to maintaining a high standard of corporate governance. The corporate governance principles of the Company emphasize a quality board, sound internal control, transparency and accountability to all shareholders.

The Board has reviewed the Company's corporate governance practices and is of the opinion that the Company has met the provisions set out in the Corporate Governance Code ("CG Code"), contained in Appendix 15 to the GEM Listing Rules during the year ended 31 March 2017, except for the following deviation:

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be the same individual. Ms. LO Yuk Yee was the chairman of the Company since 25 January 2011. Mr. LUM Chor Wah, Richard was appointed as an executive Director and chief executive officer of the Company on 30 September 2010 until 28 June 2011. Thereafter, the post of chief executive officer was vacant and its roles and responsibilities were shared amongst the members of the Board. The Board is presently identifying a suitable candidate to be appointed as the chief executive officer and will make an announcement upon the appointment.

The Company has not arranged insurance cover in respect of legal action against its directors as the Board considers that the Board adopts prudent management policy. The needs for insurance policy will be reviewed from time to time.

Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 March 2017. Having made specific enquiry of all Directors, all Directors have complied with the required standard of dealings and its code of conduct regarding securities transactions throughout the year ended 31 March 2017.

The Board

The composition of the Board during the year ended 31 March 2017 and as at the date of this report and the biographical details of the Directors as at the date of this report are set out in the section headed "Report of the Directors" and the section headed "Board of Directors and Senior Management" of this annual report respectively.

During the year ended 31 March 2017, the Board held four physical meetings and the attendance of the Directors are as follows:

Name of directors	Number of attendance	% of attendance
Executive Directors		
Ms. LO Yuk Yee	4/4	100%
Mr. CHOW Wing Chau	4/4	100%
Mr. YIU Wing Hei	4/4	100%
Mr. LI Hong	0/2	0%
Independent non-executive Directors		
Mr. WONG Wai Kin	4/4	100%
Mr. SIU Siu Ling, Robert	4/4	100%
Mr. LEUNG Chi Hung	4/4	100%

Corporate Governance Report

In addition to physical meetings, the Board also approved matters by resolutions in writing from all the Directors.

The Board is responsible for the overall management of the Company in accordance with the bye-laws of the Company ("Bye-Laws") and is entitled to delegate its powers in respect of daily management to any executive Directors, committees of the Board and the management team. The Board is primarily responsible for approving and monitoring the Company's major corporate matters, the evaluation of the performance of the Company and oversight of the management.

To the knowledge of the Directors, the Board members have no financial, business, family or other material/relevant relationships with each other.

Independent non-executive Directors and Retirement by Rotation

Pursuant to Rule 5.08 of the GEM Listing Rules, the Company has at least three independent non-executive Directors with at least one of them having appropriate professional or accounting or related financial management expertise. The Company has received the annual confirmation of independence from all the independent non-executive Directors pursuant to Rule 5.09 of the GEM Listing Rules and considered them to be independent. Each of the independent non-executive Directors is appointed for a term of one year.

Each Director is subject to retirement and rotation requirement under the Bye-Laws.

Audit Committee

The Board established an Audit Committee with written terms of reference in accordance with Rule 5.28 of the GEM Listing Rules. During the year ended 31 March 2017, the audit committee comprised of three members who are independent non-executive Directors, namely, Mr. WONG Wai Kin, Mr. SIU Siu Ling, Robert and Mr. LEUNG Chi Hung (with Mr. WONG Wai Kin as the chairman thereof).

The principal duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Company.

The Audit Committee met four times during the year ended 31 March 2017 and the attendance of the members are as follows:

Name of committee members	Number of attendance	% of attendance
Mr. WONG Wai Kin	4/4	100%
Mr. SIU Siu Ling, Robert	4/4	100%
Mr. LEUNG Chi Hung	4/4	100%

During the year ended 31 March 2017, the Audit Committee discharged its duties by reviewing the financial matters, quarterly, interim and annual financial reports and financial statements as well as audit matters of the Company, discussing with executive Directors, management and the auditors of the Company, and making recommendations to the Board.

The audited consolidated financial statements of the Group for the year ended 31 March 2017 have been reviewed by the Audit Committee.

The consolidated financial statements for the year ended 31 March 2017 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting of the Company. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be reappointed as the auditors of the Company at the forthcoming annual general meeting of the Company.

Remuneration Committee

During the year ended 31 March 2017, the Remuneration Committee of the Company comprised of the executive Director, Ms. LO Yuk Yee and two independent non-executive Directors, namely, Mr. WONG Wai Kin and Mr. SIU Siu Ling, Robert (with Mr. SIU Siu Ling, Robert as the chairman thereof). The principal responsibilities of the Remuneration Committee include the formulation of the Company's remuneration policy, the approval or recommendation to the Board on remuneration packages for the Directors and the senior management, and the review and approval of performance-based remuneration by reference to corporate goals and objectives.

According to the terms of reference, the Remuneration Committee should meet at least once a year. The Remuneration Committee met one time during the year ended 31 March 2017 in which the Remuneration Committee reviewed the remuneration policy of the Company and the performance of the executive Directors and the attendance of the members are as follows:

Name of committee members	Number of attendance	% of attendance
Mr. SIU Siu Ling, Robert	1/1	100%
Ms. LO Yuk Yee	1/1	100%
Mr. WONG Wai Kin	1/1	100%

Nomination Committee

During the year ended 31 March 2017, the Nomination Committee comprised of the executive Director, Ms. LO Yuk Yee and two independent non-executive Directors, namely Mr. SIU Siu Ling, Robert and Mr. WONG Wai Kin (with Ms. LO Yuk Yee as the chairman thereof). The principal responsibilities of the Nomination Committee include, amongst other things, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy.

The Nomination Committee is mainly responsible for looking for suitable candidates to join the Board when there are vacancies or when it is necessary to hire additional Directors. The members of the Nomination Committee will propose the appointment of the candidates concerned to each member of the Board, and all members of the Nomination Committee will review the qualifications of the candidates concerned and decide whether they are suitable to join the Company and the terms of their appointment based on their caliber, experience and background.

Corporate Governance Report

According to the terms of reference, the Nomination Committee should meet at least once a year. The Nomination Committee met one time during the year ended 31 March 2017 and the attendance of the members are as follows:

Name of committee members	Number of attendance	% of attendance
Ms. LO Yuk Yee	1/1	100%
Mr. WONG Wai Kin	1/1	100%
Mr. SIU Siu Ling, Robert	1/1	100%

Corporate Governance Committee

During the year ended 31 March 2017, the Corporate Governance Committee comprised of three independent non-executive Directors, namely Mr. LEUNG Chi Hung, Mr. SIU Siu Ling, Robert and Mr. WONG Wai Kin (with Mr. LEUNG Chi Hung as the chairman thereof).

The Corporate Governance Committee is responsible for performing the corporate governance duties including:

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

According to the terms of reference, the Corporate Governance Committee should meet at least once a year. The Corporate Governance Committee met one time during the year ended 31 March 2017 and the attendance of the members are as follows:

Name of committee members	Number of attendance	% of attendance
Mr. LEUNG Chi Hung	1/1	100%
Mr. WONG Wai Kin	1/1	100%
Mr. SIU Siu Ling, Robert	1/1	100%

Directors' Training and Professional Development

Every Director keeps abreast of responsibilities as a Director of the Company and of the conduct business activities and development of the Company. Every newly appointed Director is provided with an induction on the first occasion of his/her appointment to ensure that he/she has adequate understanding of the businesses and operations of the Group. The Directors are also kept informed on a timely basis of their responsibilities and obligations under the Listing Rules, as well as other relevant statutory or regulatory requirements. The Company also encourages its Directors to participate in other continuous professional development programmes for directors. All Directors are committed to comply with the CG Code on Directors' training for the year ended 31 March 2017.

During the year, the Company has provided the regulatory updates for the Directors prepared by Minter Ellison to develop and refresh their knowledge and professional skills through reading materials.

The company secretary of the Company (the "Company Secretary") maintains records of training attended by the Directors. The Directors participated in continuous professional development by reading materials on the following topics to develop and refresh their knowledge and skills during the year ended 31 March 2017:

Directors	Corporate Regulation Newsletters	FAQ on GEM Listing Rules
Executive Directors		
Ms. LO Yuk Yee	√	√
Mr. CHOW Wing Chau	√	√
Mr. YIU Wing Hei	√	√
Independent Non-Executive Directors		
Mr. SIU Siu Ling, Robert	√	√
Mr. WONG Wai Kin	√	√
Mr. LEUNG Chi Hung	√	√

Auditors' Remuneration

In line with the sound practice that the independence of external auditors should not be impaired by other non-audit assignments, the Group ensures that assignments other than statutory audits undertaken by external auditors should not have an adverse impact on their independence. For the year ended 31 March 2017, the auditors of the Company received approximately HK\$550,000 for audit service and Nil for non-audit services.

Directors' Responsibility for the Consolidated Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 March 2017.

Company Secretary

Mr. PO Eric ("Mr. PO") was appointed as the company secretary of the Company on 9 February 2015. In his capacity acting as the company secretary of the Company, Mr. PO is responsible for finance and company secretarial works. Mr. PO has taken not less than 15 hours of relevant professional training and in compliance with Rule 5.15 of the GEM Listing Rules.



Corporate Governance Report

Risk Management and Internal Control

The Board is responsible for evaluating and determining the nature and extent of the risks and it is willing to take in achieving the Group's strategic objectives and ensuring that the Group establishes and maintains appropriate and effective risk management and internal control systems and reviewing their effectiveness. The Board is also responsible for overseeing the design, implementation and monitoring of the risk management and internal control systems. The risk management and internal control systems are designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operating systems or in achievement of the Group's business objectives.

The Board, through the Audit Committee, conducts a review of the effectiveness of the Group's risk management and internal control systems. It covers all material controls, including financial, operational and compliance controls, on an annual basis. It also considers the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting and financial reporting function.

Under the enterprise risk management framework, policies and procedures are in place to identify, assess, manage, control and report risks. Such risks include strategic, credit, operational (administrative, system, human resources, reputation), market, liquidity, legal and regulatory risks. Exposure to these risks is continuously monitored by the Board through the Audit Committee.

The internal control system includes a defined management structure with specified limits of authority. The Board has clearly defined the authorities and key responsibilities of each division to ensure adequate checks and balances. The internal control system has been designed to safeguard the Group's assets against authorized use of disposition, to ensure the maintenance of proper accounting records for producing reliable financial information, and to ensure compliance with applicable laws, regulations and industry standard.

To assist the Board in its monitoring control function, an internal audit department ("Internal Audit") was set up in June 2016 to provide an independent appraisal and assurance of its internal governance process, effectiveness of the risk management framework, methodology, together with the control activities in the Group's business operations.

To ensure the independence of the Internal Audit the Head of Internal Audit reports directly to the Audit Committee on audit matters.

Internal Audit performs its independent reviews of different financial, business and functional operations and activities using a risk based approach to focus on areas of major risks as identified by a comprehensive risk analysis. Division or department heads and the management concerned will be notified of all control deficiencies for rectification within a set time frame.

During the year under review, the Board has reviewed the effectiveness of the internal control system of the Group and there were no major issue identified by the Audit Committee and Internal Audit. The Board is of the view that the enterprise risk management and internal control systems in place for the year and up to the date of issuance of the annual report is effective and adequate.

Shareholders' Rights

To safeguard shareholders' interests and rights, separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual directors, for shareholders' consideration and voting. Besides, pursuant to the Bye-Laws, shareholder(s) holding not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings may request the Company to convene a special general meeting by sending a written requisition to the Board or the company secretary. The objects of the meeting must be stated in the written requisition.

Shareholders may send written enquiries to the Company for putting forward any enquiries or proposals to the Board directly to its principal place of business in Hong Kong by post or email to ir@finet.com.hk. The Company will respond to all enquiries on a timely and proper basis.

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

An up-to-date version of the Bye-Laws is available on the Company's website and the Stock Exchange's website. Shareholders may refer to the Bye-Laws for further details of their rights.

All resolutions put forward at shareholders' meetings will be voted by poll pursuant to the Listing Rules and the poll voting results will be posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.finet.hk) immediately after the relevant general meetings.

Investor Relations and Communication

The Company has established and maintained different communication channels with its shareholders. The Company updates its shareholders on its latest business developments and financial performance through its corporate publications including annual reports and public announcements. Briefing and meetings with institutional investors and analysts are conducted regularly. The Company also maintains its website (ir.finet.hk) to provide an alternative communication channel for the public and its shareholders. All corporate communication and Company's latest updates are available on the Company's website for public's information.

During the year, there has been no significant change in the Company's constitutional documents.

Report of the Directors

The Directors present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 March 2017.

Principal Activities

The Company is an investment holding company. The principal activities and other particulars of its subsidiaries are set out to Note 19 to the consolidated financial statements.

Business Review

The business review of the Group for the year ended 31 March 2017 is set out in the section headed Management Discussion and Analysis on pages 9 to 13 of this annual report.

Principal Properties

Please refer to Note 16 of the consolidated financial statements for principal properties of the Group.

Properties Include

No	Property
----	----------

- | | |
|---|--|
| 1 | 12A03 and 12A04, Anlian Plaza, Junction of Jintian Road and Fuzhong San Road, Futian District, Shenzhen City, Guangdong Province, the People's Republic of China |
| 2 | Units 901 and 920 on 9th Floor, China Merchants Tower, Shun Tak Centre, Nos. 168–200 Connaught Road Central, Hong Kong |

Principal Risks and Uncertainties facing by the Group

FinTV is facing fierce competition from traditional TV and other internet TV, there are so many platforms providing different kinds of program from all over the world.

In order to due with this challenge, FinTV will improve our mobile apps so that we can attract more audience to view our program.

FinTV also realize the quality of financial news is critical to our success. Therefore, we continue to recruit experienced news writer and anchor to join our Group.

Our financial services business, brokerage business and fund management business will be adversely affected by the downturn of the financial market. The performance of financial market can be influenced by different economic and political factors. Besides, the coming of financial crisis is difficult to predict. All the factors mentioned above will create risks and uncertainties for our financial services business, brokerage business and fund management business. The Company will strengthen the risk management by recruiting the right candidate or consulting the risk management expert.

Compliance with the relevant laws and Regulations that have a significant impact on the Group

During the year, as far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the business and operation of the Group. The Group will seek for professional legal opinion from its external legal advisors when necessary to ensure that the Group's transactions and business are in conformity with all applicable laws and regulations.

Auditors' letter on Disclosed Continuing Connected Transactions

Please refer to the Connected Transactions and Continuing Connected Transactions in the Report of Directors.

The Group's relationships with its employees, customers, and suppliers

The Company maintains good relationships with its employees, customers and suppliers.

The Directors recognize that employees, customers and suppliers are the keys of sustainable development of the Group. The Group strives to motivate its employees with a clear career path and opportunities for advancement and improvement of skills. The Group also stays connected with its customers and suppliers and has ongoing communication with them to obtain their feedback and suggestions.

Results and Appropriations

Details of the Group's results for the year ended 31 March 2017 are set out in the consolidated income statements on page 44.

The Board does not recommend the payment of dividend for the year ended 31 March 2017 (2016: Nil).

Group Financial Summary

A summary of the published annual results and assets and liabilities of the Group for the last five financial years is set out in the section headed "Financial Summary" of this annual report.

Distribution Reserves

The Company had reserves of approximately HK\$53,121,000 (2016: HK\$59,716,000) available for dividend distribution to shareholders as at 31 March 2017.

Share Capital

Details of movements in share capital of the Company are set out in Note 31 to the accompanying consolidated financial statements.

Purchase, Sale or Redemption of Listed Shares

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares during the year ended 31 March 2017.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Bye-Laws or the laws in Bermuda.

Subsidiaries

Particulars of the Company's subsidiaries are set out in Note 19 to the accompanying consolidated financial statements.

Report of the Directors

Borrowing and Interest Capitalized

Particulars of borrowing of the Group as at 31 March 2017 are set out in Note 28 to the accompanying consolidated financial statements. No interest was capitalized by the Group during the year (2016: Nil).

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained a sufficient public float required under the GEM Listing Rules.

Biographical Details of Directors and Senior Management

Brief biographical details of Directors and senior management are set out in the section headed "Board of Directors and Senior Management" of this annual report.

Permitted Indemnity Provision

Pursuant to the Articles, the Directors and other officers, for the time being acting in relation to the affairs of the Company, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty.

Directors

The Directors who held office during the year ended 31 March 2017 were:

Executive Directors

Ms. LO Yuk Yee

Mr. CHOW Wing Chau

Mr. YIU Wing Hei

Mr. LI Hong (appointed on 30 September 2016 and resigned on 8 May 2017)

Independent Non-executive Directors

Mr. WONG Wai Kin

Mr. SIU Siu Ling, Robert

Mr. LEUNG Chi Hung

Detailed information of the Directors standing for re-election will be set out in the circular in relation to the forthcoming annual general meeting of the Company to be dispatched to the shareholders of the Company.

