

**HONG KONG DEBT MANAGEMENT LIMITED**  
**(FORMERLY KNOWN AS AIM SUCCESS HOLDINGS LIMITED)**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 MARCH 2015, 2016 AND 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***

Mr. Wong Ka Sek (resigned on 11 August 2014)  
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  
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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 (formerly known as Aim Success Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 6 to 40, which comprise the consolidated statement of financial position as at 31 March 2015, 2016 and 2017, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for each of the three years 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 financial positions of the Group as at 31 March 2015, 2016 and 2017 and of its consolidated financial performance and its consolidated cash flows for each of the three years 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**

- (i) The comparative consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the relevant explanatory notes for the year ended 31 March 2014 disclosed in this consolidated financial statements have not been audited in accordance with ISAs.
- (ii) Under the same date of approval of these consolidated financial statements, we have also reported on the consolidated financial statements of the Group for the three months ended 30 June 2017. Accordingly, the sole director of the Company may wish to consider those consolidated financial statements and read them in conjunction with the audited consolidated financial statements of the Group for the years ended 31 March 2015, 2016 and 2017.

**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, as a body, 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, 6 NOV 2017

# Hong Kong Debt Management Limited and its subsidiaries

## Consolidated Statements of Comprehensive Income

For the years ended 31 March 2015, 2016 and 2017

	Notes	2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$ (unaudited)
<b>Revenue</b>	4	<b>20,952,783</b>	<b>20,289,872</b>	<b>18,422,815</b>	22,264,094
Other income	5	<b>590,375</b>	<b>449,365</b>	<b>342,984</b>	482,438
Employee benefits expenses		<b>(6,183,189)</b>	<b>(4,497,900)</b>	<b>(4,140,153)</b>	(4,101,676)
Minimum lease payments under operating leases		<b>(1,104,000)</b>	<b>(1,068,000)</b>	<b>(960,000)</b>	(902,000)
Gain of change in shareholding of a subsidiary	10	-	<b>14,399,991</b>	-	-
Other operating expenses		<b>(2,596,003)</b>	<b>(2,740,228)</b>	<b>(1,656,948)</b>	(2,110,766)
Finance costs		-	<b>(61,874)</b>	<b>(45,414)</b>	(27,622)
<b>Profit before taxation</b>	6	<b>11,659,966</b>	<b>26,771,226</b>	<b>11,963,284</b>	15,604,468
Income tax expense	7	<b>(1,896,390)</b>	<b>(2,002,422)</b>	<b>(1,966,880)</b>	(2,476,015)
<b>Profit and total comprehensive income for the years</b>		<b><u>9,763,576</u></b>	<b><u>24,768,804</u></b>	<b><u>9,996,404</u></b>	<u>13,128,453</u>

# Hong Kong Debt Management Limited and its subsidiaries

## Consolidated Statements of Financial Position

As at 31 March 2015, 2016 and 2017

	Notes	2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$ (unaudited)
<b>ASSETS AND LIABILITIES</b>					
<b>Non-current asset</b>					
Property, plant and equipment	9	<u>162,471</u>	<u>140,498</u>	<u>16,293</u>	<u>34,383</u>
<b>Current assets</b>					
Account receivables	11	1,040,222	1,695,169	992,799	829,016
Prepayments, deposits and other receivables	12	650,213	925,464	565,545	503,482
Amount due from the controlling shareholder	13	1,540,217	4,417,799	5,005,999	4,839,209
Amount due from a shareholder	13	-	5	1	-
Tax recoverable		280,256	4,455	530,755	-
Cash and cash equivalents		<u>1,270,108</u>	<u>6,623,033</u>	<u>600,354</u>	<u>242,799</u>
		<u>4,781,016</u>	<u>13,665,925</u>	<u>7,695,453</u>	<u>6,414,506</u>
<b>Current liabilities</b>					
Accruals, other payables and receipts in advance	14	230,625	10,145,163	35,620	59,679
Amount due to a related party	13	-	79,046	179,178	64,274
Amount due to a related company	13	-	-	25,660	15,450
Interest-bearing bank borrowings	15	-	-	3,517,900	332,251
Tax payable		-	-	-	1,920,243
		<u>230,625</u>	<u>10,224,209</u>	<u>3,758,358</u>	<u>2,391,897</u>
<b>Net current assets</b>		<u>4,550,391</u>	<u>3,441,716</u>	<u>3,937,095</u>	<u>4,022,609</u>
<b>Net assets</b>		<u>4,712,862</u>	<u>3,582,214</u>	<u>3,953,388</u>	<u>4,056,992</u>
<b>CAPITAL AND RESERVES</b>					
Share capital	16	78,000	8	8	8
Reserves	17	<u>4,634,862</u>	<u>3,582,206</u>	<u>3,953,380</u>	<u>4,056,984</u>
<b>Total equity</b>		<u>4,712,862</u>	<u>3,582,214</u>	<u>3,953,388</u>	<u>4,056,992</u>

