

**HONG KONG DEBT MANAGEMENT LIMITED**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2017**

# Hong Kong Debt Management Limited

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# Hong Kong Debt Management Limited

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## Corporate Data

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***Sole director***

Beta Field (China) Financial Information Services Limited (appointed on 11 August 2014 and resigned on 24 October 2017)  
Credit Intelligence Holding Limited (appointed on 24 October 2017)

***Secretary***

JW Secretarial Services Limited

***Registered office***

Vistra Corporate Services Centre  
Wickhams Cay II, Road Town  
Tortola, VG1110  
British Virgin Islands

***Principal place of business***

4/F., Double Building  
22 Stanley Street  
Central  
Hong Kong

***Independent auditor***

Moore Stephens CPA Limited  
801-806 Silvercord, Tower 1  
30 Canton Road  
Tsimshatsui, Kowloon  
Hong Kong

Moore Stephens CPA Limited  
801-806 Silvercord, Tower 1,  
30 Canton Road, Tsimshatsui,  
Kowloon, Hong Kong

T +852 2375 3180

F +852 2375 3828

[www.moorestephens.com.hk](http://www.moorestephens.com.hk)

大華馬施雲  
會計師事務所有限公司

## **Independent Auditor's Report to the Sole Director of Hong Kong Debt Management Limited (Incorporated in the British Virgin Islands with limited liability)**

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### **Opinion**

We have audited the consolidated financial statements of Hong Kong Debt Management Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 6 to 30, which comprise the consolidated statement of financial position as at 30 September 2017, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 September 2017, 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 financial position of the Group as at 30 September 2017, and of its consolidated financial performance and its consolidated cash flows for the six months then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board ("IAASB"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Professional Accountants* (the "Code") issued by the International Ethics Standards Board for Accountants ("IESBA"), 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.

### **Other Matters**

The comparative consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the relevant explanatory notes for the six months ended 30 September 2016 disclosed in these consolidated financial statements have not been audited in accordance with ISAs.

**Independent Auditor's Report to the Sole Director of  
Hong Kong Debt Management Limited  
(Incorporated in the British Virgin Islands with limited liability)  
(Continued)**

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***Responsibilities of the Sole Director for the Consolidated Financial Statements***

The sole director is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB, and for such internal control as the sole director determines 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 sole director is 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 sole director either intends to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The sole director is responsible for overseeing the Group's financial reporting process.

***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the sole director.

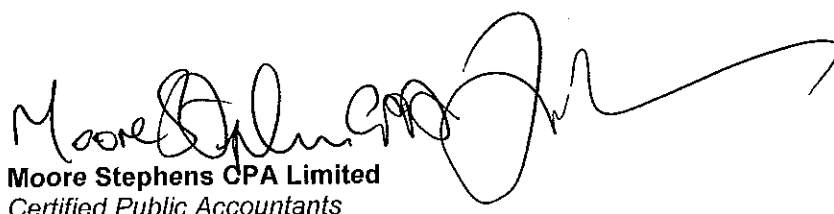
**Independent Auditor's Report to the Sole Director of  
Hong Kong Debt Management Limited  
(Incorporated in the British Virgin Islands with limited liability)  
(Continued)**

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***Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)***

- Conclude on the appropriateness of the sole director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with the sole director 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.



**Moore Stephens CPA Limited**  
*Certified Public Accountants*

**Li Wing Yin**  
Practising Certificate Number: P05035

Hong Kong, 10 May 2018

# Hong Kong Debt Management Limited

## Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2017

		Six months ended 30 September 2017 HK\$	2016 HK\$ (unaudited)
	Notes		
<b>Revenue</b>	4	<b>11,412,017</b>	10,205,759
Other income	5	<b>265,059</b>	330,192
Employee benefits expense		<b>(3,211,800)</b>	(2,804,270)
Minimum lease payments under operating leases		<b>(564,000)</b>	(552,000)
Other operating expenses		<b>(1,206,850)</b>	(1,164,987)
<b>Profit before taxation</b>	6	<b>6,694,426</b>	6,014,694
Income tax expense	7	<b>(1,105,468)</b>	(992,521)
<b>Profit and total comprehensive income for the period</b>		<b>5,588,958</b>	5,022,173