Emoluments of the Directors and the Five Highest Paid Individuals

Details of the Directors' emoluments and of the five highest paid individuals in the Group are set out in Note 13 and Note 14 to the accompanying consolidated financial statements respectively.

Directors' Service Agreements

Each of the independent non-executive Directors is appointed for a term of one year.

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

Interest in Shares and Underlying Shares

Directors' and chief executive's interests and short positions in the shares and underlying shares

As at 31 March 2017, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the 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 the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in the shares and underlying shares of the Company and its associated corporations

Name of Director	Name of Group member/ associated corporations	Number of shares and capacity in which the shares were held		Number of underlying shares and capacity in which the shares were held		Total number of shares	% of shares in issue (Note 2)
		Beneficial owner	Interest of controlled corporation	Beneficial owner	Interest of controlled corporation		
Executive Director:							
Ms. LO Yuk Yee ("Ms. LO")	The Company	58,058,058 (L)	239,439,784 (L)	—	—	—	56.24% (L)
		—	26,184,539 (S)	—	—	—	4.95% (S)
Ms. LO	Maxx Capital International Limited ("Maxx Capital") (Note 1)	—	2 shares of US\$1 each	—	—	2 shares of US\$1 each	100%
Ms. LO	Pablos International Limited ("Pablos") (Note 1)	1,000 shares of US\$1 each	—	—	—	1,000 shares of US\$1 each	100%
Ms. LO	Wise Capital Limited	1,000 shares of US\$1 each	—	—	—	1,000 shares of US\$1 each	100%
Mr. Chow Wing Chau ("Mr. CHOW")	The Company	—	—	500,000 (L)	—	500,000 (L)	0.09%

(L) denotes long positions

(S) denotes short positions

Notes:

- 172,677,644 ordinary shares of HK\$0.01 each were held by Maxx Capital International Limited ("Maxx Capital") which was wholly-owned by Pablos International Limited ("Pablos"), and Pablos was wholly owned by Ms. LO Yuk Yee, ("Ms. LO"). Accordingly, Ms. LO were deemed by virtue of the SFO to be interested in 297,497,842 ordinary shares of HK\$0.01 each.
- As at 31 March 2017, the Company had 528,980,880 ordinary shares of HK\$0.01 each in issue.

Save as disclosed above, as at 31 March 2017, none of the Directors or chief executive of the Company nor their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (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 the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

Report of the Directors

Substantial shareholders' interest and short position in the shares of the Company

As at 31 March 2017, so far as the Directors are aware, persons other than Directors or chief executive of the Company who have 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 the SFO, were as follows:

(i) Long Positions in the Shares

Name of Shareholders	Capacity	Number of Shares held	Number of Underlying Shares held	Total Number of Shares	Approximate Percentage of Existing Shareholding (Note 2)
Substantial shareholders					
Lo Yuk Yee (Note 1)	Beneficial Owner	58,058,058 (L)	—	297,497,842 (L)	56.24%
	Interest of Controlled Corporation	239,439,784 (L)			
Pablos (Note 1)	Interest of Controlled Corporation	206,439,784 (L)	—	206,439,784 (L)	39.03%
Maxx Capital (Note 1)	Beneficial Owner	172,677,644 (L)	—	172,677,644 (L)	32.64%
Wise Capital Limited	Beneficial Owner	33,000,000 (L)	—	33,000,000 (L)	6.24%
Central Huijin Investment Ltd.	Interest of Controlled Corporation	130,351,206 (L)	—	130,351,206 (L)	24.64%
China Construction Bank Corporation	Interest of Controlled Corporation	130,351,206 (L)	—	130,351,206 (L)	24.64%
Wang Yuan	Beneficial Owner	39,000,000 (L)	—	39,000,000 (L)	7.37%
Broadgain International Limited	Beneficial Owner	43,000,000 (L)	—	43,800,000 (L)	8.28%

(L) denotes long positions

(ii) Short Positions in the Shares

Name of Shareholders	Capacity	Number of Shares held	Number of Underlying Shares held	Total Number of Shares	Approximate percentage of existing shareholding (Note 2)
Substantial shareholders					
Lo Yuk Yee (Note 1)	Interest of Controlled Corporation	26,184,539 (S)	—	26,184,539 (S)	4.95%
Pablos (Note 1)	Interest of Controlled Corporation	26,184,539 (S)	—	26,184,539 (S)	4.95%
Maxx Capital (Note 1)	Interest of Controlled Corporation	26,184,539 (S)	—	26,184,539 (S)	4.95%

(S) denotes short positions

Notes:

- 172,677,644 ordinary shares of HK\$0.01 each were held by Maxx Capital, which was wholly-owned by Pablos and Pablos was wholly-owned by Ms. LO, a director of the Company. Ms. LO is a director of each of Maxx Capital and Pablos.
- As at 31 March 2017, the Company had 528,980,880 ordinary Shares held HK\$0.01 each in issue.

Other persons who are required to disclose their interests

Save as disclosed above, the Directors are not aware of other person who, as at 31 March 2017, had 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 the SFO.

Movements of Options

Details of movements of the share options granted under the valid share option scheme adopted (with its mandate limit refreshed at the annual general meeting of the Company held on 4 September 2014) for the year ended 31 March 2017 are as follows:

Name of grantee	Date of grant	Exercise price	Number of share options			Balance as at 31 March 2017
			Balance as at 1 April 2016	Granted during the year	Lapsed during the year	
Executive Directors:						
Mr. CHOW	3 January 2014 (Note 1)	HK\$0.50	500,000	—	—	500,000
Employee	3 January 2014 (Note 1)	HK\$0.50	1,000,000	—	—	1,000,000
Total			1,500,000	—	—	1,500,000

Note:

- For share options granted on 3 January 2014

Validity period: The outstanding share options are exercisable for a period of ten years commencing from the end of the respective vesting period in the manner as stated below.

		As at 31 March 2017	As at 31 March 2016
Vesting period:	6 months after 3 January 2014:	50%	50%
	12 months after 3 January 2014:	50%	50%

Outstanding Unlisted Warrants

As at 31 March 2017, the Company did not have any outstanding warrants.

Convertible bonds

The Company entered into subscription agreement with the subscriber namely Maxx Capital International Limited ("Maxx Capital"), beneficially owned by Ms. LO, the Chairman and the director of the Company, pursuant to which the Maxx Capital has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the convertible bonds with an aggregate principle amount of HK\$69,696,000 on 25 July 2015. As at 31 March 2017, the Company has completed on issuance the convertible bonds with an aggregate amount of HK\$69,696,000 during the year.



Report of the Directors

The convertible bonds mature in two years from the issue date at their nominal value of HK\$69,696,000 or can be converted into shares at the holder's option at the maturity date at the conversion price of HK\$0.396 per conversion share.

The net proceeds received from the issuance of convertible bonds was HK\$69,696,000. The Group will not receive further consideration when the holders determines to convert the bonds into ordinary shares of the Company at maturity date.

Directors' Interests in Arrangement, Transaction or Contracts of Significance

Save as disclosed in this annual report, there was no arrangements, transaction or contract of significance in relation to the Group's business to which the Group was a party and in which any of the Directors had a material interests, whether directly or indirectly, subsisted during or at the end of the year ended 31 March 2017 or at any time during such period (2016: Nil).

Securities Transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealing as set out in Rules 5.48 to 5.67 of the GEM Listing Rules throughout the year ended 31 March 2017. Having made specific enquiry of all Directors, all Directors have complied with the required standard of dealings and its code of conduct regarding securities transactions throughout the year ended 31 March 2017.

Audit Committee

The audited consolidated financial statements of the Group for the year ended 31 March 2017 have been reviewed by the audit committee of the Company.

Competing Interests

None of the Directors or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group during the year ended 31 March 2017.

Customers and Suppliers

For the year ended 31 March 2017, the five largest customers accounted for approximately 60% (2016: 58%) of the Group's total turnover and the five largest suppliers of the Group accounted for approximately 47% (2016: 57%) of the Group's total cost of sales. The largest customer of the Group accounted for approximately 18% (2016: 29%) of the Group's total turnover while the largest supplier of the Group accounted for approximately 14% (2016: 15%) of the Group's total cost of sales.

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

Connected Transactions and Continuing Connected Transactions

Connected transactions and continuing connected transactions undertaken by the Group during the year are as follows:

	2017 HK\$'000	2016 HK\$'000
Management fee paid to Maxx Capital Finance Limited (<i>Note i</i>)	150	600
Referral fee in relation to the money lending business paid to Maxx Capital Finance Limited (<i>Note i</i>)	120	120
Rental expense paid to Cyber Feel Limited (<i>Note ii</i>)	3,686	2,765
Rental expenses paid to Maxon Management Limited (<i>Note iii</i>)	326	—
Rental expenses paid to Avaya Lane Limited (<i>Note i</i>)	360	—
Referral commission income from a director (<i>Note iv</i>)	<u>80</u>	<u>—</u>

Notes:

- (i) Maxx Capital Finance Limited and Avaya Lane Limited are beneficially owned by Ms. LO, the chairman and the director of the Company.
- (ii) This transaction constituted continuing connected transaction as defined in the GEM Listing Rules. Cyber Feel Limited is beneficially owned by Ms. LO, the chairman and the director of the Company. For the year ended 31 March 2017, the annual cap payable by the Group to Cyber Feel Limited under the tenancy agreement, excluding management fee and government rates amount to approximately HK\$3,686,000 (2016: HK\$2,765,000).
- (iii) This transaction constituted continuing connected transaction as defined in the GEM Listing Rules. Maxon Management Limited is beneficially owned by Ms. LO, the chairman and the director of the Company. For the year ended 31 March 2017, the annual cap payable by the Group to Maxon Management Limited under the tenancy agreement, excluding management fee and government rates amount to approximately HK\$330,000 (2016: HK\$Nil).
- (iv) The referral commission income is from Ms. LO, the chairman and the director of the Company.

The independent non-executive Directors of the Company have reviewed and confirmed that the continuing connected transactions undertaken by the Group were entered into (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (iii) in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Report of the Directors

HLB Hodgson Impey Cheng Limited (“HLB”), 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. HLB have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions which are subject to annual review under Rule 20.38 of the GEM Listing Rules. A copy of the auditors’ letter has been provided by the Company to the Stock Exchange.

Continuing Connected Transaction

On 12 June 2015, the Company announced that the Group (as tenant) entered into a tenancy agreement (the “Transaction”) with Cyber Feel Limited (as landlord), a company incorporated in Hong Kong and wholly owned by Ms. LO, in respect of office premises for a term of 24 months from 1 July 2015 at a monthly rental (excluding rates, management fees, air-conditioning charges and other outgoings) of HK\$307,181 with an option granted to the Group to renew the lease term for a further 3 years. The Transaction constitutes a continuing connected transaction for the Group and is subject to reporting and announcement requirements and annual review requirements but is exempted from independent shareholders’ approval under the GEM Listing Rules.

On 12 January 2017, the Company announced that the Group (as tenant) entered into a tenancy agreement (the “Transaction”) with Maxon Management Limited (as landlord), a company incorporated in Hong Kong and wholly owned by Ms. LO, in respect of office premises for a term of 24 months from 12 January 2017 at a monthly rental (excluding rates, management fees, air-conditioning charges and other outgoings) of HK\$124,800 with an option granted to the Group to renew the lease term for a further 2 years.

The Transaction constitutes a continuing connected transaction for the Group and is subject to reporting and announcement requirements and annual review requirements but is exempted from independent shareholders’ approval under the GEM Listing Rules.

Management Contracts

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

Confirmation of Independence by Independent Non-executive Directors

The Company confirms that it has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and considers, based on the confirmations received, the independent non-executive Directors to be independent.

Events After the Reporting Period

- (i) On 14 March 2017, Finet Group (BVI) Limited, a direct wholly-owned subsidiary of the Company, has entered into the provisional agreement with an independent third party, BACOB Management Limited, pursuant to which Finet Group (BVI) Limited has conditionally agreed to sell and the purchaser has conditionally agreed to purchase the sale shares representing the entire issued share capital of Pink Angel Investments Limited (“Disposal Company”) together with the sale debt at a disposal consideration of HK\$68,000,000 (subject to adjustment). The principal asset of Disposal Company is holding the commercial properties located in Hong Kong. The disposal constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules and are subject to the approval of the independent shareholders of the Company at the special general

meeting (“SGM”). The Company had adjourned the SGM on 12 June 2017, and will be reconvened and held on 11 July 2017. The disposal has not been completed as of the date of approval of these consolidated financial statements.

For details, please refer to the Company’s announcements dated 14 March 2017, 13 April 2017 and 23 May 2017, 13 May 2017 and 26 June 2017.

- (ii) On 24 April 2017, Source Mega Properties Limited (“Source Mega”), an indirect wholly-owned subsidiary of the Company, Ms. LO and Pablos entered into provisional agreements A, B and C in relation to acquisition of entire interests in three property holding companies, namely, Maxon Management Limited (“Maxon”), Avaya and Herrick Investments Limited (“Herrick”) with considerations approximately HK\$52,000,000, HK\$15,000,000 and HK\$22,000,000 respectively (subject to adjustments). The Company adjusted the amount of considerations on 11 May 2017 of the provisional agreements A and C, and the new considerations approximately to be HK\$54,000,000 and HK\$23,000,000 respectively (subject to further adjustments). The Company further announced that provisional agreements B and C were terminated on 21 June 2017.

Upon completion, the Company, through the Source Mega will hold the entire issued ordinary shares in Maxon and it will become an indirect wholly-owned subsidiary of the Company. Maxon is holding a commercial property located at central business district in Hong Kong. This transaction constitutes a connected major transaction of the Company under the GEM Listing Rules. This transaction is subject to the approval of the independent shareholders of the Company at a special general meeting to be held by the Company and has not been completed as of the date of approval of these consolidated financial statements.

For details, please refer to the Company’s announcements dated 24 April 2017, 11 May 2017 and 21 June 2017.

Corporate Governance

The Company has published its Corporate Governance Report, details of which are set out in the section headed “Corporate Governance Report” of this annual report.

Auditors

The consolidated financial statements for the years ended 31 March 2017, 2016 and 2015 were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

On behalf of the Board

Finet Group Limited

LO Yuk Yee

Chairman

Hong Kong, 26 June 2017



Environmental, Social and Governance Report

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ABOUT THIS REPORT

We are pleased to present this report pursuant to the disclosure requirements of the Environmental, Social and Governance Reporting Guide set out in Appendix 20 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited to disclose the Company's and its subsidiaries' (collectively, the "Group") performance in environmental, social and governance aspects during the period from 1 April 2016 to 31 March 2017 (the "Year"). Policies, statements and information set forth in this report cover the Company's headquarter and the subsidiaries under its effective control. The Board considers that a sound environment, a harmonious society and good governance are of utmost importance to the sustainable development of both the Group's business and the community in which we operate. Therefore, the Group is committed not only to enhancing its financial performance but also to implementing various policies and measures to increase its efforts in environmental protection, fulfill its social responsibilities and enhance its governance.

A. ENVIRONMENTAL PROTECTION

The Group upholds its commitment to sustainable development and complies with relevant laws and regulations on environmental protection. We encourage our employees to focus on and enhance their awareness of environmental protection. We strive to reduce the impacts of our operation on the environment and adhere to the principles of green operation and green office. In order to implement these measures, the Group has adhered to the 4R Principles of waste reduction, i.e. Reduce, Reuse, Recycle and Replace.

A.1 Emissions

The Group is principally engaged in (i) Media Business; (ii) Property Investment Business; (iii) Money Lending Business; (iv) Financial Information Service Business; and (v) Securities and Futures Business. Based on the aforesaid, the Group's operations is not expected to have a significant impact on the environment arising from its operating activities and will not generate hazardous pollutants.

In order to minimize hazardous emissions, the Group encourages its employees to:

1. Take public transport instead of driving during travels, whenever possible, to reduce vehicle exhaust emissions;
2. Use telephone or video conferencing to replace business trips as far as feasible to reduce carbon emissions;
3. Take the eco-friendly modes of transportation that have low levels of pollution, such as railway lines, trams, LPG minibuses, etc.; and
4. Use environmentally-friendly cleaning agents to reduce water pollution.

The Group is not aware of any circumstances arising from its business operations leading to significant air pollution, water pollution and land pollution and generation of hazardous waste during the Year.

A.2 Use of Resources, the Environment and Natural Resources

The resources used by the Group for its operations are mainly electricity, water and paper. In order to uphold its commitment to sustainable development, the Group's employees have kept the use of resources to a minimum through various green practices.