Credit Intelligence Holding Limited  
Sole Director



# Hong Kong Debt Management Limited and its subsidiaries

## Consolidated Statements of Changes in Equity

For the years ended 31 March 2015, 2016 and 2017

	Share capital HK\$	Merger Reserve* HK\$ (Note 17)	Retained Earnings* HK\$	Total equity HK\$
At 1 April 2013 (unaudited)	8	9	728,522	728,539
Profit and total comprehensive income for the year (unaudited)			13,128,453	13,128,453
Interim dividends (Note 8)	-	-	(9,800,000)	(9,800,000)
At 31 March 2014 and 1 April 2014 (unaudited)	8	9	4,056,975	4,056,992
Profit and total comprehensive income for the year	-	-	9,996,404	9,996,404
Change in shareholding of a subsidiary (Note 2(a)(iv))	-	(8)	-	(8)
Interim dividends (Note 8)	-	-	(10,100,000)	(10,100,000)
<b>At 31 March 2015 and 1 April 2015</b>	<b>8</b>	<b>1</b>	<b>3,953,379</b>	<b>3,953,388</b>
Profit and total comprehensive income for the year	-	-	24,768,804	24,768,804
Change in shareholding of a subsidiary (Note 2(a)(v))	-	13	-	13
Interim dividends (Note 8)	-	-	(25,139,991)	(25,139,991)
<b>At 31 March 2016 and 1 April 2016</b>	<b>8</b>	<b>14</b>	<b>3,582,192</b>	<b>3,582,214</b>
Profit and total comprehensive income for the year	-	-	9,763,576	9,763,576
Allotment of shares (Note 2(a)(vi))	67,072	-	-	67,072
Exchange of the shares of the Company with the shares of a subsidiary from the Remaining Shareholders (as defined in Note 2(a)(v) (Note 2(a)(vi))	10,920	(10,920)	-	-
Interim dividends (Note 8)	-	-	(8,700,000)	(8,700,000)
<b>At 31 March 2017</b>	<b>78,000</b>	<b>(10,906)</b>	<b>4,645,768</b>	<b>4,712,862</b>

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

# Hong Kong Debt Management Limited and its subsidiaries

## Consolidated Statements of Cash Flows

For the years ended 31 March 2015, 2016 and 2017

	Notes	2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$ (unaudited)
<b>Cash flows from operating activities</b>					
Profit before taxation		11,659,966	26,771,226	11,963,284	15,604,468
Adjustments for:					
Depreciation on property, plant and equipment	6	39,222	13,015	37,510	35,532
Gain of change in shareholding of a subsidiary	6	-	(14,399,991)	-	-
Interest expenses	6	-	61,874	45,414	27,622
Operating profit before working capital changes		11,699,188	12,446,124	12,046,208	15,667,622
Decrease/(increase) in account receivables		654,947	(702,370)	(163,783)	(385,319)
Decrease/(increase) in prepayments, deposits and other receivables		275,251	(359,919)	(62,063)	129,435
Increase/(decrease) in accruals, other payables and receipts in advance		85,462	109,543	(24,059)	(94,926)
Cash generated from operations		12,714,848	11,493,278	11,796,303	15,316,812
Income tax paid		(2,172,191)	(1,476,122)	(4,417,878)	(558,424)
<b>Net cash generated from operating activities</b>		<b>10,542,657</b>	<b>10,017,256</b>	<b>7,378,425</b>	<b>14,758,388</b>