# Hong Kong Debt Management Limited

## Consolidated Statement of Financial Position

As at 30 September 2017

	Notes	30 September 2017 HK\$	31 March 2017 HK\$
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current asset</b>			
Property, plant and equipment	9	<u>331,294</u>	<u>162,471</u>
<b>Current assets</b>			
Account receivables	11	956,820	1,040,222
Prepayments, deposits and other receivables	12	1,115,209	650,213
Amount due from the controlling shareholder	13	2,801,343	1,540,217
Tax recoverable		-	280,256
Cash and cash equivalents		<u>810,596</u>	<u>1,270,108</u>
		<u>5,683,968</u>	<u>4,781,016</u>
<b>Current liabilities</b>			
Accruals and receipts in advance	14	152,313	230,625
Tax payable		<u>1,061,129</u>	<u>-</u>
		<u>1,213,442</u>	<u>230,625</u>
<b>Net current assets</b>		<u>4,470,526</u>	<u>4,550,391</u>
<b>Net assets</b>		<u>4,801,820</u>	<u>4,712,862</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	15	78,000	78,000
Reserves	16	<u>4,723,820</u>	<u>4,634,862</u>
<b>Total equity</b>		<u>4,801,820</u>	<u>4,712,862</u>



Credit Intelligence Holding Limited  
Sole Director



# Hong Kong Debt Management Limited

## Consolidated Statement of Changes in Equity

For the six months ended 30 September 2017

	Share capital HK\$	Merger reserve* HK\$ (Note 16)	Retained earnings* HK\$	Total equity HK\$
At 1 April 2016	8	14	3,582,192	3,582,214
Profit and total comprehensive income for the period (unaudited)	-	-	5,022,173	5,022,173
<b>At 30 September 2016 (unaudited)</b>	<b>8</b>	<b>14</b>	<b>8,604,365</b>	<b>8,604,387</b>
At 1 April 2017	78,000	(10,906)	4,645,768	4,712,862
Profit and total comprehensive income for the period	-	-	5,588,958	5,588,958
Interim dividends (Note 8)	-	-	(5,500,000)	(5,500,000)
<b>At 30 September 2017</b>	<b>78,000</b>	<b>(10,906)</b>	<b>4,734,726</b>	<b>4,801,820</b>

\* The total of these balances represent "Reserves" in the consolidated statement of financial position.

# Hong Kong Debt Management Limited

## Consolidated Statement of Cash Flows

For the six months ended 30 September 2017

		Six months ended 30 September 2017 HK\$	2016 HK\$ (unaudited)
	Note		
<b>Cash flows from operating activities</b>			
Profit before taxation		6,694,426	6,014,694
Adjustment for:			
Depreciation on property, plant and equipment	6	27,828	18,631
Operating profit before working capital changes		6,722,254	6,033,325
Decrease in account receivables		83,402	719,205
(Increase)/decrease in prepayments, deposits and other receivables		(464,996)	312,269
(Decrease)/increase in accruals and receipts in advance		(78,312)	25,473
Cash generated from operations		6,262,348	7,090,272
Income tax refunded		235,917	-
<b>Net cash generated from operating activities</b>		<b>6,498,265</b>	<b>7,090,272</b>
<b>Cash flows from investing activities</b>			
Advanced to the controlling shareholder		(6,761,126)	(7,998,648)
Repayment from a shareholder		-	5
Purchase of property, plant and equipment		(196,651)	(31,122)
<b>Net cash used in investing activities</b>		<b>(6,957,777)</b>	<b>(8,029,765)</b>
<b>Cash flows from financing activities</b>			
Repayment of borrowings		-	(4,000,000)
Repayment to a related party		-	(79,046)
<b>Net cash used in financing activities</b>		<b>-</b>	<b>(4,079,046)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(459,512)</b>	<b>(5,018,539)</b>
Cash and cash equivalents at the beginning of the period		1,270,108	6,623,033
<b>Cash and cash equivalents at the end of the period</b>		<b>810,596</b>	<b>1,604,494</b>

# Hong Kong Debt Management Limited

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## Notes to the Consolidated Financial Statements

For the six months ended 30 September 2017

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### 1. General

Hong Kong Debt Management Limited (the "Company") was incorporated in the British Virgin Islands on 6 March 2003 as an exempted company with limited liability under the Companies Law of the British Virgin Islands. The address of its registered office was P.O. Box 957, Offshore Incorporations Centre, Road Town, the British Virgin Islands. The Company has established a principal place of business in Hong Kong at 4/F., Double Building, 22 Stanley Street, Central, Hong Kong.