Electricity Consumption:

1. Use of energy-efficient lights and electrical appliances in office workplace.
2. Staff are encouraged to dress in smart casual and indoor temperature is maintained at around 25.5°C in the summer time.
3. Turn off some lights and air conditioning during lunch hours and non-office hours.
4. Enable the "Standby" or "Sleep" mode of personal computers.

Water Consumption:

Reminders on water conservation are posted in pantry.

Paper Consumption:

1. Use of environmentally friendly paper.
2. Use of email instead of the paper-based approval process to reduce the use of paper.
3. Practice of double-sided printing or copying.
4. Publish notice or brochure in electronic version and upload the files to the Group's intranet or made publicly available online.

In addition, the Group also reduces the use of resources through environmentally-friendly procurement (procurement of environmentally friendly furniture, eco-friendly toner, green stationery, etc.) and adopts simple decoration approach for office premises.

During the Year, the monthly electricity consumption in our rented office premises were about 95,364 kWh (2016: 93,126 kWh) whereas the monthly electricity consumption for our studio in Admiralty were 26,550 kWh (2016: 29,053 kWh) with monthly water consumption of about 117,001 liters (2016: 107,000 liters) and monthly A4 paper usage of about 2,500 sheets (2016: 2,292 sheets).

B. SOCIAL RESPONSIBILITIES

B.1 Employment and Labor Practices

"The human resource — the whole man — is, of all resources entrusted to man, the most productive, the most versatile, the most resourceful," said Peter F. Drucker, revered as the father of modern management. The Group is confident that maintaining a strong relationship with our employees is one of the keys to success in business. In order to protect the rights and interests of our employees, the Group has formulated the Employee Handbook in accordance with the Employment Ordinance of the Hong Kong Special Administrative Region, the Labor Law of the People's Republic of China, and other relevant laws and regulations.

1.1. Remuneration, Benefits and Attendance

(1) Remuneration

Remuneration and salaries are determined by the Group based on the qualifications, work experience, competence, roles and responsibilities of new employees, and taking into account of the market compensation level of the industry and our internal salary standard to ensure that remuneration and salaries so determined are fair internally and are competitive in the market. Our remuneration package comprises of one or more of the following components: wages, bonuses, commission and benefits. The Company wishes to attract and retain talent, provide incentives for our employees to improve their performance and reward outstanding employees through its remuneration system. All employees are entitled to paid holidays such as national statutory holidays, annual leave, compassionate leave, marriage leave, maternity leave and sick leave.

(2) Benefits

The Group has made required contributions to social insurance fund and housing provident fund for employees in the People's Republic of China and made contributions to mandatory provident fund and took out employees' compensation insurance policies and medical insurance policies for employees in Hong Kong. Employees who pass the probation will receive medical insurance.

(3) Attendance

The Group has implemented the standard working hours according to state regulations. The working hours are 9:00 to 13:00 and 14:00 to 19:00 with one hour lunchbreak, five working days a week, from Monday to Friday, while Saturday and Sunday are rest days. The Group has the right to re-arrange the work schedule and working days in accordance with its operation requirements; employees should obtain prior approval before taking leave. The Group, in principle, does not encourage our employees to work overtime unless it is necessary. Employees are, in principle, entitled to compensation leave for their overtime work.

Employees are entitled to basic leave. The kinds of leave include public holidays, statutory holidays, annual leave, sick leave and medical leave, marriage leave, and compassionate leave. Employees are required to apply and obtain approval in advance before taking leave.

1.2. Recruitment, Promotion and Dismissal

(1) Recruitment and Promotion

The recruitment and hiring procedures of the Group embody the principle of "meritocracy, open recruitment and hiring solely on merit". Employees would be rewarded with corresponding adjustment in their remuneration package according to their positions for their outstanding performance during the term of office and significant contributions made to the Group.

(2) Dismissal

Resignation for personal reasons, regarding 30 to 60 days' prior written notice from the employees is required depending on different positions. Employees who are deemed to be incompetent for their positions based on relevant reasons would be dismissed by 30 to 60 days' prior written notice from the Group, depending on different positions.

1.3. Equal Opportunities and Anti-Discrimination

The Group is an equal opportunity employer. Our recruitment, employment and human resources management practices, such as promotion, rewards and training opportunities, will under no circumstances be influenced or affected by an applicant's or employee's ethnicity, color, age, gender, sexual orientation, race, disability, pregnancy, religion, political ideology, members of the community or marital status.

Monthly remuneration and contributions to social insurance fund, provident fund and mandatory provident fund for the current year were duly paid within the prescribed period.

The Group is not aware of any serious breach of relevant laws and regulations in relation to employment and labour practices (including Employment Ordinance of the Hong Kong Special Administrative Region, Labor Law of the People's Republic of China, and other relevant laws and regulations) during the Year.

B.2 Health and Safety

During the Year, the Group had complied with the Employment Ordinance of the Hong Kong Special Administrative Region, Labor Law of the People's Republic of China, the Law on Protection of Labor Rights and other applicable laws and regulations. In addition to minimizing work-related incidents and diseases, we also focus on providing employees with a safe and healthy working environment. This would in turn contribute to the improvement of the quality of products and services, ensuring smooth operation, and enhancing workforce stability and employee morale. In addition, the Group believes that ongoing staff involvement and continuing education are the keys to identifying and addressing health and safety issues in workplace.

B.3 Development and Training

The Group provides a comprehensive on job training covering topics such as management skills, professional skills, technical knowledge, latest news and information about corporate culture. Through a series of training covering various topics, our staff's understanding towards the Group's business, management structure and corporate culture would be gradually enhanced. Employees are encouraged to fully develop their potential and strengths.

B.4 Labor Standards

During the Year, the Group had complied with the provisions of the Employment Ordinance of the Hong Kong Special Administrative Region, the Labor Law of the People's Republic of China. Child labor and forced labor are strictly prohibited. New employees are required to present valid identification documents to the Group for legal working age compliance checks before the commencement of their employment period. All employees of the Group comply with the standard working hour rules stipulated by the Hong Kong Special Administrative Region and PRC government. Overtime work is not encouraged unless in special circumstances.

B.5 Supply Chain Management

The Group adopts a prudent approach in selecting suppliers, including meeting with potential suppliers to understand their products and business operations. We would conduct background checks before appointing a supplier and ensure the supplier is duly registered and has obtained relevant license or permits with relevant authorities in accordance with applicable laws and regulations.

B.6 Product Responsibility

The Group is committed to providing our customers with quality products and services. To improve quality, we have experienced sales teams, IT teams and News teams and investor relationship team. We will review complaints on a regular basis and strive to improve our products and services to avoid similar incidents in the future. Understanding customers' need is the key to provide the best possible customer experience. We appreciate customer comments and suggestions and have various communication channels in place such as telephone, and email.

B.7 Intellectual Property Rights and Customer Privacy

The Group respects all forms of intellectual property rights and designs of advertising, commercial advertising, products, services, names and trademarks. At the same time, the Group values the importance of protecting the privacy of our customers. When entering into agreements or contracts with customers, the Company will also enter into confidentiality agreements with customers to avoid disclosing customer's information and protecting the privacy of customers. To prevent leakage of customers' data, the Group will further improve and strengthen its measures of protecting customer privacy.

During the Year, the Group did not receive any complaints arising from infringement of intellectual property rights and leakage of customers' data.

B.8 Anti-corruption, Bribery, Extortion, Fraud and Money Laundering

In the course of its operation, the Group strictly abided by the Criminal Law of the Hong Kong Special Administrative Region and People's Republic of China, and other relevant laws and regulations in relation to anti-corruption, bribery, extortion, fraud and money laundering.

Employees can report illegal behaviors and irregularities by sending letters to:

1. members of the audit committee of the Company; or
2. the chairman of the board of directors of the Company.

The Group is not aware of any material breaches of laws and regulations in relation to bribery, extortion, fraud and money laundering that has significant impacts on the Group during the Year.

B.9 Community Investment

To promote social development and harmony, the Group encourages our employees to actively participate in community events and charity campaigns and contribute to social philanthropy projects through volunteering or charitable donations.

Independent Auditors' Report



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 FINET GROUP LIMITED

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

Opinion

We have audited the consolidated financial statements of Finet Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 44 to 114, which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis For Opinion

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

Key Audit Matters

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

Key audit matter

How our audit addressed the key audit matter

Estimated impairment of accounts receivable and other receivables

Valuation of accounts receivable and other receivables. Refer to notes 21 and 22 to the consolidated financial statements

We identified the valuation of accounts receivable and other receivables as a key audit matter due to the use of judgment and estimates in assessing the recoverability of accounts receivable and other receivables.

In determining the allowance for accounts receivable and other receivables, the management considers the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of the accounts receivable and other receivables.

Valuation of investment properties

We have identified the valuation of investment properties as a key audit matter due to the significance of the balance to the consolidated financial statements, as a whole, combined with the significant judgments associated with determining the fair value. As disclosed in note 16 to the consolidated financial statements, the Group's investment properties amounted to approximately HK\$98,800,000.

During the year, an increase in fair value of investment properties amounted to HK\$9,700,000.

Our procedures in relation to valuation on accounts receivable and other receivables mainly included:

- Obtaining an understanding on how allowance for doubtful debts is estimated by the management and testing the aging analysis of the receivables to the source documents;
- Reviewing the aging analysis of the receivables throughout the year to understand the settlement patterns by the customers; and
- Assessing the reasonableness of the management's estimations on recoverability of receivables with reference to the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis.

Our procedures in relation to assessing the appropriateness of the valuation of investment properties included:

- Evaluating the competence, capabilities, and objectivity of the independent professionally qualified valuer;
- Understanding the independent professionally qualified valuer's valuation process and methodology, the performance of the property markets, significant assumptions adopted, critical judgmental areas and key inputs used in the valuations;
- Engaging our valuation specialists evaluating the reasonableness of the methodology and assumptions to industry norms; assessing the reasonableness of key inputs used in the valuations by (i) checking the details of rentals on a sample basis to the respective underlying existing tenancy agreements; (ii) comparing to relevant market information on prices, rentals achieved and capitalization rates adopted in other similar properties in the neighborhood; and
- Performing analysis on the key inputs to evaluate the results on the valuations.

Independent Auditors' Report

Other Information

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

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

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

Responsibilities of Directors for the Consolidated Financial Statements

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

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

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

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. This report is made solely to you, as a body, in accordance with Section 90 of the Companies Act of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs 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 HKSAAs, 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.



Independent Auditors' Report

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

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

The engagement director on the audit resulting in this independent auditors' report is Chan Ching Pang.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Chan Ching Pang
Practising Certificate Number: P05746

Hong Kong, 26 June 2017

Consolidated Income Statement

For the year ended 31 March 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Revenue	5	10,766	11,183
Cost of sales		(3,066)	(7,906)
Gross profit		7,700	3,277
Other income and gains	6	22,437	4,869
Selling and marketing expenses		(145)	(737)
General and administrative expenses		(53,780)	(46,928)
Finance costs	8	(9,639)	(1,093)
Loss before income tax	9	(33,427)	(40,612)
Income tax credit/(expense)	10	1,280	(120)
Loss for the year		(32,147)	(40,732)
Loss attributable to:			
— Owners of the Company		(29,122)	(35,957)
— Non-controlling interests		(3,025)	(4,775)
		(32,147)	(40,732)
Loss per share for loss attributable to owners of the Company during the year			
— Basic and diluted	11	(6.11) cents	(7.94) cents

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2017

	2017 HK\$'000	2016 HK\$'000
Loss for the year	(32,147)	(40,732)
Other comprehensive (expense)/income for the year, net of tax:		
<i>Items that may be reclassified to profit or loss</i>		
Change in fair value on available-for-sale financial assets	—	(186)
Reclassification adjustment upon impairment of available-for-sale financial assets	—	186
Currency translation differences	(1,863)	391
Total comprehensive expense for the year	(34,010)	(40,341)
Total comprehensive expense for the year, attributable to:		
— Owners of the Company	(30,985)	(35,566)
— Non-controlling interests	(3,025)	(4,775)
	(34,010)	(40,341)

Consolidated Statement of Financial Position

As at 31 March 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Non-current assets			
Property, plant and equipment	15	6,680	5,828
Investment properties	16	98,800	89,100
Intangible assets	17	950	950
Statutory deposits and other assets	18	656	656
Available-for-sale financial assets	20	—	109
		107,086	96,643
Current assets			
Accounts receivable	21	18,072	10,354
Prepayments, deposits and other receivables	22	13,027	6,663
Tax recoverable		—	6
Financial assets at fair value through profit or loss	23	10,400	—
Client trust bank balances		129	921
Cash and cash equivalents	25	57,016	25,718
		98,644	43,662
Total assets		205,730	140,305
Current liabilities			
Accounts payable	26	1,668	4,390
Accruals and other payables	27	14,173	11,676
Deferred income		480	346
Amount due to a related company	24	881	2,692
Borrowings — due within one year	28	26,667	10,138
		43,869	29,242
Net current assets		54,775	14,420
Total assets less current liabilities		161,861	111,063
Non-current liabilities			
Convertible bonds	29	62,858	13,930
Deferred tax liabilities	30	11,125	10,614
		73,983	24,544
Net assets		87,878	86,519

Consolidated Statement of Financial Position

As at 31 March 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Equity			
Capital and reserves attributable to owners of the Company			
Share capital	31	5,290	4,654
Reserves		90,811	87,063
		96,101	91,717
Non-controlling interests		(8,223)	(5,198)
Total equity		87,878	86,519

LO Yuk Yee
Director

CHOW Wing Chau
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2017

	Attributable to owners of the Company													Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve	Employee compensation reserve	Other reserve	Convertible bonds equity component	Translation reserve	Property revaluation reserve	Investment revaluation reserve	Warrants reserve	Accumulated losses	Total			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2015	4,408	223,509	4,870	1,179	1,776	—	(110)	9,989	—	1,763	(133,480)	113,904	(423)	113,481	
Loss for the year	—	—	—	—	—	—	—	—	—	—	(35,957)	(35,957)	(4,775)	(40,732)	
Other comprehensive income/ (expense)															
Fair value loss on available-for-sale financial assets	—	—	—	—	—	—	—	—	(186)	—	—	(186)	—	(186)	
Reclassification adjustment upon impairment of available-for-sale financial assets	—	—	—	—	—	—	—	—	186	—	—	186	—	186	
Currency translation differences	—	—	—	—	—	—	391	—	—	—	—	391	—	391	
Total other comprehensive income	—	—	—	—	—	—	391	—	—	—	—	391	—	391	
Total comprehensive income/ (expense)	—	—	—	—	—	—	391	—	—	—	(35,957)	(35,566)	(4,775)	(40,341)	
Transactions with owners															
Share options lapsed during the year	—	—	—	(786)	—	—	—	—	—	—	786	—	—	—	
Issue of shares upon exercise of unlisted warrants	246	10,135	—	—	—	—	—	—	(492)	—	—	9,889	—	9,889	
Issue of convertible bonds	—	—	—	—	—	4,180	—	—	—	—	—	4,180	—	4,180	
Deferred tax liabilities on recognition of equity components of convertible bonds	—	—	—	—	—	(690)	—	—	—	—	—	(690)	—	(690)	
Total transactions with owners	246	10,135	—	(786)	—	3,490	—	—	(492)	786	13,379	—	—	13,379	
Balance at 31 March 2016 and 1 April 2016	4,654	233,644	4,870	393	1,776	3,490	281	9,989	—	1,271	(168,651)	91,717	(5,198)	86,519	
Loss for the year	—	—	—	—	—	—	—	—	—	—	(29,122)	(29,122)	(3,025)	(32,147)	
Other comprehensive expense															
Currency translation differences	—	—	—	—	—	—	(1,863)	—	—	—	—	(1,863)	—	(1,863)	
Total other comprehensive expense	—	—	—	—	—	—	(1,863)	—	—	—	—	(1,863)	—	(1,863)	
Total comprehensive expense	—	—	—	—	—	—	(1,863)	—	—	—	(29,122)	(30,985)	(3,025)	(34,010)	
Transactions with owners															
Issue of shares upon exercise of unlisted warrants	636	26,187	—	—	—	—	—	—	(1,271)	—	—	25,552	—	25,552	
Issue of convertible bonds	—	—	—	—	—	11,757	—	—	—	—	—	11,757	—	11,757	
Deferred tax liabilities on recognition of equity components of convertible bonds	—	—	—	—	—	(1,940)	—	—	—	—	—	(1,940)	—	(1,940)	
Total transactions with owners	636	26,187	—	—	—	9,817	—	—	(1,271)	—	35,369	—	—	35,369	
Balance at 31 March 2017	5,290	259,831	4,870	393	1,776	13,307	(1,582)	9,989	—	—	(197,773)	96,101	(8,223)	87,878	