# Hong Kong Debt Management Limited and its subsidiaries

## Consolidated Statements of Cash Flows (Continued)

For the years ended 31 March 2015, 2016 and 2017

	Notes	2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$ (unaudited)
<b>Cash flows from investing activities</b>					
Advanced to the controlling shareholder		(5,755,346)	(10,151,787)	(10,266,798)	(14,854,178)
Repayment from/(advanced to) a shareholder		5	(4)	(1)	-
Purchase of property, plant and equipment	8	(61,195)	(137,220)	(19,420)	-
<b>Net cash used in investing activities</b>		<u>(5,816,536)</u>	<u>(10,289,011)</u>	<u>(10,286,219)</u>	<u>(14,854,178)</u>
<b>Cash flows from financing activities</b>					
Repayment of borrowings		(10,000,000)	(3,517,900)	(1,232,230)	(638,397)
Proceeds from borrowings		-	10,000,000	4,417,879	558,424
(Repayment to)/advanced from a related party		(79,046)	(100,132)	114,904	(9,508)
(Repayment to)/advanced from a related company		-	(25,660)	10,210	15,450
Interest paid		-	(61,874)	(45,414)	(27,622)
<b>Net cash (used in)/ generated from financing activities</b>		<u>(10,079,046)</u>	<u>6,294,434</u>	<u>3,265,349</u>	<u>(101,653)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(5,352,925)</u>	<u>6,022,679</u>	<u>357,555</u>	<u>(197,443)</u>
Cash and cash equivalents at the beginning of the years		<u>6,623,033</u>	<u>600,354</u>	<u>242,799</u>	<u>440,242</u>
<b>Cash and cash equivalents at the end of the years</b>		<u><u>1,270,108</u></u>	<u><u>6,623,033</u></u>	<u><u>600,354</u></u>	<u><u>242,799</u></u>

# Hong Kong Debt Management Limited and its subsidiaries

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## Notes to the Consolidated Financial Statements

For the years ended 31 March 2015, 2016 and 2017

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### 1. General

Hong Kong Debt Management Limited (formerly known as Aim Success Holdings 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. With effect from 16 May 2014, the name of the Company was changed from Aim Success Holdings Limited to Hong Kong Debt Management Limited. The address of its registered office was Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, 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 years ended 31 March 2015, 2016 and 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 years ended 31 March 2015, 2016 and 2017, the Company's immediate holding company and ultimate holding company was 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.

The Company and its subsidiaries now comprising the Group underwent the reorganisation as set out in Note 2(a).

### 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 the followings:

- (i) Subscription of share in the Company by Beta Field and Mr. Wong Ka Sek

Before the Reorganisation, Mr. Wong Ka Sek was the sole shareholder of the Company.

Pursuant to the written resolution of the sole director of the Company dated on 11 August 2014, Mr. Wong Ka Sek transferred the one subscriber share of the Company to Beta Field on 11 August 2014, with a consideration of United States dollar ("US\$") 1, with reference to the share capital of the Company. As a result, the Company became a wholly-owned subsidiary of Beta Field.

- (ii) Subscription of share in Hong Kong I.V.A. Consultants Limited ("HKIVA") by the Company

On 11 August 2014, the Company acquired entire equity interest in HKIVA from Mr. Wong Ka Sek with a consideration of US\$1, with reference to the share capital of HKIVA.

- (iii) Deemed acquisition of equity interest in Hong Kong Debt Management Services Limited ("HKDMS") by the Company

Before 25 April 2014, the Company and Mr. Wong Ka Sek have 67% and 33% equity interest in HKDMS respectively.

# Hong Kong Debt Management Limited and its subsidiaries

## Notes to the Consolidated Financial Statements (Continued)

For the years ended 31 March 2015, 2016 and 2017

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

#### (a) Group reorganisation (continued)

- (iii) Deemed acquisition of equity interest in Hong Kong Debt Management Services Limited ("HKDMS") by the Company (continued)

On 25 April 2014, HKDMS allotted six, ten and one ordinary shares to Mr. Wong Ka Sek, the Company and Mr. Wong Ka Lam King with considerations of HK\$6, HK\$10 and HK\$1 respectively, with reference to the share capital of HKDMS.

- (iv) Transfer of equity interest in HKDMS from Mr. Wong Ka Sek to the Company

On 11 August 2014, Mr. Wong Ka Sek transferred seven ordinary shares of HKDMS, represented his entire interest in HKDMS, to the Company with a consideration of HK\$7, with reference to the share capital of HKDMS.

- (v) Disposal of shares in HKDMS to 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").

Pursuant to the Share Transfer Agreement entered between the Company and Mr. Chen Guorong, Mr. Chan Wing Keung Terence and Ms. Pang Wai Yu Michelle respectively dated on 14 May 2015, the Company disposed of an aggregate of 9% equity interest in HKDMS to Mr. Chen Guorong, Mr. Chan Wing Keung Terence and Ms. Pang Wai Yu Michelle on 14 May 2015, with an aggregate consideration of HK\$14,400,000.

- (vi) Exchange the ordinary shares of HKDMS held by 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 on 10 January 2017, the Remaining Shareholders transferred the respective entire 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 on 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").