The Company is an investment holding company. During the six months ended 30 September 2017, the Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the business of provision of debt management services which comprise of bankruptcy administration services and individual voluntary arrangement ("IVA") services.

In the opinion of the sole director of the Company, during the six months ended 30 September 2017, the Company's immediate holding company and ultimate holding company is Beta Field (China) Financial Information Services Limited ("Beta Field"), a company incorporated in the British Virgin Islands. On 24 October 2017, Beta Field disposed its entire equity interest in the Company to Credit Intelligence Holding Limited ("CIH"), a company incorporated in the Cayman Islands and also wholly owned by Beta Field. Immediate after this transaction, the Company's immediate holding company is changed to CIH while ultimate holding company is still Beta Field. Mr. Wong Ka Sek, being the sole shareholder of Beta Field, is the controlling shareholder of the Group.

### 2. Group reorganisation and basis of preparation and presentation

#### (a) Group reorganisation

The Group underwent a reorganisation (the "Reorganisation") to rationalise the Group's structure. The Reorganisation involved exchange of the ordinary shares of Hong Kong Debt Management Services Limited ("HKDMS"), a subsidiary of the Company, held by Mr. Chen Guorong, Mr. Chan Wing Keung Terence and Ms. Pang Wai Yu Michelle (including Mr. Wong Ka Lam King, referred to as the "Remaining Shareholders") to the ordinary shares of the Company.

Pursuant to the Share Swap Agreement entered between the ultimate controlling shareholders and the Remaining Shareholders dated 10 January 2017, the Remaining Shareholders transferred their respective equity interests in HKDMS to the Company in consideration of the Company allotting and issuing in aggregate of 1,400 shares to them, respectively, credited as fully paid, on 10 January 2017.

Pursuant to the written resolution of the sole director of the Company dated 10 January 2017, on the same day, 8,599 ordinary shares of the Company were allotted and issued to Beta Field. Immediate after the Reorganisation, HKDMS became a wholly-owned subsidiary of the Company, while Beta Field and the Remaining Shareholders have 86% and 14% equity interest in the Company respectively.

#### (b) Basis of preparation and presentation

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and related Interpretations, promulgated by the International Accounting Standards Board ("IASB").

Pursuant to the Reorganisation, HKDMS is wholly owned by the Company. Accordingly, the consolidated financial statements have been prepared using the principles of merger accounting as if the Reorganisation had occurred as of the beginning of the earliest period presented and the current group structure had always been in existence.

## Notes to the Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

### 2. Group reorganisation and basis of preparation and presentation (continued)

#### (b) Basis of preparation and presentation (continued)

The assets and liabilities of the companies comprising the Group are consolidated using the existing book values. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of the Reorganisation.

All significant intra-group transactions, balances and unrealised gains on transactions have been eliminated on consolidation. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred.

The consolidated financial statements have been prepared on historical cost basis. The consolidated financial statements are presented in Hong Kong dollar ("HK\$"), which is also the functional currency of the Company.

The significant accounting policies and methods of computation used by the Group in the preparation of the consolidated financial statements for the six months ended 30 September 2017 are consistent with those adopted in the consolidated financial statements for the year ended 31 March 2017, except for the adoption of the new and revised IFRSs as explained in (c) below.

#### (c) Adoption of new and revised International Financial Reporting Standards

In the preparation of the financial statements for the six months ended 30 September 2017, the Group has applied, for the first time, the following new and revised standards issued by the IASB.

IAS 7 Amendments	Disclosure Initiative
IAS 12 Amendments	Recognition of Deferred Tax Assets for Unrealised Losses
IFRSs Amendments	Annual Improvements to IFRSs 2014 – 2016 Cycle

The adoption of the above new and revised standards has had no significant effect on these consolidated financial statements.