The merger reserve represents the difference between the share capital and share premium of the Company and the nominal value of shares of a subsidiary acquired pursuant to the reorganization in connection with the preparation for the initial listing of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Cash flows from operating activities			
Loss before income tax		(33,427)	(40,612)
Adjustments for:			
— Depreciation of property, plant and equipment		2,608	2,722
— Loss on disposal of property, plant and equipment		—	136
— Fair value gain on investment properties		(9,700)	(100)
— Fair value change on financial assets at fair value through profit or loss		(699)	(42)
— Gain on disposal of subsidiaries		(8,144)	—
— Interest income from bank deposits		(6)	(5)
— Finance costs		9,639	1,093
— Reversal of provision for impairment loss of trade receivables		—	(30)
— Provision for impairment loss of trade receivables		—	50
— Provision for impairment loss of loans receivable		613	355
— Provision for impairment loss of other receivables		8,779	—
— Impairment loss of available-for-sale financial assets		109	186
Changes in working capital:			
— Statutory deposits		—	(251)
— Accounts receivable		(8,331)	(9,085)
— Prepayments, deposits and other receivables		(15,216)	(1,532)
— Amount due to a related company		(1,811)	—
— Accounts payable		(2,723)	763
— Accruals and other payables		10,262	5,029
— Deferred income		134	(1,345)
— Client trust bank balances		791	466
Cash used in operations		(47,122)	(42,202)
Interest paid		(1,226)	(407)
Income tax paid		(143)	(154)
Net cash used in operating activities		(48,491)	(42,763)
Cash flows from investing activities			
Purchase of property, plant and equipment	15	(3,563)	(1,665)
Purchase of financial assets at fair value through profit or loss		(18,000)	(346)
Interest received from bank deposits		6	5
Disposal of subsidiaries, net of cash disposed of	32	191	—
Sales proceeds of financial assets at fair value through profit or loss		8,299	388
Net cash used in investing activities		(13,067)	(1,618)

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	Notes	2017 HK\$'000	2016 HK\$'000
Cash flows from financing activities			
Issuance of shares upon exercise of unlisted warrants		25,552	9,889
Issuance of convertible bonds		52,272	17,424
Proceeds from new borrowings		27,000	—
Repayment of borrowing		(10,471)	(1,414)
Amount due to a related company		—	120
Net cash generated from financing activities		94,353	26,019
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		25,718	43,650
Effect of foreign exchange rate changes, net		(1,497)	430
Cash and cash equivalents at end of the year	25	57,016	25,718

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

1. General Information

Finet Group Limited (the "Company") and its subsidiaries (together the "Group") are principally engaged in (i) the development, production and provision of financial information service and technology solutions to corporate and retail clients in Hong Kong and the PRC; (ii) media business; (iii) the securities and futures business that specializes in the provision of online securities and futures trading; (iv) money lending business; and (v) property investments business. The principal activity of the Company is investment holding. The principal activities and other particulars of its subsidiaries are set out in Note 19.

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands. On 16 June 2011, the Company was deregistered in the Cayman Islands and duly continued in Bermuda as an exempted company under the laws of Bermuda. The Company's registered office is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The Company's principal place of business is situated at 30/F, Fortis Tower, 77-79 Gloucester Road, Wanchai, Hong Kong.

The Company's parent is Maxx Capital International Limited, which is wholly-owned by Pablos International Limited ("Pablos"). The ultimate controlling party is Ms. LO Yuk Yee ("Ms LO"), the chairman and executive director of the Company, through her ownership in Pablos International Limited.

The Company's shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 7 January 2005.

These consolidated financial statements are presented in Hong Kong dollars (HK\$) unless otherwise stated. These consolidated financial statements were approved and authorized for issue by the board of directors (the "Board") on 26 June 2017.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures

(a) Amended standards adopted by the Group

The following amendments to standards have been adopted by the Company for the first time for the financial year beginning on or after 1 April 2016:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012–2014 Cycle
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKAS 1	Disclosure Initiative
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortization
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
HKFRS 14	Regulatory Deferral Accounts

The adoption of the above amendments to existing standards did not have any material impact on the preparation of the Group's consolidated financial statements.

(b) New and amended standards have been issued but are not effective for the financial year beginning 1 April 2016 and have not yet been early adopted by the Group

HKFRS 9	Financial Instruments ²
HKFRS 15	Revenue from Contracts with Customers ²
HKFRS 16	Leases ³
Amendments to HKAS 40	Transfer of Investment Property ²
Amendment to HKFRSs	Annual Improvements to HKFRSs 2014–2016 Cycle ⁵
Amendments to HKFRS 10, and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions ²
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from Contracts with Customers ²
HK (IFRIC) — Int 22	Foreign Currency Transactions and Advance Considerations ²
Amendments to HKAS 7	Disclosure Initiative ¹
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealized Losses ¹

¹ Effective for annual periods beginning on or after 1 January 2017.

² Effective for annual periods beginning on or after 1 January 2018.

³ Effective for annual periods beginning on or after 1 January 2019.

⁴ Effective for annual periods beginning on or after a date to be determined.

⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(b) *New and amended standards have been issued but are not effective for the financial year beginning 1 April 2016 and have not yet been early adopted by the Group (Continued)*

HKFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in September 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial assets. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new excepted credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKFRS 9's full impact.

HKFRS 15, "Revenue from Contracts with Customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognized when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

2. Summary of Significant Accounting Policies (Continued)

2.1 Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(b) *New and amended standards have been issued but are not effective for the financial year beginning 1 April 2016 and have not yet been early adopted by the Group (Continued)*

HKFRS 16 — Leases

HKFRS 16 supersedes HKAS 17 Leases, HK(IFRIC)-Int 4 Determining Whether an Arrangement Contain a Lease, HK(SIC)-Int 15 Operating Lease — Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

HKFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with HKAS 17 Leases. Under HKFRS 16, leases are recorded on the statement of financial position by recognizing a liability for the present value of its obligation to make future lease payments with an asset (comprised the amount of lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognized lease assets and financial liabilities.

There are some exemptions. HKFRS 16 contains options which do not require a lessee to recognize assets and liabilities for (a) short term leases (i.e. lease of 12 months or less, including the effect of any extension options) and (b) leases of low value assets (for example, a lease of a personal computer).

HKFRS 16 substantially carries forward the lessor's accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. In classifying a sublease, an intermediate lessor shall classify the sublease as a finance lease or an operating lease as follows: (a) if the head lease is a short-term lease that the entity, as a lessee, the sublease shall be reclassified as an operating lease; (b) otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

HKFRS 16 clarifies that a lessee separates lease components and service components of a contract, and applies the lease accounting requirements only to the lease components. The Group is assessing the impact of HKFRS 16.

The Group has already commenced an assessment of related impact of adopting the above new and amended standards to the Group. The Group is not yet in a position to state whether substantial changes to the Group's accounting policies and presentation of the consolidated financial statements will be resulted.

2. Summary of Significant Accounting Policies (Continued)

2.2 Consolidation

(a) *Subsidiaries*

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

(b) *Business combination*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. Cost also includes direct attributable costs of investment. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognized and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognized directly in the consolidated income statement.

Intra-group transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(c) *Changes in ownership interests in subsidiaries without change of controls*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interests are also recorded in equity.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

2. Summary of Significant Accounting Policies (Continued)

2.2 Consolidation (Continued)

(d) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

(e) Separate financial statements

Investments in subsidiaries are accounted for at cost, less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong Dollars ("HK\$"), which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Foreign exchange gains and losses that related to borrowings and cash and cash equivalents are presented in the consolidated income statement within "finance costs". All other foreign exchange gains and losses are presented in the consolidated income statement within "general and administrative expenses".

2. Summary of Significant Accounting Policies (Continued)

2.4 Foreign currency translation (Continued)

(b) Transactions and balances (Continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analyzed between translation differences resulting from changes in the amortized cost of the security, and other changes in the carrying amount of the security. Translation differences related to changes in the amortized cost are recognized in profit or loss, and other changes in the carrying amount are recognized in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognized in the consolidated income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising therefrom are recognized as other comprehensive income and included in the translation reserve in equity.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

2. Summary of Significant Accounting Policies (Continued)

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated depreciation losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized 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 expensed in the consolidated income statement during the period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Leasehold improvements	Over the term of leases
Computer equipment	20%
Office equipment	20%
Furniture and fixtures	20%
Motor vehicles	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses are determined by comparing proceeds with the carrying amount and are recognized in the consolidated income statement.

2.6 Investment properties

Investment property, principally comprising leasehold land and buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group.

Land held under operating leases are accounted for as investment property when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases.

Investment property is initially measured at its cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. These valuations are reviewed annually by external valuers.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.

The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognized as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognized in the financial statements.

2. Summary of Significant Accounting Policies (Continued)

2.6 Investment properties (Continued)

Subsequent expenditure is charged to the asset's carrying amount 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 costs are expensed in the consolidated income statement during the financial period in which they are incurred.

Changes in fair values are recognized in the consolidated income statement, as part of other income and gains.

Gains or losses on disposal of an investment property are recognized in the consolidated income statement in the year of disposal.

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration of an acquisition transferred over the Group's interests in the fair value of the acquiree's identifiable assets acquired and liabilities assumed at the acquisition date. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

(b) Trading rights

Trading rights represent eligibility rights to trade on or through the Stock Exchange and on the Hong Kong Futures Exchange Limited with indefinite useful life, which are carried at cost less accumulated impairment losses.

2.8 Impairment of investments in subsidiaries and non-financial assets

Assets that have an indefinite useful life — for example goodwill or intangible assets not ready to use — are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

2. Summary of Significant Accounting Policies (Continued)

2.9 Financial assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivable and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets, it expected to be settled within 12 months, otherwise they are classified as non-current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "statutory deposits and other assets", "accounts receivable", "deposits and other receivables" and "cash and cash equivalents" in the consolidated statement of financial position.

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless mature or management intends to dispose of the investment within 12 months of the end of the reporting period.

Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date — the date on which the Group commits to purchase or sell the asset. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the consolidated income statement. Available-for-sale financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial assets are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the consolidated income statement within "other income and gains" in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in the consolidated income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in the consolidated income statement as gains and losses from investment securities.

2. Summary of Significant Accounting Policies (Continued)

2.9 Financial assets (Continued)

Recognition and measurement (Continued)

Interest on available-for-sale securities calculated using the effective interest method is recognized in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognized in the consolidated income statement as part of other income when the Group's right to receive payments is established.

2.10 Impairment of financial assets

(a) Assets carried at amortized cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio;
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

2. Summary of Significant Accounting Policies (Continued)

2.10 Impairment of financial assets (Continued)

(a) *Assets carried at amortized cost (Continued)*

For loans and receivables category, amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognized in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in the consolidated income statement.

(b) *Assets classified as available-for-sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (a) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss — is removed from equity and recognized in the separate consolidated statement of comprehensive income. Impairment losses recognized in the separate consolidated statement of comprehensive income on equity instruments are not reversed through the separate consolidated statement of comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the separate consolidated income statement.

2.11 Trade and other receivables

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment, if any. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the consolidated income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the consolidated income statement.

2. Summary of Significant Accounting Policies (Continued)

2.12 Cash and cash equivalents and client trust bank balances

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and financial institutions, other short-term highly liquid investments with original maturities of three months or less, in the statements of financial position.

Client trust bank balances are not readily usable by the Group and are excluded from cash and cash equivalents for the purpose of the consolidated statement of cash flows.

2.13 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.15 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.16 Compound financial instruments

Compound financial instruments issued by the Group comprise convertible bonds that can be converted to share capital at the option of the holder, and the number of shares to be issued does not vary with changes in their fair value.

The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component, which is included in shareholders' equity in other reserves. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

2. Summary of Significant Accounting Policies (Continued)

2.16 Compound financial instruments (Continued)

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition except on conversion or expiry.

The liability component of a convertible instrument is classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.17 Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognized in the consolidated income statement, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, jointly controlled entities and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, jointly controlled entities and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2. Summary of Significant Accounting Policies (Continued)

2.18 Employee benefits

(a) Pension obligations

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully within the employees when contributed into the MPF Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme. As at the reporting period, the total amount of forfeited contributions, which arose upon employees leaving the MPF Scheme and available to reduce the contribution payable in future years was Nil (2016: Nil).

Retirement benefits to employees in the People's Republic of China (the "PRC") are provided through a defined contribution plan. The Group is required to participate in a central pension scheme operated by the local municipal government. The Group is required to contribute certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the central pension scheme. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution.

(b) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including market performance conditions are taken into considerations;
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining employee of the entity over a specified time period) is excluded; and
- including the impact of any non-vesting conditions is included.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

2. Summary of Significant Accounting Policies (Continued)

2.18 Employee benefits (Continued)

(b) Share-based compensation (Continued)

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing vesting conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statement of comprehensive income, with a corresponding adjustment to equity. When the options are exercised, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

(c) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after end of the reporting period are discounted to present value.

2.19 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; and it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2. Summary of Significant Accounting Policies (Continued)

2.20 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminating sales within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity, on the following bases:

- (a) Service income from on-line content information provision is recognized on a time-proportion basis over the service period.
- (b) Income from Internet solutions is recognized when the services are rendered.
- (c) Income from advertisements on websites is recognized when the advertisements are placed.
- (d) Rental income from property letting is recognized in the period in which the properties are let and on a straight-line basis over the lease terms.
- (e) Commission income is recognized when the services are rendered.
- (f) Interest income is recognized 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 original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognized using the original effective interest rate.
- (g) Dividend income is recognized when the right to receive payment is established.
- (h) Commission income from securities and futures brokerage is recognized on a trade-date basis when the relevant transactions are executed.

2.21 Leases

Leases where substantially all the risks and rewards of ownership of assets remain with the lessors are accounted for as operating leases. Leases that substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as finance leases.

(a) Where the Group is the lessee (operating leases)

Payments made under operating leases (net of any incentives received from the leasing company) are expensed in the consolidated income statement on a straight-line basis over the lease periods.

(b) Where the Group is the lessor (operating leases)

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset.

Lease income is recognized over the term of the lease on a straight-line basis.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

2. Summary of Significant Accounting Policies (Continued)

2.22 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognized because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognized but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognized as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognized but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognized.

2.23 Related parties

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

2. Summary of Significant Accounting Policies (Continued)

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

3. Financial Risk Management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group has no significant transactional currency exposures except income from investment properties in the PRC, and these assets are also exposed to foreign currency translation risk. The Group manages the foreign exchange exposure arising from its normal course of business activities and investments in foreign operations by funding its local operations and investments through cash flows generated from business transactions locally. The Group currently does not have a formal foreign currency hedging policy. However, the management monitors foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(ii) Price risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investment classified as available-for-sale financial assets (Note 20) and financial assets at fair value through profit or loss (Note 23) as at 31 March 2017 and 2016. The Group's listed investments are listed on the Tokyo Stock Exchange in Japan and the Hong Kong Stock Exchange and are valued at quoted market prices at the end of the reporting period.

The following table demonstrates the sensitivity to every 5% increase/decrease in the fair values of the equity investments with all other variables held constant and before any impact on tax, based on their carrying amounts at the end of the reporting period:

	Increase/ (decrease) in carrying amount of equity investments HK\$'000	Decrease/ (increase) in loss before income tax HK\$'000	Increase/ (decrease) in equity* HK\$'000
2017			
5% increase in equity price	520	520	520
5% decrease in equity price	(520)	(520)	(520)
2016			
5% increase in equity price	5	5	5
5% decrease in equity price	(5)	(5)	(5)

* Excluding accumulated losses

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(iii) Cash flow and fair value interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings with floating interest rates.

The Group's policy to manage its interest rate risk is to reduce or maintain its current level of interest-bearing borrowings. As the Group does not expect to significantly increase its level of interest-bearing borrowings, it has not used any interest rate swaps to hedge its exposure to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's loss before income tax (through the impact on floating rate borrowings) and the Group's equity.