## Notes to the Consolidated Financial Statements (Continued)

For the years ended 31 March 2015, 2016 and 2017

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

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

This is the first set of consolidated financial statements of the Company and the management of the Company have adopted, for the first time, IFRSs in preparing these financial statements. The Company has adopted all applicable IFRSs that are effective for the Group's accounting period beginning on 1 April 2016, consistently throughout the years to the extent required or allowed by the transitional provisions in the IFRSs.

Pursuant to the Reorganisation, HKDMS and HKIVA are 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.

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.

### 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.

#### *(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.

## Notes to the Consolidated Financial Statements (Continued)

For the years ended 31 March 2015, 2016 and 2017

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### 3. Significant accounting policies (continued)

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

##### (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 years ended 31 March 2015, 2016 and 2017

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### 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 year 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 year 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.



## Notes to the Consolidated Financial Statements (Continued)

For the years ended 31 March 2015, 2016 and 2017

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### 3. Significant accounting policies (continued)

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

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.

#### (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.

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).

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.

## Notes to the Consolidated Financial Statements (Continued)

For the years ended 31 March 2015, 2016 and 2017

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### 3. Significant accounting policies (continued)

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

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

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 loans and borrowings.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include other payables and accruals, amounts due to a related party and a related company, and interest-bearing bank borrowings.

After initial recognition, interest-bearing bank borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statement of comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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.

## Notes to the Consolidated Financial Statements (Continued)

For the years ended 31 March 2015, 2016 and 2017

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### 3. Significant accounting policies (continued)

#### (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.

#### (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.

## Notes to the Consolidated Financial Statements (Continued)

For the years ended 31 March 2015, 2016 and 2017

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### 3. Significant accounting policies (continued)

#### (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.

#### (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.

## Notes to the Consolidated Financial Statements (Continued)

For the years ended 31 March 2015, 2016 and 2017

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### 3. Significant accounting policies (continued)

(k) *Borrowing costs*

Borrowing costs are charged to the consolidated statement of comprehensive income in the period in which they are incurred.

(l) *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.

(m) *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 year when the employees render the related service.

(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.

## Notes to the Consolidated Financial Statements (Continued)

For the years ended 31 March 2015, 2016 and 2017

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### 3. Significant accounting policies (continued)

#### (n) 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
- 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.

## Notes to the Consolidated Financial Statements (Continued)

For the years ended 31 March 2015, 2016 and 2017

### 3. Significant accounting policies (continued)

#### (n) Income tax (continued)

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.

#### (o) 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 and its subsidiaries

## Notes to the Consolidated Financial Statements (Continued)

For the years ended 31 March 2015, 2016 and 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 years is as follows:

	2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$ (unaudited)
Provision of bankruptcy administration services	19,474,908	18,189,077	15,720,090	18,639,279
Provision of IVA services	1,477,875	2,100,795	2,702,725	3,624,815
	<u>20,952,783</u>	<u>20,289,872</u>	<u>18,422,815</u>	<u>22,264,094</u>

### 5. Other income

	2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$ (unaudited)
Administrative charges	590,374	449,252	316,885	482,438
Others	1	113	26,099	-
	<u>590,375</u>	<u>449,365</u>	<u>342,984</u>	<u>482,438</u>

### 6. Profit before taxation

Profit before taxation is stated after charging the following:

	2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$ (unaudited)
Depreciation on property, plant and equipment	39,222	13,015	37,510	35,532
Employee benefits expenses:				
Salaries, wages and other benefits	5,923,603	4,289,299	3,959,969	3,927,885
Contributions to defined contribution retirement plans	259,586	208,601	180,184	173,791
	<u>6,183,189</u>	<u>4,497,900</u>	<u>4,140,153</u>	<u>4,101,676</u>



# Hong Kong Debt Management Limited and its subsidiaries

## Notes to the Consolidated Financial Statements (Continued)

For the years ended 31 March 2015, 2016 and 2017

### 6. Profit before taxation (continued)

Profit before taxation is stated after charging the following: (continued)

	2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$ (unaudited)
Interests on interest-bearing bank borrowings	-	61,874	45,414	27,622
Minimum lease payments under operating leases on office premises	<u>1,104,000</u>	<u>1,068,000</u>	<u>960,000</u>	<u>902,000</u>

### 7. Income tax expense

	2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$ (unaudited)
<b>Current tax</b>				
- Hong Kong Profits Tax	<u>1,896,390</u>	<u>2,002,422</u>	<u>1,966,880</u>	<u>2,476,015</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 years.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit derived in Hong Kong for the years.