### 3. Significant accounting policies

#### (a) Significant judgements and estimates

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

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

The management have considered the development, selection and disclosure of the Group's critical accounting judgements and estimates.

## Notes to the Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

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### 3. Significant accounting policies (continued)

#### (a) Significant judgements and estimates (continued)

##### (i) Current taxation

Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

##### (ii) Estimated impairment of account receivables

The Group determines impairment losses for bad and doubtful debts resulting from the inability of the customers/debtors to make the required payments. A considerable amount of estimate and judgement is required in assessing the ultimate realisation of these receivables which is based on the ageing of the receivable balance, customer credit-worthiness, and historical write-off experience. If the financial conditions of customers/debtors deteriorate, additional allowance for bad and doubtful debts may be required. Further details are set out in Note 11.

#### (b) Basis of consolidation

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries below. A change in the ownership interest of a subsidiary, without loss of control, is accounted for an equity transaction.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any investment retained and (ii) the previous carrying amounts of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. The Group's share of components previously recognised in other comprehensive income is reclassified to income statement or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

## Notes to the Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

### 3. Significant accounting policies (continued)

#### (c) Property, plant and equipment

Property, plant and equipment are stated at cost, less provisions for depreciation and impairment losses, if any.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the item has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the consolidated statement of comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits expected to be obtained from the use of the item, the expenditure is capitalised as an additional cost of the item.

Furniture, fixtures and equipment is provided on the straight-line method, based on the estimated economic useful life of the individual assets, at 20% per annum.

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

#### (d) Impairment of non-financial assets

Where an indication of impairment exists, the recoverable amount of the asset is estimated. An asset's recoverable amount is the higher of the value in use of the asset or cash-generating unit to which it belongs and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the consolidated statement of comprehensive income in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An impairment loss is charged to the consolidated statement of comprehensive income in the period in which it arises, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the consolidated statement of comprehensive income in the period in which it arises.

## Notes to the Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

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### 3. Significant accounting policies (continued)

#### (e) Financial assets

The Group's financial assets are classified, at initial recognition, into loans and receivables. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition such assets are carried at amortised cost using the effective interest method, less any identified impairment losses.

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

#### Effective interest method

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

#### Impairment of financial assets

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. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

The amount of any impairment loss identified 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

## Notes to the Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

### 3. Significant accounting policies (continued)

#### (e) Financial assets (continued)

##### Impairment of financial assets (continued)

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

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

#### (f) Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at amortised cost.

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include accruals.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of comprehensive income.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of comprehensive income.

#### (g) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

##### (i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.



## Notes to the Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

### 3. Significant accounting policies (continued)

#### (g) Leased assets (continued)

##### (ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the consolidated statement of comprehensive income in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the consolidated statement of comprehensive income as an integral part of the aggregate net lease payments made. Contingent rentals, if any, are charged to the consolidated statement of comprehensive income in the accounting period in which they are incurred.

#### (h) Provisions and contingent liabilities

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of comprehensive income.

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

#### (i) Foreign currency translation

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions are initially recorded using the functional currency rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of comprehensive income with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

## Notes to the Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

### 3. Significant accounting policies (continued)

#### (j) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

##### (i) Bankruptcy Administration Service

Revenue from payment collection and assets realisation services represents service fee charged by the Group to the creditors of the bankrupts on the monetary value of the payments paid to their bankruptcy estate bank accounts at an agreed rate. Revenue is recognised when the above transactions take place.

Revenue from dividend distribution services represents service fee charged by the Group to the creditors of the bankrupts on the monetary value of the dividend distributed to the creditors of the bankrupts at an agreed rate. Revenue from provision of dividend distribution services are recognised when the above transactions take place.

Upon the discharge of a bankrupt, in the event that the total aggregate revenue from payment collection and assets realisation services is less than an agreed amount, the remaining funds in the bankruptcy estate bank account will be charged as discharge minimum fee up to a ceiling which makes the revenue up to the agreed amount if sufficient funds are available. The minimum fee is recognised when the bankrupt was discharged.