	Increase/ (decrease) in basis points	Increase/ (decrease) in loss before income tax HK\$'000	Decrease/ (increase) in equity* HK\$'000
2017			
Hong Kong dollar	50	133	—
Hong Kong dollar	(50)	(133)	—
2016			
Hong Kong dollar	50	51	—
Hong Kong dollar	(50)	(51)	—

* Excluding accumulated losses

(b) Credit risk

The Group reviews the recoverability of its accounts receivable periodically to ensure that potential credit risk of the counterparty is managed at an early stage and sufficient provision is made for possible defaults. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, other receivables and available-for-sales financial assets arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

At the end of the reporting period, the Group has certain concentrations of credit risk as 40% (2016: 90%) and 99% (2016: 97%) of the Group's trade receivables were due from the Group's largest customer and the five largest customers, respectively. Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable are disclosed in Note 21 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. Financial Risk Management (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Group manages liquidity risk by maintaining adequate reserves and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

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

	On demand or within 1 year HK\$'000	More than 1 year but less than 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
2017				
Accounts payable	1,668	—	—	1,668
Accruals and other payables	14,173	—	—	14,173
Amount due to a related company	881	—	—	881
Borrowings	28,918	—	—	28,918
Convertible bonds	19,515	53,840	—	73,355
2016				
Accounts payable	4,390	—	—	4,390
Accruals and other payables	11,676	—	—	11,676
Amount due to a related company	2,692	—	—	2,692
Borrowing	11,548	—	—	11,548
Convertible bonds	523	17,947	—	18,470

For the purpose of managing liquidity risk, the management reviews the expected cash flow information of the Group's borrowing based on the scheduled repayment dates set out in the loan agreements as set out in the table below:

	Within 1 year HK\$'000	More than 1 year but less than 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000
2017				
Borrowings	18,244	4,975	5,700	28,919
Convertible bonds	19,515	53,840	—	73,355
2016				
Borrowing	1,779	6,572	3,197	11,548
Convertible bonds	523	17,947	—	18,470

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. Financial Risk Management (Continued)

3.2 Capital risk management

Certain of the Group's subsidiaries are regulated by the Securities and Futures Commission of Hong Kong (the "SFC") and are required to comply with certain minimum capital requirements according to the rules of the SFC. In addition, the Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares. During the year ended 31 March 2017, the Group's strategy which was unchanged from 2016.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by total equity, as shown in the consolidated statement of financial position. The gearing ratios at 31 March 2017 and 2016 were as follows:

	2017 HK\$'000	2016 HK\$'000
Total debt	89,525	24,068
Total equity	87,878	86,519
Gearing ratio	102%	28%

The total debt is defined as borrowings and convertible bonds, as detailed in Note 28 and 29 respectively.

3.3 Fair value estimation

Financial instruments that are measured in the consolidated financial statement at fair value require disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. Financial Risk Management (Continued)

3.3 Fair value estimation (Continued)

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The Group's investment properties and investment in an available-for-sale financial assets are classified as level 2 and level 1 respectively, and there are no transfer among levels 1, 2 and 3 during the year. Details are disclosed in respective notes to the consolidated financial statements.

3.4 Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

	Loans and receivables HK\$'000	Available-for- sale financial assets HK\$'000	Financial assets at fair value through profit or loss HK\$'000	Total HK\$'000
Financial assets as per consolidated statement of financial position 31 March 2017				
Statutory deposits and other assets (Note 18)	656	—	—	656
Available-for-sale financial assets (Note 20)	—	—	—	—
Accounts receivable (Note 21)	18,072	—	—	18,072
Deposits and other receivables	11,722	—	—	11,722
Financial assets at fair value through profit or loss (Note 23)	—	—	10,400	10,400
Client trust bank balances	129	—	—	129
Cash and cash equivalents (Note 25)	57,016	—	—	57,016
Total	87,595	—	10,400	97,995

	Loans and receivables HK\$'000	Available-for- sale financial assets HK\$'000	Total HK\$'000
Financial assets as per consolidated statement of financial position 31 March 2016			
Statutory deposits and other assets (Note 18)	656	—	656
Available-for-sale financial assets (Note 20)	—	109	109
Accounts receivable (Note 21)	10,354	—	10,354
Deposits and other receivables	4,733	—	4,733
Client trust bank balances	921	—	921
Cash and cash equivalents (Note 25)	25,718	—	25,718
Total	42,382	109	42,491

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

3. Financial Risk Management (Continued)

3.4 Financial instruments by category (Continued)

	Financial liabilities at amortized cost HK\$'000
Financial liabilities as per consolidated statement of financial position 31 March 2017	
Accounts payable (Note 26)	1,668
Accruals and other payables (Note 27)	14,173
Amount due to a related company	881
Borrowings (Note 28)	26,667
Convertible bonds (Note 29)	62,858
	<hr/>
Total	106,247
	<hr/> <hr/>
	Financial liabilities at amortized cost HK\$'000
Financial liabilities as per consolidated statement of financial position 31 March 2016	
Accounts payable (Note 26)	4,390
Accruals and other payables (Note 27)	11,676
Amount due to a related company	2,692
Borrowings (Note 28)	10,138
Convertible bonds (Note 29)	13,930
	<hr/>
Total	42,826
	<hr/> <hr/>

4. Critical Accounting Estimates and Judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Estimated fair values of investment properties

The fair values of investment properties are determined annually by independent professionally qualified valuers on open market value, existing use basis calculated on the net income allowing for reversionary potential. In making the judgment, considerations have been given to assumptions that are mainly based on market conditions existing at the end of the reporting period.

(b) Income taxes

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

(c) Estimated impairment of accounts receivable and other receivables

The Group's management determines the impairment of accounts receivable and other receivables on a regular basis. This estimate is based on the credit history of its customers and current market conditions. Management reassesses the impairment of accounts receivable and other receivables at the end of the reporting period.

(d) Estimated impairment of intangible assets other than goodwill

The Group periodically reviews internal or external resources to identify indications that the intangible assets other than goodwill have suffered any impairment in accordance with accounting policy stated in Note 2.8. If the recoverable amount of an intangible assets is estimated to be less than its carrying amount, the carrying amount of the intangible assets is reduced to its receivable amount. The assessment of the recoverable amount requires the use of estimates and assumptions.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

5. Revenue

Revenue recognized during the year is as follows:

	2017 HK\$'000	2016 HK\$'000
Service income from provision of financial information service	1,261	3,881
Advertising, investor relationship and branding promotion and communication service income	6,007	3,540
Brokerage commission and service income from securities and futures business	7	300
Loan interest income	1,798	550
Rental income from investment properties	1,693	2,912
	10,766	11,183

6. Other Income and Gains

	2017 HK\$'000	2016 HK\$'000
Referral commission income	3,418	4,681
Interest income from bank deposits	6	5
Fair value gain on investment properties	9,700	100
Fair value change on financial assets at fair value through profit or loss	699	42
Reversal of provision for impairment loss of trade receivables	—	30
Gain on disposal of subsidiaries (note 32)	8,144	—
Sundry income	470	11
	22,437	4,869

7. Segment Information

The chief operating decision-maker has been identified as the executive directors of the Company (the “Executive Directors”). The Executive Directors have reviewed the Group’s internal reports in order to assess the performance and allocate resources; they have also determined the operating segments based on these reports. The Executive Directors have further considered the business from product perspective and have assessed the performance of four business segments: (i) financial information service business, (ii) securities and futures business, (iii) money lending business and (iv) property investment business.

At 31 March 2017, the Group is organized into four operating segments:

- (i) Financial information service business — the development, production and provision of financial information service and technology solutions to corporate and retail clients in Hong Kong and the PRC; this segment also include results of the media business, providing advertising, investor relationship and branding promotion and communication service;
- (ii) securities and futures business that specializes in the provision of online securities and futures trading;
- (iii) money lending business; and
- (iv) property investment business.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

7. Segment Information (Continued)

The segment results for the year ended 31 March 2017 are as follows:

	Financial information service business HK\$'000	Securities and futures business HK\$'000	Money lending business HK\$'000	Property investment business HK\$'000	Group HK\$'000
Gross revenue	7,412	7	1,798	1,693	10,910
Inter-segment revenue	(144)	—	—	—	(144)
Revenue from external customers	7,268	7	1,798	1,693	10,766
Segment results	(29,944)	(820)	1,234	5,742	(23,788)
Finance costs					(9,639)
Loss before income tax					(33,427)
Income tax credit					1,280
Loss for the year					(32,147)
Other segment items included in the consolidated income statement are as follows:					
Provision for impairment loss of loans receivable	—	—	(613)	—	(613)
Provision for impairment loss of other receivables	(8,779)	—	—	—	(8,779)
Impairment loss of available-for-sale financial assets	—	—	—	(109)	(109)
Fair value change on financial assets at fair value through profit or loss	—	699	—	—	699
Fair value gain on investment properties	—	—	—	9,700	9,700
Depreciation of property, plant and equipment	(2,399)	(39)	—	(170)	(2,608)
Gain on disposal of subsidiaries	8,144	—	—	—	8,144

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For the year ended 31 March 2017

7. Segment Information (Continued)

The segment results for the year ended 31 March 2016 are as follows:

	Financial information service business HK\$'000	Securities and futures business HK\$'000	Money lending business HK\$'000	Property investment business HK\$'000	Group HK\$'000
Gross revenue	7,569	300	550	2,912	11,331
Inter-segment revenue	(148)	—	—	—	(148)
Revenue from external customers	7,421	300	550	2,912	11,183
Segment results	(37,487)	1,009	49	(3,090)	(39,519)
Finance costs					(1,093)
Loss before income tax					(40,612)
Income tax expense					(120)
Loss for the year					(40,732)
Other segment items included in the consolidated income statement are as follows:					
Reversal of provision for impairment loss of trade receivables	30	—	—	—	30
Provision for impairment loss of loans receivable	—	—	(355)	—	(355)
Provision for impairment loss of trade receivables	(50)	—	—	—	(50)
Impairment loss of available-for-sale financial assets	—	—	—	(186)	(186)
Fair value change on financial assets at fair value through profit or loss	—	42	—	—	42
Fair value gain on investment properties	—	—	—	100	100
Depreciation of property, plant and equipment	(2,423)	(46)	(1)	(252)	(2,722)

Segment assets consist primarily of property, plant and equipment, investment properties, intangible assets, available-for-sale financial assets, accounts receivable, prepayments, deposits and other receivables, financial assets at fair value through profit or loss, client trust bank balances and cash and cash equivalents. Segment liabilities comprise operating liabilities.

Capital expenditure comprises additions to property, plant and equipment, investment properties, intangible assets and statutory deposits and other assets.

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For the year ended 31 March 2017

7. Segment Information (Continued)

The segment assets and liabilities at 31 March 2017 and capital expenditure for the year then ended are as follows:

	Financial information service business HK\$'000	Securities and futures business HK\$'000	Money lending business HK\$'000	Property investment business HK\$'000	Group HK\$'000
Assets	<u>31,616</u>	<u>24,294</u>	<u>26,483</u>	<u>123,337</u>	<u>205,730</u>
Liabilities	<u>15,977</u>	<u>268</u>	<u>776</u>	<u>100,831</u>	<u>117,852</u>
Capital expenditure	<u>3,561</u>	<u>2</u>	<u>—</u>	<u>—</u>	<u>3,563</u>

The segment assets and liabilities at 31 March 2016 and capital expenditure for the year then ended are as follows:

	Financial information service business HK\$'000	Securities and futures business HK\$'000	Money lending business HK\$'000	Property investment business HK\$'000	Group HK\$'000
Assets	<u>18,792</u>	<u>20,514</u>	<u>10,152</u>	<u>90,847</u>	<u>140,305</u>
Liabilities	<u>13,325</u>	<u>1,906</u>	<u>752</u>	<u>37,803</u>	<u>53,786</u>
Capital expenditure	<u>963</u>	<u>307</u>	<u>—</u>	<u>646</u>	<u>1,916</u>

The Group mainly operates in Hong Kong and the PRC.

	2017 HK\$'000	2016 HK\$'000
Revenue		
Hong Kong	<u>10,236</u>	7,154
The PRC	<u>530</u>	4,029
	<u>10,766</u>	<u>11,183</u>

Revenue is allocated based on the country in which the customer is located.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

7. Segment Information (Continued)

	2017 HK\$'000	2016 HK\$'000
Total assets		
Hong Kong	170,048	102,709
The PRC	35,682	37,487
Other countries	—	109
	<u>205,730</u>	<u>140,305</u>

Total assets are allocated based on where the assets are located.

	2017 HK\$'000	2016 HK\$'000
Capital expenditure		
Hong Kong	1,787	1,633
The PRC	1,776	283
	<u>3,563</u>	<u>1,916</u>

Capital expenditure is allocated based on where the assets are located.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

	2017 HK\$'000	2016 HK\$'000
Customer A ¹	2,127	N/A ³
Customer B ²	1,422	1,466
Customer C ²	N/A ³	1,446
Customer D ¹	<u>1,980</u>	<u>N/A³</u>

¹ Revenue from financial information service business.

² Revenue from property investment business.

³ The corresponding revenue did not contribute over 10% of the total revenue of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

8. Finance Costs

	2017 HK\$'000	2016 HK\$'000
Interest expense on borrowings	703	407
Effective interest expense on convertible bonds	8,936	686
	9,639	1,093

9. Loss Before Income Tax

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

	2017 HK\$'000	2016 HK\$'000
Operating lease payments		
— in respect of rented premises	8,061	6,537
— in respect of office equipment	12	12
Employee benefits expense (including directors' emoluments) (Note 12)	25,428	28,293
Provision for impairment loss of trade receivables	—	50
Provision for impairment loss of loans receivable	613	355
Provision for impairment loss of other receivables	8,779	—
Reversal of provision for impairment loss of trade receivables	—	(30)
Impairment loss of available-for-sale financial assets	109	186
Depreciation of property, plant and equipment	2,608	2,722
Loss on disposal of property, plant and equipment	—	136
Direct operating expenses arising on rental-earning investment properties	117	97
Auditors' remuneration		
— Audit service	550	520
— Non-audit service	—	—

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10. Income Tax (Credit)/Expense

Hong Kong Profits Tax is calculated at the rate of 16.5% (2016: 16.5%) on the estimated assessable profits arising in or derived from Hong Kong for the year.

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and Regulations on the Implementation of the EIT Law in the PRC, the applicable tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

	2017 HK\$'000	2016 HK\$'000
Current tax:		
— Overseas taxation — the PRC	143	154
Under provision in prior years:		
— Hong Kong Profits Tax	6	—
Deferred tax: (Note 30)		
Income tax (credit)/expense	<u>(1,429)</u>	<u>(34)</u>
	<u>(1,280)</u>	<u>120</u>

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the Hong Kong Profits Tax rate of 16.5% (2016: 16.5%) as follows:

	2017 HK\$'000	2016 HK\$'000
Loss before income tax	<u>(33,427)</u>	<u>(40,612)</u>
Tax calculated at Hong Kong Profits Tax rate	(5,515)	(6,700)
Effect of different tax rates of other jurisdictions	(221)	(614)
Income not subject to tax	(3,397)	(259)
Expenses not deductible for tax purposes	3,019	100
Tax effect of temporary differences not recognized	(1,230)	147
Tax losses for which no deferred income tax asset was recognized	6,058	7,639
Utilization of previously unrecognized tax losses	—	(193)
Under provision of tax	6	—
Income tax (credit)/expense	<u>(1,280)</u>	<u>120</u>

Notes to the Consolidated Financial Statements

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11. Loss Per Share

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company for the year ended 31 March 2017 of approximately HK\$29,122,000 (2016: HK\$35,957,000) by the weighted average number of approximately 476,902,000 (2016: 453,047,000) ordinary shares in issue during the year.

(b) Diluted

The computation of diluted loss per share for the year ended 31 March 2017 and 2016 did not assume the exercise of the Company's outstanding share options, warrants and convertible bonds during both years since they are anti-dilutive, as their exercise would result in a decrease in loss per share.

12. Employee Benefits Expense

Employee benefits expense (including directors' and chief executive's remuneration) during the year are as follows:

	2017 HK\$'000	2016 HK\$'000
Wages and salaries	23,950	26,118
Pension costs-defined contribution plans	1,235	1,169
Others	243	1,006
	25,428	28,293

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For the year ended 31 March 2017

13. Directors' and Chief Executive's Remuneration

The remuneration of every director and the chief executive of the Company for the years ended 31 March 2017 and 2016 are set out below:

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Share-based payments HK\$'000	Contributions to defined contribution schemes HK\$'000	Total HK\$'000
Year ended 31 March 2017					
Executive Directors					
Ms. LO Yuk Yee	—	2,177	—	18	2,195
Mr. CHOW Wing Chau	120	—	—	—	120
Mr. YIU Wing Hei	120	—	—	—	120
Mr. LI Hong (appointed on 30 September 2016 and resigned on 8 May 2017)	60	—	—	—	60
Independent non-Executive Directors					
Mr. SIU Siu Ling, Robert	120	—	—	—	120
Mr. WONG Wai Kin	120	—	—	—	120
Mr. LEUNG Chi Hung	120	—	—	—	120
	660	2,177	—	18	2,855

	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Share-based payments HK\$'000	Contributions to defined contribution schemes HK\$'000	Total HK\$'000
Year ended 31 March 2016					
Executive Directors					
Ms. LO Yuk Yee	—	2,035	—	19	2,054
Mr. CHOW Wing Chau	120	—	—	—	120
Mr. YIU Wing Hei	120	—	—	—	120
Independent non-Executive Directors					
Mr. SIU Siu Ling, Robert	120	—	—	—	120
Mr. WONG Wai Kin	120	—	—	—	120
Mr. LEUNG Chi Hung	120	—	—	—	120
	600	2,035	—	19	2,654

No emoluments was paid or payable to chief executive of the Group during both years. The position of chief executive officer was vacant and its roles and responsibilities were shared amongst the members of the Board.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

13. Directors' and Chief Executive's Remuneration (Continued)

During the year ended 31 March 2017, no bonuses had been paid or receivable by the directors of the Company which are discretionary or are based on the Company's, the Group's or any member of the Group's performance.