##### (ii) IVA Service

Revenue from sharing of service fee from the IVA nominees is recognised when the debtors deposit their IVA contributions into bank accounts designated by the nominee to the debtors.

Revenue from rendering of IVA proposal consultancy services is recognised when the services are rendered.

#### (k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and short-term highly liquid investments which are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

#### (l) Employee benefits

##### (i) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognised in the period when the employees render the related service.

## Notes to the Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

### 3. Significant accounting policies (continued)

#### (l) Employee benefits (continued)

##### (ii) Retirement benefit plans

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated 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. No forfeited contribution was available to reduce the contribution payable in the future years.

Payments to MPF Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

#### (m) Income tax

Income tax represents the sum of current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:-

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

## Notes to the Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

### 3. Significant accounting policies (continued)

#### (m) Income tax (continued)

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

#### (n) Related parties

- (I) 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 key management personnel of the Group or the Group's parent;

or

- (II) 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;
- (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) the entity and the Group 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 (I);
- (vii) a person identified in (I)(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); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

# Hong Kong Debt Management Limited

## Notes to the Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

### 4. Revenue

The Group is principally engaged in the business of provision of debt management services which comprise of bankruptcy administration services and IVA services. An analysis of the Group's revenue for the period is as follows:

	Six months ended 30 September	
	2017	2016
	HK\$	HK\$
		(unaudited)
Provision of bankruptcy administration services	10,876,307	9,395,359
Provision of IVA services	535,710	810,400
	<u>11,412,017</u>	<u>10,205,759</u>

### 5. Other income

	Six months ended 30 September	
	2017	2016
	HK\$	HK\$
		(unaudited)
Administrative charges	<u>265,059</u>	<u>330,192</u>

### 6. Profit before taxation

Profit before taxation is stated after charging the following:

	Six months ended 30 September	
	2017	2016
	HK\$	HK\$
		(unaudited)
Depreciation on property, plant and equipment	27,828	18,631
Employee benefits expenses:		
Salaries, wages and other benefits	3,073,409	2,682,981
Contributions to defined contribution retirement plans	138,391	121,289
	<u>3,211,800</u>	<u>2,804,270</u>
Minimum lease payments under operating leases on office premises	<u>564,000</u>	<u>552,000</u>

# Hong Kong Debt Management Limited

## Notes to the Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

### 7. Income tax expense

	Six months ended 30 September	
	2017	2016
	HK\$	HK\$
		(unaudited)
<b>Current tax</b>		
- Hong Kong Profits Tax	<u>1,105,468</u>	<u>992,521</u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Pursuant to the rules and regulations of the British Virgin Islands, the Group is not subject to any income tax under this jurisdiction during the period (six months ended 30 September 2016: Nil).

Hong Kong Profits Tax is calculated at 16.5% (six months ended 30 September 2016: 16.5%) of the estimated assessable profit derived in Hong Kong for the six months ended 30 September 2017.

Reconciliation between income tax expense and accounting profit before taxation at the applicable tax rate:

	Six months ended 30 September	
	2017	2016
	HK\$	HK\$
		(unaudited)
Profit before taxation	<u>6,694,426</u>	<u>6,014,694</u>
Tax at the applicable tax rate at 16.5%	<u>1,104,580</u>	<u>992,425</u>
Tax effect on non-deductible expenses	<u>888</u>	<u>96</u>
Income tax expense	<u>1,105,468</u>	<u>992,521</u>

There were no material unrecognised deferred tax assets and liabilities as at 30 September 2017 (31 March 2017: Nil).

### 8. Dividends

	Six months ended 30 September	
	2017	2016
	HK\$	HK\$
		(unaudited)
Interim dividends of HK\$550 (six months ended 30 September 2016: Nil) per share	<u>5,500,000</u>	<u>-</u>

Pursuant to the sole director's resolution dated 30 September 2017, the shareholders are entitled to interim dividends of HK\$550 per share, amounting to HK\$5,500,000.

# Hong Kong Debt Management Limited

## Notes to the Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

### 8. Dividends (continued)

Pursuant to the sole director's resolution dated 31 March 2018, the sole shareholder is entitled to interim dividends of HK\$272 per share, amounting to HK\$2,720,000. The interim dividends have not been provided in the financial statements.

### 9. Property, plant and equipment

	Furniture, fixtures and equipment HK\$
<b>Cost</b>	
At 1 April 2016	908,713
Additions (unaudited)	31,122
At 30 September 2016 (unaudited)	939,835
At 1 April 2017	969,908
Additions	196,651
At 30 September 2017	1,166,559
<b>Accumulated depreciation</b>	
At 1 April 2016	(768,215)
Charge for the period (unaudited)	(18,631)
At 30 September 2016 (unaudited)	(786,846)
At 1 April 2017	(807,437)
Charge for the period	(27,828)
At 30 September 2017	(835,265)
<b>Net carrying amounts</b>	
<b>At 30 September 2017</b>	<b>331,294</b>
At 31 March 2017	162,471

### 10. Interests in subsidiaries

As at 30 September 2017, the Company had direct interests in the following subsidiaries, all of which are private limited liability companies. The particulars of the subsidiaries are set out below:

Name of subsidiaries	Place and date of incorporation	Nominal value of issued share capital		Percentage of equity attributable held by the Group		Principal activities and place of operation
		30 September 2017	31 March 2017	30 September 2017	31 March 2017	
HKDMS	Hong Kong, 28 April 2003	HK\$100	HK\$100	100%	100%	Provision of bankruptcy administration services in Hong Kong.
Hong Kong I.V.A. Consultants Limited	The BVI, 23 August 2002	US\$1	US\$1	100%	100%	Provision of IVA services in Hong Kong

# Hong Kong Debt Management Limited

## Notes to the Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

### 11. Account receivables

	30 September 2017 HK\$	31 March 2017 HK\$
Account receivables from		
- Creditors of bankrupts	943,695	1,024,447
- Nominees of IVA services	13,125	15,775
	<u>956,820</u>	<u>1,040,222</u>

All of the account receivables are expected to be recovered within one year.

Account receivables from creditors of bankrupts are generally deducted from the estate bank accounts in the name of bankrupts and paid when instructed by the bankruptcy trustees, Mr. Wong Ka Sek and Mr. Wong Ka Lam King, who are also the directors of HKDMS. Account receivables from creditors of bankrupts are normally settled within 15 days from the month end when the Group is entitled to recognise any revenue arising from the provision of bankruptcy administration services. The management of the Company believe that no provision for impairment is necessary as at 30 September 2017 and 31 March 2017 as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances (31 March 2017: Nil).

Account receivables from nominees of IVA services are normally due within 30 days from the date of billing. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as at 30 September 2017 and 31 March 2017 as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances as at 30 September 2017 (31 March 2017: Nil).

Further details on the Group's credit policy are set out in Note 20(b)(i).

All account receivables are neither past due nor impaired. Receivables that were neither past due nor impaired relate to customers for whom there was no recent history of default.

### 12. Prepayments, deposits and other receivables

	30 September 2017 HK\$	31 March 2017 HK\$
Prepayments	414,479	11,501
Deposits	205,000	197,000
Other receivables	495,730	441,712
	<u>1,115,209</u>	<u>650,213</u>

All of the prepayments, deposits and other receivables are expected to be recovered or recognised as expense within one year.



# Hong Kong Debt Management Limited

## Notes to the Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

### 13. Amount due from the controlling shareholder

The amount due from the controlling shareholder is unsecured, interest-free and repayable on demand.

The controlling shareholder represents Mr. Wong Ka Sek who is the sole shareholder of Beta Field, the ultimate holding company.

### 14. Accruals and receipts in advance

	30 September 2017 HK\$	31 March 2017 HK\$
Accruals	148,448	182,344
Receipts in advance	3,865	48,281
	<u>152,313</u>	<u>230,625</u>

### 15. Share capital

	Number of shares	Nominal value HK\$
Ordinary shares of US\$1.00 each		
<b>Authorised:</b>		
At 31 March 2017 and 30 September 2017	<u>50,000</u>	<u>390,000</u>
<b>Issued and fully paid:</b>		
At 31 March 2017 and 30 September 2017	<u>10,000</u>	<u>78,000</u>

### 16. Reserves

Details of the movements on the Group's reserves are as set out in the consolidated statement of changes in equity.