During the year ended 31 March 2017, no emoluments were paid by the Group to the directors of the Company as an inducement to join or upon joining the Group or as compensation for loss of office (2016: Nil). None of the directors of the Company waived or agreed to waive any remuneration during the year (2016: Nil).

The directors of the Company consider that they are the only key management personnel of the Group and details of their compensation have been set out above.

14. Five Highest Paid Individuals

The five individuals whose emoluments were the highest in the Group for the year included one (2016: one) director whose emoluments have been reflected in the analysis presented above. The emoluments payable to the remaining four (2016: four) individuals during the year are as follows:

	2017 HK\$'000	2016 HK\$'000
Basic salaries and allowances	2,358	2,428
Contributions to defined contribution schemes	72	72
	<u>2,430</u>	<u>2,500</u>

The emoluments fell within the following band:

	2017 Number of individuals	2016 Number of individuals
Emolument band Nil to HK\$1,000,000	<u>4</u>	<u>4</u>

During the year ended 31 March 2017, no bonuses had been paid or receivable by any of the five highest paid individuals which are discretionary or are based on the Company's, the Group's or any member of the Group's performance (2016: Nil).

During the year ended 31 March 2017, no emoluments were paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office (2016: Nil).

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For the year ended 31 March 2017

15. Property, Plant and Equipment

	Leasehold improvements HK\$'000	Computer equipment HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 April 2015						
Cost	5,457	9,032	1,170	2,171	829	18,659
Accumulated depreciation	(2,968)	(5,939)	(975)	(1,258)	(459)	(11,599)
Net book amount	2,489	3,093	195	913	370	7,060
Year ended 31 March 2016						
Opening net book amount	2,489	3,093	195	913	370	7,060
Additions	830	506	131	198	—	1,665
Disposals	—	(92)	—	(44)	—	(136)
Depreciation	(1,316)	(948)	(94)	(262)	(102)	(2,722)
Exchange differences	—	(16)	—	(8)	(15)	(39)
Closing net book amount	2,003	2,543	232	797	253	5,828
At 31 March 2016						
Cost	6,287	8,921	1,301	1,536	809	18,854
Accumulated depreciation	(4,284)	(6,378)	(1,069)	(739)	(556)	(13,026)
Net book amount	2,003	2,543	232	797	253	5,828
Year ended 31 March 2017						
Opening net book amount	2,003	2,543	232	797	253	5,828
Additions	—	182	33	1,562	1,786	3,563
Disposals of subsidiaries	—	(11)	—	—	—	(11)
Depreciation	(931)	(890)	(88)	(472)	(227)	(2,608)
Exchange differences	(1)	(14)	—	(59)	(18)	(92)
Closing net book amount	1,071	1,810	177	1,828	1,794	6,680
At 31 March 2017						
Cost	6,280	8,873	1,334	2,971	2,566	22,024
Accumulated depreciation	(5,209)	(7,063)	(1,157)	(1,143)	(772)	(15,344)
Net book amount	1,071	1,810	177	1,828	1,794	6,680

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16. Investment Properties

	2017 HK\$'000	2016 HK\$'000
Beginning of year	89,100	89,000
Fair value gain	9,700	100
End of year	98,800	89,100

The Group's interests in investment properties at their net book values are analyzed as follows:

	2017 HK\$'000	2016 HK\$'000
Leases of between 10 to 50 years, held in:		
— Hong Kong	68,000	58,200
— The PRC	30,800	30,900
	98,800	89,100

At 31 March 2017, the Group's bank borrowings were secured by the above investment properties with carrying amount of approximately HK\$68,000,000 (2016: HK\$58,200,000).

The Group obtains independent valuations for its investment properties at least annually. In current year, the valuations are performed by Ascent Partners Valuation Services Limited ("Ascent Partners"), an independent professionally qualified valuer. Ascent Partners has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations and confirms that the valuations conform with Hong Kong Institute of Surveyors Valuation Standards on Properties. (2016: the valuations are performed by Roma Appraisals Limited ("Roma"), an independent professionally qualified valuer. Roma has appropriate qualifications and recent experiences in the valuation of similar properties in the relevant locations and confirms that the valuations conform with Hong Kong Institute of Surveyors Valuation Standards on Properties).

At the end of each reporting period, the directors of the Company update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors of the Company determine a property's value within a range of reasonable fair value estimates.

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16. Investment Properties (Continued)

Fair value of investment properties are generally derived using the direct comparison method. This valuation method is based on comparing the property to be valued directly with other comparable properties in close proximity, which have recently transacted. The most significant input into this valuation approach is price per square feet.

There has been no change from the valuation technique used in both years. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The valuation gain is included in "Other income and gains" in the consolidated income statement (Note 6).

The following tables present the investment properties of the Group carried at fair value by valuation method as at 31 March 2017 and 2016:

Fair value hierarchy

	Quoted prices in active markets for identified assets Level 1 HK\$'000	Significant other observable inputs Level 2 HK\$'000	Significant unobservable inputs Level 3 HK\$'000	Total HK\$'000
2017				
Recurring fair value measurements				
Investment properties:				
— Hong Kong	—	68,000	—	68,000
— The PRC	—	30,800	—	30,800
	—	98,800	—	98,800

	Quoted prices in active markets for identified assets Level 1 HK\$'000	Significant other observable inputs Level 2 HK\$'000	Significant unobservable inputs Level 3 HK\$'000	Total HK\$'000
2016				
Recurring fair value measurements				
Investment properties:				
— Hong Kong	—	58,200	—	58,200
— The PRC	—	30,900	—	30,900
	—	89,100	—	89,100

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16. Investment Properties (Continued)

The Group's policy is to recognize transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers among Levels 1, 2 and 3 during the year.

17. Intangible Assets

Trading rights in the Stock Exchange and Hong Kong Futures Exchange Limited HK\$'000

At 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017

Cost and net book amount	950
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Trading rights issued by Stock Exchange and Hong Kong Futures Exchange Limited allows the Group to trade securities and future contracts on or through the exchange. The trading rights held by the Group are considered by the directors of the Company as having indefinite useful lives because they are expected to contribute net cash inflows indefinitely.

The trading rights will not be amortized until their useful life is determined to be finite. Instead, they will be tested for impairment annually and whenever there is an indication that they may be impaired. The recoverable amounts of the cash generating units relating to securities and futures business whereby these trading rights are allocated to, using a discounted cashflow method, exceed the carrying amounts. Accordingly, there is no impairment of the trading rights as at 31 March 2017 and 2016.

18. Statutory Deposits And Other Assets

	2017 HK\$'000	2016 HK\$'000
Hong Kong Securities and Futures Commission		
— Securities dealer deposit	100	100
— Commodity dealer deposit	100	100
The Stock Exchange of Hong Kong Limited		
— Compensation fund deposit	50	50
— Fidelity fund deposit	50	50
Hong Kong Securities Clearing Company Limited		
— Guarantee fund	50	50
— Admission fee	50	50
— Shanghai Hong Kong Connection Deposit	251	251
Stamp duty deposit	5	5
	656	656

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19. General Information of Subsidiaries

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

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operations	Particulars of issued capital/ registered capital	Interest held
Finet Finance Limited	Hong Kong, limited liability company	Money lending	Ordinary HK\$2	100% (Indirect)
Finet Financial Services (Hong Kong) Company Limited	Hong Kong, limited liability company	Inactive	Ordinary HK\$50,000	100% (Direct)
Finet Information Services Limited	Hong Kong, limited liability company	Investment holding	Ordinary HK\$2	100% (Indirect)
Finet Job Limited	Hong Kong, limited liability company	Recruitment	Ordinary HK\$10,000	100% (Indirect)
Finet Securities Limited	Hong Kong, limited liability company	Acting as dealer in securities and commodities and trading in securities and commodities	Ordinary HK\$33,000,000	100% (Direct)
Finet Wealth Management Company Limited	Hong Kong, limited liability company	Inactive	Ordinary HK\$10,000	100% (Indirect)
FinTV e-commerce Limited	Hong Kong, limited liability company	Inactive	Ordinary HK\$50,000	50% (Indirect)
FinTV Video Company Limited	Hong Kong, limited liability company	Video making	Ordinary HK\$10,000	50% (Indirect)
Hong Kong Affairs Limited	Hong Kong, limited liability company	Data hosting	Ordinary HK\$10,000	100% (Indirect)
Source Mega Properties Limited	Hong Kong, limited liability company	Inactive	Ordinary HK\$10,000	100% (Indirect)
XD Finance Limited	Hong Kong, limited liability company	Inactive	Ordinary HK\$50,000	100% (Direct)
Xian Dai Communications Limited	Hong Kong, limited liability company	Financial public relationship business	Ordinary HK\$100	50% (Indirect)
Xian Dai Creative Advertising Company Limited	Hong Kong, limited liability company	On-line and off-line advertising	Ordinary HK\$10,000	50% (Indirect)
Xian Dai TV Limited	Hong Kong, limited liability company	Media business	Ordinary HK\$18,000,000	50% (Indirect)
China Hong Kong Finance Group Limited	Hong Kong, limited liability company	Investment holding	Ordinary HK\$10,000	100% (Indirect)
China Hong Kong News Group Limited	Hong Kong, limited liability company	Investment holding	Ordinary HK\$10,000	100% (Indirect)

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For the year ended 31 March 2017

19. General Information of Subsidiaries (Continued)

Details of the Group's subsidiaries at the end of the reporting period are set out below. (Continued)

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities and place of operations	Particulars of issued capital/ registered capital	Interest held
Finet Asset Management Limited	Hong Kong, limited liability company	Inactive	Ordinary HK\$10,000	100% (Indirect)
Finet Corporate Finance Limited	Hong Kong, limited liability company	Inactive	Ordinary HK\$10,000	100% (Indirect)
Finet Holdings Limited	Hong Kong, limited liability company	Provision of financial information management and technology solutions, internet advertising and investment holding in Hong Kong	Ordinary HK\$68,990,025	100% (Indirect)
Finet News Services Limited	Hong Kong, limited liability company	Provision of financial information services in Hong Kong and the PRC and investment holding	Ordinary HK\$10,000	100% (Indirect)
Finet Group (BVI) Limited	British Virgin Islands, limited liability company	Investment holding	1 ordinary share of US\$1 each	100% (Direct)
Finet New Media Limited	British Virgin Islands, limited liability company	Investment holding	2 ordinary shares of HK\$1 each	100% (Indirect)
Pink Angel Investments Limited	British Virgin Islands, limited liability company	Property investment	10,000 ordinary shares of US\$ 1 each	100% (Indirect)
Finet Securities SPC Limited	Cayman Islands, limited liability company	Investment holding	100 management shares of US\$1 each 500 participant shares of US\$0.01 each	100% (Indirect)
Finet Group Technology (Shenzhen) Limited	PRC, wholly foreign owned enterprise	Provision of financial information services in the PRC	Registered and paid-up capital of HK\$11,000,000	100% (Direct)
北京財華金科信息諮詢有限公司	PRC, limited liability company	Financial services	Registered and paid-up capital of RMB200,000	100% (Indirect)
現代電視文化傳播(深圳)有限公司	PRC, limited liability company	Media business	Registered and paid-up capital of RMB100,000	100% (Indirect)
財華金科網絡技術開發(深圳)有限公司	PRC, wholly foreign owned enterprise	Provision of financial information services in the PRC	Registered and paid-up capital of HK\$10,000,000	100% (Indirect)

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19. General Information of Subsidiaries (Continued)

Amounts due from/(to) subsidiaries

The amounts due from/(to) subsidiaries as shown on the Company's statement of financial position and intra-group balances are unsecured, interest-free and repayable on demand.

Details of non-wholly owned subsidiary that have material non-controlling interests

The table below shows details of non-wholly-owned subsidiary of the Group that had material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of Ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
				31 March			
		2017	2016	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Xian Dai TV Limited	Hong Kong	50%	50%	(3,025)	(4,775)	(8,223)	(5,198)
				31 March 2017 HK\$'000		31 March 2016 HK\$'000	
Total assets				8,393		1,470	
Total liabilities				(24,840)		(11,867)	
Net liabilities				(16,447)		(10,397)	
Total income				4,123		1,161	
Total expenses				(10,173)		(10,710)	
Loss for the year				(6,050)		(9,549)	
Net cash inflow/(outflow) from operating activities				7,167		(5,641)	
Net cash outflow from investing activities				(1,629)		(249)	
Net cash inflow/(outflow)				5,538		(5,890)	

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20. Available-for-sale Financial Assets

	2017 HK\$'000	2016 HK\$'000
Beginning of year	109	295
Net loss transfer to equity	—	(186)
Impairment loss recognized	(109)	—
End of year	—	109

Available-for-sale financial assets include the following:

	2017 HK\$'000	2016 HK\$'000
Equity securities listed in Japan	—	109
Market value of listed equity securities	—	109

Available-for-sale financial assets are denominated in Japanese Yen. During the year ended 31 March 2017, the above equity securities had been delisted by the Tokyo Stock Exchange due to liquidation. The directors of the Company considered that the possibility to fully recover the asset value of the available-for-sale financial assets to be remote and the Group recognized a full impairment of approximately HK\$109,000 against the carrying amount as at 31 March 2017.

The following table presents the available-for-sale financial assets that are measured at fair value at 31 March 2017:

	Quoted prices in active markets for identified assets Level 1 HK\$'000	Significant other observable inputs Level 2 HK\$'000	Significant unobservable inputs Level 3 HK\$'000	Total HK\$'000
Available-for-sale financial assets	—	—	—	—

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20. Available-for-sale Financial Assets (Continued)

The following table presents the available-for-sale financial assets that are measured at fair value at 31 March 2016:

	Quoted prices in active markets for identified assets Level 1 HK\$'000	Significant other observable inputs Level 2 HK\$'000	Significant unobservable inputs Level 3 HK\$'000	Total HK\$'000
Available-for-sale financial assets	109	—	—	109

21. Accounts Receivable

	2017 HK\$'000	2016 HK\$'000
Loans receivable	20,680	12,339
Less: Provision for impairment loss of loans receivable	(2,802)	(2,189)
	17,878	10,150
Trade receivables	1,319	1,329
Less: Provision for impairment loss of trade receivables	(1,125)	(1,125)
	194	204
Accounts receivable	18,072	10,354

The loans terms granted by the Group to its customers range from 90 days to 365 days from the loan drawn date. The carrying amounts of loans receivable approximate to their fair values as these financial assets, which are measured at amortized cost, are expected to be paid within a short period of time, such that the impact of the time value of money is not significant. Loans receivable as at 31 March 2017 are unsecured and interest-bearing at rates ranging from 7% to 24% (2016: 7% to 24%) per annum. Loans receivable includes the interest receivables of approximately HK\$1,278,000 (2016: HK\$150,000) receivable at the date of repayment. At 31 March 2017, the aging analysis of the loans receivable is as follows:

	2017 HK\$'000	2016 HK\$'000
0–30 days	—	10,150
31–60 days	—	—
61–90 days	7,253	—
Over 90 days	13,427	2,189
	20,680	12,339

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For the year ended 31 March 2017

21. Accounts Receivable (Continued)

As of 31 March 2017, loans receivable of approximately HK\$17,878,000 (2016: HK\$Nil) were past due but not impaired. These relate to several major independent customers with no recent history of default.

Aging of loans receivable which are past due but not impaired:

	2017 HK\$'000	2016 HK\$'000
61–90 days	7,253	—
Over 90 days	10,625	—
	<u>17,878</u>	<u>—</u>

At the end of each reporting period, the recoverability of the Group's loans receivable due from individual customers are assessed based on their credit history, their financial conditions and current market conditions. Consequently, specific impairment provision is recognized.

Movements on the provision for impairment loss of loans receivable were as follows:

	2017 HK\$'000	2016 HK\$'000
At the beginning of year	2,189	1,834
Provision for impairment loss	613	355
At the end of year	<u>2,802</u>	<u>2,189</u>

The credit terms granted by the Group to its customers range from 10 days to 90 days from the date of billing. The carrying amounts of the trade receivables approximate to their fair values as these financial assets, which are measured at amortized cost, are expected to be paid within a short period of time, such that the impact of the time value of money is not significant. At 31 March 2017, the aging analysis of the trade receivables are as follows:

	2017 HK\$'000	2016 HK\$'000
0–30 days	33	164
31–60 days	41	18
61–90 days	62	—
Over 90 days	58	22
	<u>194</u>	<u>204</u>

As of 31 March 2017, trade receivables of approximately HK\$58,000 (2016: HK\$22,000) were past due but not impaired. These relate to several independent customers with no recent history of default.