#### Merger reserve

The merger reserve represents (i) the difference between the nominal value of share capital of the Company held by the Remaining Shareholders and the nominal value of share capital of HKDMS held by the Remaining Shareholders upon completion of the Reorganisation; and (ii) the nominal value of share capital held by the Remaining Shareholders prior to the Reorganisation.

## Notes to the Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

### 17. Significant assets not dealt with in the consolidated financial statements

(a) Estate bank accounts in the name of bankrupts

Mr. Wong Ka Sek and Mr. Wong Ka Lam King, who are also the directors of HKDMS, acting as the bankruptcy joint trustees (the "Trustees") to manage the funds deposited by the bankrupts and the funds from realisation of the bankrupts' estates. The Trustees maintain segregated accounts with authorised institutions for these purposes. These segregated bank accounts can be operated by the Trustees only. These bank balances arising thereon are not dealt with in the consolidated financial statements, as they are not assets of the Group. As at 30 September 2017, total balances of these segregated bank accounts amounting to HK\$73,217,297 (31 March 2017: HK\$73,217,297).

(b) Properties vested from the estates of bankrupts

The Trustees hold the properties vested from the bankrupts' estates. These properties arising thereon are not dealt with in the consolidated financial statements, as they are not assets of the Group. As at 30 September 2017, they held 847 units (31 March 2017: 709 units) of properties in Hong Kong. For the six months ended 30 September 2017, revenue earned by the Group in respect of the realisation of these properties amounting to HK\$182,378 (six months ended 30 September 2016: HK\$457,817).

(c) Security provided by the Trustees to Official Receiver

Pursuant to section 23 of the Bankruptcy Ordinance, the Trustees had jointly and severally act as the bankruptcy trustees provided that they have maintained a time deposit of HK\$1,000,000 as general security to the Official Receiver of the Official Receiver's Office of the Hong Kong Government. As at 30 September 2017, the balances of time deposit pledged as security for the above purpose were HK\$1,042,391 (31 March 2017: HK\$1,042,337). These assets arising thereon are not dealt with in the consolidated financial statements, as they are not assets of the Group.

### 18. Operating leases commitments

As at 30 September 2017, the Group had minimum outstanding commitments under non-cancellable operating leases in respect of office premises which fall due as follows:

	30 September 2017 HK\$	31 March 2017 HK\$
Within one year	1,152,000	276,000
In the second to fifth year, inclusive	864,000	-
	<u>2,016,000</u>	<u>276,000</u>

The Group leases a property under a non-cancellable operating lease arrangement with lease term of two years, without option to renew the lease term at the expiry date. None of the lease includes contingent rentals.

# Hong Kong Debt Management Limited

## Notes to the Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

### 19. Related party transactions

In addition to the information disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with its related parties during the period:

Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's sole director, is disclosed as follows:

	Six months ended 30 September 2017 HK\$	2016 HK\$ (unaudited)
Salaries, wages and other benefits	730,000	210,000
Contributions to defined contribution retirement plans	30,500	10,500
	<u>760,500</u>	<u>220,500</u>

### 20. Financial risk management and capital disclosures

#### (a) Financial instruments by categories

	30 September 2017 HK\$	31 March 2017 HK\$
<b>Financial assets</b>		
Loans and receivables measured at amortised cost:		
- Account receivables	956,820	1,040,222
- Deposit and other receivables	700,730	638,712
- Amount due from the controlling shareholder	2,801,343	1,540,217
- Cash and cash equivalents	810,596	1,270,108
	<u>5,269,489</u>	<u>4,489,259</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost:		
- Accruals	148,448	182,344

## Notes to the Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

### 20. Financial risk management and capital disclosures (continued)

#### (b) Financial risk managements and policies

The Group has exposure to the credit risk and liquidity risk arising from financial instruments. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

##### (i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The Group's credit risk is primarily attributable to account receivables, deposits and other receivables and amount due from the controlling shareholder. In order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of its debtors' financial position and condition are performed on each and every major debtor periodically. These evaluations focus on the debtor's past history of making payments when due and current ability to pay, and take into account information specific to the debtor as well as pertaining to the economic environment in which the debtor operates. Debtors with overdue balances, which will be reviewed on a case-by-case basis, are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each debtor. The default risk of the industry in which debtors operate also has an influence on credit risk. At the end of the reporting period, the Group has no concentration of credit risk of the total account receivables due from the Group's largest customer and five largest customers.