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21. Accounts Receivable (Continued)

Aging of trade receivables which are past due but not impaired:

	2017 HK\$'000	2016 HK\$'000
Over 90 days	<u>58</u>	<u>22</u>

At the end of each reporting period, the recoverability of the Group's trade receivables due from individual customers are assessed based on their credit history, their financial conditions and current market conditions. Consequently, specific impairment provision is recognized.

Movements on the provision for impairment loss of trade receivables were as follows:

	2017 HK\$'000	2016 HK\$'000
At the beginning of year	1,125	1,155
Reversal of impairment loss	—	(30)
Provision for impairment loss	—	50
Written off	—	(50)
At the end of year	<u>1,125</u>	<u>1,125</u>

The individually impaired receivable mainly relates to customers which is in unexpectedly difficult economic situations.

The carrying amounts of the Group's accounts receivable are denominated in the following currencies:

	2017 HK\$'000	2016 HK\$'000
Hong Kong dollars	18,069	10,354
United States dollars	3	—
	<u>18,072</u>	<u>10,354</u>

The maximum exposure to credit risk at the reporting date is the carrying amount of the accounts receivable mentioned above. The Group does not hold any collateral as security.

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22. Prepayments, Deposits and Other Receivables

	2017 HK\$'000	2016 HK\$'000
Prepayments	1,305	1,930
Utility and other deposits	4,832	4,636
Other receivables	6,890	97
Amount due from a former subsidiary (Note)	8,779	—
	21,806	6,663
Less: Provision for impairment loss of amount due from a former subsidiary (Note)	(8,779)	—
	13,027	6,663

Note: The amount due from a former subsidiary (namely, 深圳市財華智庫信息技術有限公司("財華智庫")) were unsecured, interest-free and repayable on demand. The directors of the Company considered the amount due might not be recovered and a full provision for impairment loss had been recognized during the year ended 31 March 2017.

23. Financial Assets at Fair Value Through Profit or Loss

	2017 HK\$'000	2016 HK\$'000
Equity securities listed in Hong Kong, at fair value	10,400	—

During the year ended 31 March 2017, the realized and unrealized gain on financial assets at fair value through profit or loss were approximately HK\$299,000 (2016: HK\$42,000) and approximately HK\$400,000 (2016: Nil) respectively. Details of the equity investee of which the carrying amount is significant to the Group at 31 March 2017 (2016: Nil) are as follows:

At 31 March 2017

Name of company	Place of incorporation	Class of shares held	Proportion of the nominal value issued ordinary shares held by the Group	Number of shares held by the Group as at 31 March 2017	Unrealized gain during year HK\$'000
Daisho Microline Holdings Limited (SEHK: 0567)	Bermuda	Ordinary shares	3.47%	20,000,000	400

The fair value of all equity securities are based on their current market prices in an active market. The Group held listed equity securities with a total market value of approximately HK\$10,400,000 (2016: HK\$ Nil) as at 31 March 2017.

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23. Financial Assets at Fair Value Through Profit or Loss (Continued)

At 31 March 2017 (Continued)

The following table presents the financial assets at fair value through profit or loss that are measured at fair value at 31 March 2017:

	Quoted prices in active markets for identified assets Level 1 HK\$'000	Significant other observable inputs Level 2 HK\$'000	Significant unobservable inputs Level 3 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss	10,400	—	—	10,400

Financial assets at fair value through profit or loss are denominated in HK\$.

24. Amount Due to a Related Company

As at 31 March 2017 and 2016, the amount due was unsecured, interest-free and repayable on demand.

25. Cash and Cash Equivalents

	2017 HK\$'000	2016 HK\$'000
Cash at banks and in hand	57,016	25,718

Cash at banks earns interest at floating rates based on daily bank deposit rates. Bank balances are deposited with credit worthy banks with no recent history of default.

At 31 March 2017, approximately 90% (2016: 97%) of the Group's bank balances and deposits are denominated in HK\$, 7% (2016: Nil) in United States dollars and 3% (2016: 3%) in Renminbi, Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

26. Accounts Payable

	2017 HK\$'000	2016 HK\$'000
Accounts payable arising from securities broking — Clients	116	908
Accounts payable arising from futures broking — Clients	13	13
Other accounts payable	1,539	3,469
Accounts payable	1,668	4,390

The settlement terms of accounts payable arising from securities broking are one or two trade days after the trade execution date.

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26. Accounts Payable (Continued)

Accounts payable to clients arising from futures broking are margin deposits received from clients for their trading of futures contracts. The excess of the outstanding amounts over the required margin deposits stipulated are repayable to clients on demand.

At 31 March 2017 and 2016, the aging analysis of the accounts payable were as follows:

	2017 HK\$'000	2016 HK\$'000
0–30 days	—	422
31–60 days	—	251
61–90 days	36	88
Over 90 days	1,503	2,708
	1,539	3,469

The carrying amounts of the Group's accounts payable are denominated in the following currencies:

	2017 HK\$'000	2016 HK\$'000
Renminbi	11	12
Hong Kong dollars	1,648	4,093
United States dollars	9	285
	1,668	4,390

27. Accruals and other payables

	2017 HK\$'000	2016 HK\$'000
Rental deposits received	770	287
Deposit received on disposal of a subsidiary	6,800	—
Other payables	1,685	1,797
Accruals	4,918	9,592
	14,173	11,676

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For the year ended 31 March 2017

28. Borrowings

	2017 HK\$'000	2016 HK\$'000
Secured bank borrowings	26,667	10,138

At the end of the reporting period, the borrowings are repayable as follows:

Within 1 year	17,826	1,415
Between 1 and 2 years	863	1,415
Between 2 and 5 years	2,836	4,244
Over 5 years	5,142	3,064
	26,667	10,138

As at 31 March 2017, the borrowings of approximately HK\$9,667,000 (2016: approximately HK\$10,138,000) carried at floating rate of Prime Rate less 0.75% per annum (2016: HIBOR plus 3.5% per annum). The borrowings of approximately HK\$17,000,000 (2016: HK\$ Nil) is revolving loan carried at floating rate of Prime Rate less 0.75% per annum (2016: Nil) with three month maturity cycle. The effective interest rate for the borrowings ranging from 3.7% to 4.5% per annum. The carrying amounts of the borrowings are denominated in HK\$.

As at 31 March 2017, the borrowings was pledged by certain investment properties of the Group (Note 16) and a limited guarantee at the amount of HK\$35,000,000 by the Company (2016: HK\$17,000,000 by the Company and a director of the Company respectively).

The borrowings are classified as current liabilities because the related loan agreement contains a repayment on demand clause which gives the lender the unconditional right to call the loan at any time.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

29. Convertible Bonds

Convertible bonds at amortized costs:

The movement of liability component at amortized costs of the convertible bonds are as follows:

	HK\$'000
Carrying amount as at 1 April 2015	—
Liability component on initial recognition	13,244
Interest charged (Note 8)	686
Carrying amount as at 31 March 2016 and 1 April 2016	13,930
Liability component on initial recognition	40,515
Interest charged (Note 8)	8,936
Interest paid	(523)
Carrying amount as at 31 March 2017	62,858

On 25 July 2015, the Company entered into the subscription agreement with the subscriber namely Maxx Capital International Limited ("Maxx Capital"), which is beneficially owned by Ms. LO, the chairman and the director of the Company, pursuant to which Maxx Capital has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the convertible bonds with an aggregate principal amount of HK\$69,696,000, bearing an interest at 3% per annum payable on annual basis and have a term of 2 years. The subscription constitutes a non-exempt connected transaction of the Company.

The convertible bonds carry the right to convert into conversion shares at the conversion price of HK\$0.396 per conversion share. The period commencing from the date of issue of convertible bonds and ending on the day which falls on the 2nd anniversary of the date of issue of convertible bonds.

As at 31 March 2017, the Company completed on issuance of the convertible bonds with an aggregate amount of HK\$69,696,000. The convertible bonds contained liability and equity component. The effective interest rate of the liability component for the convertible bonds of the four series are ranged from 17.42% to 18.97% per annum at the date of initial recognition.

The movement of equity component of the convertible bonds is as follows:

	HK\$'000
Carrying amount as at 1 April 2015	—
Equity component on initial recognition	4,180
Deferred tax liability on recognition of equity component of convertible bonds	(690)
Carrying amount as at 31 March 2016 and 1 April 2016	3,490
Equity component on initial recognition	11,757
Deferred tax liability on recognition of equity component of convertible bonds	(1,940)
Carrying amount as at 31 March 2017	13,307

Notes to the Consolidated Financial Statements

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29. Convertible Bonds (Continued)

The carrying amount and fair value of the convertible bonds are as follows:

	Carrying value		Fair value	
	2017 HK\$'000	2016 HK\$'000	2017 HK\$'000	2016 HK\$'000
Convertible bonds	62,858	13,930	62,379	13,821

The fair value of the liability component of the convertible bonds at 31 March 2017 amounted to approximately HK\$62,379,000 (2016: HK\$13,821,000).

30. Deferred Tax Liabilities

The movement on the deferred income tax liabilities account are as follows:

	Convertible bonds HK\$'000	Revaluation of properties HK\$'000	Accelerated tax depreciation HK\$'000	Total HK\$'000
At 1 April 2015	—	9,845	113	9,958
(Credit)/charge to the consolidated income statement	(113)	60	19	(34)
Recognition of equity component of convertible bonds	690	—	—	690
At 31 March 2016 and 1 April 2016	577	9,905	132	10,614
(Credit)/charge to consolidated income statement	(1,388)	(60)	19	(1,429)
Recognition of equity component of convertible bonds	1,940	—	—	1,940
At 31 March 2017	1,129	9,845	151	11,125

Deferred tax assets are recognized for tax losses carried forward to the extent that realization of the related tax benefit through future taxable profit is probable. No deferred tax assets are recognized in the Group's consolidated financial statements as it is uncertain as to whether these tax benefits will be utilized in the foreseeable future. The tax losses arising from subsidiaries operating in Hong Kong are subject to approval by the Inland Revenue Department of Hong Kong.

Pursuant to the relevant laws and regulations in the PRC, the Group has deferred tax assets not recognized on unused tax losses of approximately HK\$7,073,000 (31 March 2016: HK\$9,536,000) arose in the PRC to carry forward to set off against future taxable income which will expire within 1 to 5 years from each of the financial year end date.

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31. Share Capital

	2017		2016	
	Number of shares	Amount (HK\$'000)	Number of shares	Amount (HK\$'000)
Ordinary shares of HK\$0.01 (2016: HK\$0.01) each Authorized: At beginning of year and at the end of year	15,000,000,000	150,000	15,000,000,000	150,000
Issued and fully paid:				
At the beginning of year	465,418,880	4,654	440,818,880	4,408
Conversion of unlisted warrants	63,562,000	636	24,600,000	246
At the end of year	528,980,880	5,290	465,418,880	4,654

Note:

During the year ended 31 March 2017 and 2016, three (2016: two) registered warrant holders exercised their rights to subscribe for a total 63,562,000 (2016: 24,600,000) ordinary shares in the Company at HK\$0.402 (2016: HK\$0.402) per share.

As at 31 March 2017, there is no outstanding warrants (2016: HK\$25,551,924) conferring the rights to subscribe ordinary shares in the Company.

32. Disposal of subsidiaries

- (i) During the year ended 31 March 2017, Finet Group (BVI) Limited, a direct wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with a director of the Company to dispose its entire equity interests in Top 100 Hong Kong Company Limited ("Top 100"), a limited liability company incorporated in Hong Kong, for a cash consideration of HK\$10,000. The disposal was completed on the same date with the sales and purchase agreement. The transaction resulted a gain of approximately HK\$213,000 in profit or loss during the year.
- (ii) During the year ended 31 March 2017, the Company entered into a sales and purchase agreement with a director of the Company to dispose its entire equity interests in China Finance Holdings Limited ("CFHL"), a limited liability company incorporated in Hong Kong, for a cash consideration of HK\$5,000,000. The disposal was completed on the same date with the sales and purchase agreement. The transaction resulted a gain of approximately HK\$232,000 in profit or loss during the year.
- (iii) During the year ended 31 March 2017, Finet Information Service Limited, an indirect wholly-owned subsidiary of the Company, entered into an agreement with individuals to release its entire equity controlling interests in 財華智庫, a limited liability company incorporated in the PRC, for a cash consideration of HK\$1. The disposal was completed on the same date with the agreement. The transaction resulted a gain of approximately HK\$7,699,000 in profit or loss during the year.

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32. Disposal of subsidiaries (Continued)

Analysis of assets and liabilities over which control were lost:

	Top 100 HK\$'000 (note (i))	CFHL HK\$'000 (note (ii))	財華智庫 HK\$'000 (note (iii))	Total HK\$'000
Net (liabilities)/assets disposed of:				
Property, plant and equipment	—	—	11	11
Other receivables	—	50	12	62
Cash and cash equivalents	59	4,727	33	4,819
Other payables	(262)	(9)	(7,484)	(7,755)
	<u>(203)</u>	<u>4,768</u>	<u>(7,428)</u>	<u>(2,863)</u>
Release of translation reserve	—	—	(271)	(271)
Gain on disposal of subsidiaries (note 6)	213	232	7,699	8,144
Total consideration	<u>10</u>	<u>5,000</u>	<u>—</u>	<u>5,010</u>
Satisfied by:				
Cash consideration received	<u>10</u>	<u>5,000</u>	<u>—</u>	<u>5,010</u>
Net cash inflow/(outflow) arising on disposals:				
Total cash consideration received	10	5,000	—	5,010
Less: bank balances and deposits disposed of	(59)	(4,727)	(33)	(4,819)
	<u>(49)</u>	<u>273</u>	<u>(33)</u>	<u>191</u>

33. Share-Based Employee Share Option Scheme

The Company adopted a share option scheme (the "Old Share Option Scheme") on 16 December 2004. The Old Share Option Scheme is a share incentive scheme and is established to recognize and acknowledge the contributions which the eligible participants thereunder have made or may make to the Group. The Old Share Option Scheme is aimed to provide the eligible participants with the opportunity to own a personal stake in the Company with a view to achieving the objectives of motivating the eligible participants and attracting/or and retaining or otherwise maintaining on-going relationship with the eligible participants whose contributions are, will be or are likely to be beneficial to the long term growth of the Group. The Old Share Option Scheme expired on 15 December 2014.

New Share Option Scheme

In August 2014, the Board proposed to adopt a new share option scheme (the "New Share Option Scheme") to enable the continuity of the Old Share Option Scheme of the Company and to simultaneously terminate the operation of the Old Share Option Scheme. The Company does not maintain any share option scheme other than the Old Share Option Scheme. The Old Share Option Scheme shall be terminated and expired upon the adoption of the New Share Option Scheme although all outstanding options granted under the Old Share Option Scheme shall continue to be valid and exercisable in accordance with the Old Share Option Scheme.

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33. Share-Based Employee (Continued)

Share Option Scheme (Continued)

New Share Option Scheme (Continued)

The purpose of the New Share Option Scheme is to provide incentives and rewards to the eligible participants as defined thereunder (the "Eligible Participants") who contribute to the success of the Group's operations. There are no share options issued under the New Share Option Scheme. The Board is of the view that the eligible Participants are persons who may contribute to the growth and development of the Group through their services or investments. Whether the Board will grant any share options under the New Share Option Scheme (the "Option") to any of the eligible participants depends on many factors such as their interest in the shares of the Company, their business/working relationship with the Group, and their contribution that has or may have made to the Group, etc. The general principle is the same for all Eligible Participants.

There are no options issued under the New Share Option Scheme.

The rules of the New Share Option Scheme provide that the Company may specify certain Eligible Participants to whom Options shall be granted, the number of Shares of the Company subject to each Option and the date on which the Options shall be granted. The basis for determining the subscription price is also specified precisely in the rules of the New Share Option Scheme. There is no performance target specified in the New Share Option Scheme though the Board may specify such performance target at the time of grant. The directors consider that the aforesaid criteria and rules will serve to preserve the value of the Company and encourage the Eligible Participants to acquire proprietary interests in the Company.

The maximum number of shares issued and to be issued upon exercise of the Options granted to each Eligible Participant under the New Share Option Scheme within any 12-month period, is limited to 1% of the shares of the Company in issue at the date of grant. Any further grant of share options to any Eligible Participant in excess of this limit is subject to shareholders' approval in a general meeting. The total number of shares which may be issued upon exercise of all share options to be granted under this scheme and any other share option scheme of the Company must not, in aggregate, exceed 10% of the shares in issue of the Company (the "10% General Limit") as at the date of approval of the New Share Option Scheme. The Company may seek approval from its shareholders in a general meeting to refresh the 10% General Limit at any time in accordance with the GEM Listing Rules.