With respect to credit risk arising from amount due from the controlling shareholder, the Group's exposure to credit risk arising from default of the counterparties is limited as the counterparties have good history of repayment and the Group does not expect to incur a significant loss for uncollected amount due from the controlling shareholder.

The credit risk on balances of cash and cash equivalents is low as these balances are placed with reputable financial institutions.

##### (ii) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the raising of loans to cover expected cash demands, subject to approval of the management. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants to ensure that it maintains sufficient amount of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term. The Group relies on its liquid funds and bank borrowings as significant sources of liquidity.

All financial liabilities as at 30 September 2017 and 31 March 2017 were repayable on demand.

## Notes to the Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

### 20. Financial risk management and capital disclosures (continued)

#### (c) Capital management

The Group's objectives when managing capital are to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the owners through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

The Group monitors capital on the basis of the net gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt, if any.

#### (d) Fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair value as at 30 September 2017 and 31 March 2017.

### 21. New and revised IFRSs not yet adopted

At the date of this report, certain new and amended IFRSs have been issued but are not yet effective, and have not been applied early by the Group.

		Effective for annual reporting periods beginning on or after
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined*
IFRSs Amendments	Annual Improvements to IFRSs 2014 – 2016 Cycle	1 January 2018
IAS 40 Amendments	Transfers of Investment Property	1 January 2018
IFRS 2 Amendments	Classification and Measurement of Share-based Payment Transactions	1 January 2018
IFRS 4 Amendments	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 15	Revenue from Contracts with Customers	1 January 2018
IFRS 15 Amendments	Clarifications to IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

## Notes to the Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

### 21. New and revised IFRSs not yet adopted (continued)

		Effective for annual reporting periods beginning on or after
IFRSs Amendments	Annual Improvements to IFRSs 2015 – 2017 Cycle	1 January 2019
IFRS 9 Amendments	Prepayment Features with Negative Compensation	1 January 2019
IFRS 16	Leases	1 January 2019
IFRIC 23	Uncertainty over Income Tax Treatments	1 January 2019
IFRS 17	Insurance Contracts	1 January 2021

- \* On 17 December 2015, the IASB issued "Effective Date of Amendments to IFRS 10 and IAS 28". This update defers the effective date of the amendments in "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture" that the IASB issued in September 2014. Early application of these amendments continues to be permitted.

The Group has already commenced an assessment of the related impact of adopting the above new and revised IFRSs. So far, it has concluded that the above new and revised IFRSs will be adopted at the respective effective dates and the adoption of them is unlikely to have a significant impact on the consolidated financial statements of the Group except for the following:

#### IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

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

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

Under IFRS 15, an entity recognises revenue when a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The amendments to IFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; license of intellectual property; and transition requirements.

## Notes to the Consolidated Financial Statements (Continued)

For the six months ended 30 September 2017

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### 21. *New and revised IFRSs not yet adopted (continued)*

#### IFRS 15 "Revenue from Contracts with Customers" (continued)

The Group is still in the process of assessing the impact of IFRS 15. The management of the Company believe that it is impractical to disclose the impact in these financial statements until the Group has completed the assessment.

#### IFRS 16 "Leases"

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees. The new standard maintains substantially the lessor accounting requirements in the current standard.

A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of lease arrangement. Right-of-use asset includes the amount of initial measurement of lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. Lease liability represents the present value of the lease payments. Subsequently, depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of IAS 16 "Property, Plant and Equipment", while lease liability will be increased by the interest accrual, which will be charged to profit or loss, and deducted by lease payments.

The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value.

The total operating lease commitments of the Group in respect of leased premises as at each of the reporting dates are set out in Note 19, the management of the Group expects that the adoption of IFRS 16 is unlikely to result in significant impact on the Group's result but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

### 22. *Approval of the consolidated financial statements*

These consolidated financial statements were approved and authorised for issue by the sole director on 10 May 2018.