The 10% General Limit has been refreshed at the annual general meeting of the Company held on 23 September 2016 ("2016 AGM"), and hence the 10% General Limit as at 31 March 2016 is 46,541,888 shares of HK\$0.01 each being 10% of the number of shares in issue as at the date of the 2016 AGM of the Company of 465,418,880 shares of HK\$0.01 each.

The overall 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 Share Option Scheme and any other Scheme of the Company must not exceed 30% of the shares in issue from time to time.

Share options granted to directors, chief executive, or substantial shareholders of the Company, or any of their respective associates, are subject to the approval of the independent non-executive Directors (excluding any independent non-executive director who is a grantee of the share options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, which would result in the shares issued or to be issued upon exercise of all Options already granted or to be granted in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5 million, within a 12-month period, are subject to the shareholders' approval in a general meeting in accordance with the GEM Listing Rules.

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33. Share-Based Employee (Continued)

Share Option Scheme (Continued)

New Share Option Scheme (Continued)

The grant of share options is effective upon receipt of the acceptance of the offer in writing duly signed by the Eligible Participant together with a payment of a nominal consideration of HK\$1 in total.

An offer shall remain open for acceptance by an Eligible Participant for a period of 21 days from the date of such offer.

The exercise price of the share options is determinable by the Board of the Company, but may not be less than the higher of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the share options, which must be a trading day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of grant of the share options; and (iii) the nominal value of the Company's shares as on the date of grant of the share options.

The following table discloses movements of the share options granted during the year ended 31 March 2017:

Grantee	Date of grant	Adjusted exercise price	Exercise period	Outstanding as at 1 April 2016	Granted during the year	Exercised during the year	Lapsed/ canceled during the year	Outstanding as at 31 March 2017
Share Option Scheme:								
Executive Directors								
Mr. CHOW Wing Chau	3 January 2014	HK\$0.5000	Note 2	500,000	—	—	—	500,000
Sub-total				500,000	—	—	—	500,000
Employee								
	3 January 2014	HK\$0.5000	Note 2	1,000,000	—	—	—	1,000,000
Sub-total				1,000,000	—	—	—	1,000,000
Total				1,500,000	—	—	—	1,500,000
Weighted average exercise price				HK\$0.5000	N/A	N/A	N/A	HK\$0.5000

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33. Share-Based Employee (Continued)

Share Option Scheme (Continued)

The following table discloses movements of the share options granted during the year ended 31 March 2016:

Grantee	Date of grant	Adjusted exercise price	Exercise period	Outstanding as at 1 April 2015	Granted during the year	Exercised during the year	Lapsed/ canceled during the year	Outstanding as at 31 March 2016
Share Option Scheme:								
Executive Directors								
Mr. CHOW Wing Chau	30 September 2011	HK\$0.4900	Note 1	125,000	—	—	(125,000) [^]	—
	3 January 2014	HK\$0.5000	Note 2	500,000	—	—	—	500,000
Mr. YIU Wing Hei	30 September 2011	HK\$0.4900	Note 1	125,000	—	—	(125,000) [^]	—
Sub-total				750,000	—	—	(250,000)	500,000
Employee								
	30 September 2011	HK\$0.4900	Note 1	250,000	—	—	(250,000) [^]	—
	3 January 2014	HK\$0.5000	Note 2	1,000,000	—	—	(1,000,000) [#]	—
Employee								
	30 September 2011	HK\$0.4900	Note 1	250,000	—	—	(250,000) [^]	—
	3 January 2014	HK\$0.5000	Note 2	1,000,000	—	—	—	1,000,000
Sub-total				2,500,000	—	—	(1,500,000)	1,000,000
Total				3,250,000	—	—	(1,750,000)	1,500,000
Weighted average exercise price				HK\$0.4977	N/A	N/A	HK\$0.4957	HK\$0.5000

[#] The 1,000,000 share options granted under the Old Share Options Scheme lapsed or canceled upon the resignation of an employee of the Group.

[^] The 750,000 share options granted under the Old Share Options Scheme lapsed upon the expiry of eligible period for exercise of options concerned.

The exercise price in respect of any share options, shall subject to any adjustments in the event of any alteration in the capital structure of the Company whilst any share option remains exercisable or this scheme remains in effect. The exercise of any share option shall be subject to the shareholders in the general meeting approving any necessary increase in the authorized share capital of the Company.

The fair value of options granted on 30 September 2011 ("Option 1") was determined by using the Binomial options-pricing model at the date of grant; no subsequent revaluation at the year ended is required. The significant inputs into the model were closing share price of HK\$0.49 at the grant date, exercise price of HK\$0.49, volatilities ranging from 94% to 96%, dividend yield of nil, expected option lives ranging from 1 to 2 years, and annual risk-free interest rates ranging from 0.19% to 0.55%.

The fair value of options granted on 3 January 2014 ("Option 2") was using the Binomial options-pricing model at the date of grant; no subsequent revaluation at the year ended is required. The significant inputs into the model were closing share price of HK\$0.50 at the grant date, exercise price of HK\$0.50, volatility of 73.88%, dividend yield of nil, expected option lives ranging from 2 to 3 years, and annual risk-free interest of 2.34%.

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33. Share-Based Employee (Continued)

Share Option Scheme (Continued)

Notes:

1. For share options granted on 30 September 2011

Validity period: The outstanding share options are exercisable for a period of two years commencing from the end of the respective vesting period in the manner as stated below.

		As at 31 March 2017	As at 31 March 2016
Vesting period:	6 months after 30 September 2011:	lapsed	lapsed
	12 months after 30 September 2011:	lapsed	lapsed
	18 months after 30 September 2011:	lapsed	lapsed
	24 months after 30 September 2011:	lapsed	lapsed

2. For Share options granted on 3 January 2014

Validity period: The outstanding share options are exercisable for a period of ten years commencing from the end of the respective vesting period in the manner as stated below.

Vesting period:	6 months after 3 January 2014:	50%	50%
	12 months after 3 January 2014:	50%	50%

During the year ended 31 March 2017, no employees share-based compensation (2016: HK\$Nil) has been included in the consolidated income statement with a corresponding credit to the employee compensation reserve.

At 31 March 2017, the Company had 1,500,000 (2016: 1,500,000) share options outstanding under the Old Share Option Scheme.

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34. Commitments

The Group as Lessor

The future minimum lease payments receivable under non-cancelable operating leases are as follows:

	2017 HK\$'000	2016 HK\$'000
No later than 1 year	3,195	1,065
Later than 1 year but no later than 5 years	1,356	—
	<u>4,551</u>	<u>1,065</u>

The Group leases its investment properties under operating lease. The leases run for an initial period of 2 years for fixed rentals.

The Group as lessee

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

The future aggregate minimum lease payments under non-cancelable operating leases are as follows:

	2017 HK\$'000	2016 HK\$'000
No later than 1 year	1,869	7,254
Later than 1 year and no later than 5 years	—	1,060
	<u>1,869</u>	<u>8,314</u>

The Company had no significant operating lease commitment as at 31 March 2017 and 2016.

35. Contingent Liabilities

During the year ended 31 March 2008, three libel actions were brought by a company and an individual (collectively the "Plaintiffs") against the Group in respect of the publication of words alleged to be defamatory and concerning articles published on the Group's website in 2007. The Plaintiffs sought, among other things, injunctive relief and unliquidated damages. The Executive Directors of the Company are of the opinion that the Group has a meritorious defense against such claims and therefore filed defense on 13 November 2007 and 9 April 2008 against all three libel actions consecutively. No further steps have been taken by the Plaintiffs since the filing of the defense. Accordingly, the Executive Directors of the Company are of the opinion that these claims would not have any material adverse effect on the Group, and no provisions have been made in the consolidated financial statements in respect thereof.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

36. Significant Related Parties Transactions

In addition to the transactions and balances disclosed elsewhere in these consolidated financial statements, the Group had the following significant related parties transactions during the year:

	2017 HK\$'000	2016 HK\$'000
Management fee paid to Maxx Capital Finance Limited (<i>Note i</i>)	150	600
Referral fee in relation to the money lending business paid to Maxx Capital Finance Limited (<i>Note i</i>)	120	120
Rental expenses paid to Cyber Feel Limited (<i>Note ii</i>)	3,686	2,765
Rental expenses paid to Maxon Management Limited (<i>Note iii</i>)	326	—
Rental expenses paid to Avaya Lane Limited (<i>Note i</i>)	360	180
Referral commission income from a director (<i>Note iv</i>)	80	—

Notes:

- (i) Maxx Capital Finance Limited and Avaya Lane Limited ("Avaya") are beneficially owned by Ms. LO, the chairman and the director of the Company.
- (ii) This transaction constituted continuing connected transaction as defined in the GEM Listing Rules. Cyber Feel Limited is beneficially owned by Ms. LO, the chairman and the director of the Company. For the year ended 31 March 2017, the annual cap payable by the Group to Cyber Feel Limited under the tenancy agreement, excluding management fee and government rates amount to approximately HK\$3,686,000 (2016: HK\$2,765,000).
- (iii) This transaction constituted continuing connected transaction as defined in the GEM Listing Rules. Maxon Management Limited is beneficially owned by Ms LO, the chairman and the director of the Company. For the year ended 31 March 2017, the annual cap payable by the Group to Maxon Management Limited under the tenancy agreement, excluding management fee and government rates amount to approximately HK\$330,000 (2016: HK\$Nil).
- (iv) The referral commission income is from Ms. LO, the chairman and the director of the Company.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

37. Statement of financial position and reserves of the Company

	2017 HK\$'000	2016 HK\$'000
Non-current assets		
Property, plant and equipment	—	44
Investment properties	30,800	30,900
Investments in subsidiaries	28,925	31,791
Available-for-sale financial assets	—	109
	<u>59,725</u>	<u>62,844</u>
Current assets		
Amounts due from subsidiaries	73,275	45,196
Amount due from a related company	1,190	—
Prepayments, deposits and other receivables	813	816
Cash and cash equivalents	23,295	160
	<u>98,573</u>	<u>46,172</u>
Total assets	<u>158,298</u>	<u>109,016</u>
Current liabilities		
Accruals and other payables	568	2,349
Amounts due to subsidiaries	1,799	2,741
	<u>2,367</u>	<u>5,090</u>
Net current assets	<u>96,206</u>	<u>41,082</u>
Total assets less current liabilities	<u>155,931</u>	<u>103,926</u>
Non-current liabilities		
Convertible bonds	62,858	13,930
Deferred tax liabilities	10,973	10,482
	<u>73,831</u>	<u>24,412</u>
Net assets	<u>82,100</u>	<u>79,514</u>
Equity		
Capital and reserves attributable to owners of the Company		
Share capital	5,290	4,654
Reserves	76,810	74,860
	<u>82,100</u>	<u>79,514</u>
Total equity	<u>82,100</u>	<u>79,514</u>

LO Yuk Yee
Director

CHOW Wing Chau
Director

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

37. Statement of financial position and reserves of the Company (Continued)

	Share premium HK\$'000	Employee compensation reserve HK\$'000	Convertible bonds equity component HK\$'000	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Warrants reserve HK\$'000	Accumulated losses HK\$'000	Total reserves HK\$'000
Balance at 1 April 2015	223,509	1,179	—	9,989	—	1,763	(171,462)	64,978
Comprehensive expense								
Loss for the year	—	—	—	—	—	—	(3,251)	(3,251)
Other comprehensive expense								
Fair value loss on available-for-sale financial assets	—	—	—	—	(186)	—	—	(186)
Reclassification adjustment upon impairment of available-for-sale financial assets	—	—	—	—	186	—	—	186
Total comprehensive expense	—	—	—	—	—	—	(3,251)	(3,251)
Transactions with owners								
Share options lapsed during the year	—	(786)	—	—	—	—	786	—
Issue of shares upon exercise of unlisted warrants	10,135	—	—	—	—	(492)	—	9,643
Issue of convertible bonds	—	—	4,180	—	—	—	—	4,180
Deferred tax liability on recognition of equity component of convertible bonds	—	—	(690)	—	—	—	—	(690)
Total transactions with owners	10,135	(786)	3,490	—	—	(492)	786	13,133
Balance at 31 March 2016 and 1 April 2016	233,644	393	3,490	9,989	—	1,271	(173,927)	74,860
Comprehensive expense								
Loss for the year	—	—	—	—	—	—	(32,783)	(32,783)
Transactions with owners								
Issue of shares upon exercise of unlisted warrants	26,187	—	—	—	—	(1,271)	—	24,916
Issue of convertible bonds	—	—	11,757	—	—	—	—	11,757
Deferred tax liability on recognition of equity component of convertible bonds	—	—	(1,940)	—	—	—	—	(1,940)
Total transactions with owners	26,187	—	9,817	—	—	(1,271)	—	34,733
Balance at 31 March 2017	259,831	393	13,307	9,989	—	—	(206,710)	76,810

Notes to the Consolidated Financial Statements

For the year ended 31 March 2017

38. Events After the Reporting Period

- (i) On 14 March 2017, Finet Group (BVI) Limited, a direct wholly-owned subsidiary of the Company, has entered into the provisional agreement with an independent third party, BACOB Management Limited, pursuant to which Finet Group (BVI) Limited has conditionally agreed to sell and the purchaser has conditionally agreed to purchase the sale shares representing the entire issued share capital of Pink Angel Investments Limited ("Disposal Company") together with the sale debt at a disposal consideration of HK\$68,000,000 (subject to adjustment). The principal asset of Disposal Company is holding the commercial properties located in Hong Kong. The disposal constitutes a major transaction of the Company under Chapter 19 of the GEM Listing Rules and are subject to the approval of the independent shareholders of the Company at the special general meeting ("SGM"). The Company had adjourned the SGM on 12 June 2017, and will be reconvened and held on 11 July 2017. The disposal has not been completed as of the date of approval of these consolidated financial statements.

For details, please refer to the Company's announcements dated 14 March 2017, 13 April 2017 and 23 May 2017, 13 May 2017 and 26 June 2017.

- (ii) On 24 April 2017, Source Mega Properties Limited ("Source Mega"), an indirect wholly-owned subsidiary of the Company, Ms. LO and Pablos entered into provisional agreements A, B and C in relation to acquisition of entire interests in three property holding companies, namely, Maxon Management Limited ("Maxon"), Avaya and Herrick Investments Limited ("Herrick") with considerations approximately HK\$52,000,000, HK\$15,000,000 and HK\$22,000,000 respectively (subject to adjustments). The Company adjusted the amount of considerations on 11 May 2017 of the provisional agreements A and C, and the new considerations approximately to be HK\$54,000,000 and HK\$23,000,000 respectively (subject to further adjustments). The Company further announced that provisional agreements B and C were terminated on 21 June 2017.

Upon completion, the Company, through the Source Mega will hold the entire issued ordinary shares in Maxon and it will become an indirect wholly-owned subsidiary of the Company. Maxon is holding a commercial property located at central business district in Hong Kong. This transaction constitutes a connected major transaction of the Company under the GEM Listing Rules. This transaction is subject to the approval of the independent shareholders of the Company at a special general meeting to be held by the Company and has not been completed as of the date of approval of these consolidated financial statements.

For details, please refer to the Company's announcements dated 24 April 2017, 11 May 2017 and 21 June 2017.

Financial Summary

	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000	2014 HK\$'000	2013 HK\$'000
RESULTS					
Revenue	10,766	11,183	19,292	23,880	29,491
Operating (loss)/profit	(23,788)	(39,519)	(38,790)	(20,616)	27,417
Finance costs	(9,639)	(1,093)	(458)	(595)	(722)
(Loss)/profit for the year	(32,147)	(40,732)	(39,420)	(22,294)	25,595
(Loss)/earnings per share					
— Basic (in HK cent)	(6)	(8)	(8)	(4)	6
— Diluted (in HK cent)	(6)	(8)	(8)	(4)	6
ASSETS AND LIABILITIES					
Non-current assets	107,086	96,643	97,710	98,892	92,272
Current assets	98,644	43,662	51,818	84,533	115,706
Current liabilities	43,869	29,242	26,089	27,083	29,055
Non-current liabilities	73,983	24,544	9,958	9,939	10,946
Net assets	87,878	86,519	113,481	146,403	167,977

Properties Held by the Group

Particulars of the Group's investment properties are as follows:

No.	Property	Type	Group's effective holding	Gross area (approximately square feet)	Lease term
1	12A03 and 12A04, Anlian Plaza, Junction of Jintian Road and Fuzhong San Road, Futian District, Shenzhen City, Guangdong Province, the People's Republic of China	Commercial	100%	5,325 sq. ft.	Medium term lease with 50 years commencing on 23 January 2002 and expiring on 22 January 2052
2	Units 901 and 920 on 9th Floor, China Merchants Tower, Shun Tak Centre, Nos. 168–200 Connaught Road Central, Hong Kong	Commercial	100%	1,940 sq. ft.	Long term lease with 75 years renewable for 75 Years commencing on 31 December 1980