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

	2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$ (unaudited)
Profit before taxation	<u>11,659,966</u>	<u>26,771,226</u>	<u>11,963,284</u>	<u>15,604,468</u>
Tax at the applicable tax rate at 16.5%	1,923,894	4,417,252	1,973,942	2,574,737
Tax effect on non-deductible expenses	16,804	21,476	31,354	5,369
Tax effect on non-taxable income	-	(2,376,017)	(16)	(6)
Tax effect on temporary difference not recognised	(4,308)	(20,289)	1,600	(84,085)
Special tax reduction	<u>(40,000)</u>	<u>(40,000)</u>	<u>(40,000)</u>	<u>(20,000)</u>
Income tax expense	<u>1,896,390</u>	<u>2,002,422</u>	<u>1,966,880</u>	<u>2,476,015</u>

# Hong Kong Debt Management Limited and its subsidiaries

## Notes to the Consolidated Financial Statements (Continued)

For the years ended 31 March 2015, 2016 and 2017

### 7. *Income tax expense (continued)*

There were no material unrecognised deferred tax assets and liabilities as at 31 March 2014, 2015, 2016 and 2017.

### 8. *Dividends*

	2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$ (unaudited)
Interim dividends	<u>8,700,000</u>	<u>25,139,991</u>	<u>10,100,000</u>	<u>9,800,000</u>

The dividends during the years ended 31 March 2014, 2015, 2016 and 2017 represented dividends declared by the companies now comprising the Group to the equity holders of the companies, after elimination of intra-group dividends. The rate of dividends and the number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of these consolidated financial statements.

# Hong Kong Debt Management Limited and its subsidiaries

## Notes to the Consolidated Financial Statements (Continued)

For the years ended 31 March 2015, 2016 and 2017

### 9. Property, plant and equipment

	Furniture, fixtures and equipment HK\$	Leasehold Improvement HK\$	Total HK\$
<b>Cost</b>			
At 1 April 2013 (unaudited)	923,409	636,480	1,559,889
Written off (unaudited)	(17,460)	(636,480)	(653,940)
At 31 March 2014 and 1 April 2014 (unaudited)	905,949	-	905,949
Additions	19,420	-	19,420
At 31 March 2015 and 1 April 2015	925,369	-	925,369
Additions	137,220	-	137,220
Written off	(153,876)	-	(153,876)
At 31 March 2016 and 1 April 2016	908,713	-	908,713
Additions	61,195	-	61,195
At 31 March 2017	969,908	-	969,908
<b>Accumulated depreciation</b>			
At 1 April 2013 (unaudited)	(853,494)	(636,480)	(1,489,974)
Charge for the year (unaudited)	(35,532)	-	(35,532)
Written off (unaudited)	17,460	636,480	653,940
At 31 March 2014 and 1 April 2014 (unaudited)	(871,566)	-	(871,566)
Charge for the year	(37,510)	-	(37,510)
At 31 March 2015 and 1 April 2015	(909,076)	-	(909,076)
Charge for the year	(13,015)	-	(13,015)
Written off	153,876	-	153,876
At 31 March 2016 and 1 April 2016	(768,215)	-	(768,215)
Charge for the year	(39,222)	-	(39,222)
At 31 March 2017	(807,437)	-	(807,437)
<b>Net carrying amounts</b>			
At 31 March 2017	<u>162,471</u>	<u>-</u>	<u>162,471</u>
At 31 March 2016	<u>140,498</u>	<u>-</u>	<u>140,498</u>
At 31 March 2015	<u>16,293</u>	<u>-</u>	<u>16,293</u>
At 31 March 2014 (unaudited)	<u>34,383</u>	<u>-</u>	<u>34,383</u>

# Hong Kong Debt Management Limited and its subsidiaries

## Notes to the Consolidated Financial Statements (Continued)

For the years ended 31 March 2015, 2016 and 2017

### 10. Interests in subsidiaries

As at 31 March 2014, 2015, 2016 and 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
		2017	2016	2015	2014 (unaudited)	2017	2016	2015	2014 (unaudited)	
HKDMS	Hong Kong, 28 April 2003	HK\$100	HK\$100	HK\$20	HK\$3	100%	100%	100%	100%	Provision of bankruptcy administration services
HKIVA	The BVI, 23 August 2002	US\$1	US\$1	US\$1	US\$1	100%	100%	100%	100%	Provision of IVA services

Pursuant to the Share Transfer Agreement entered between the Company and Mr. Chen Guorong, Mr. Chan Wing Keung Terence and Ms. Pang Wai Yu Michelle respectively dated on 14 May 2015, the Company disposed of an aggregate of 9% equity interest in HKDMS to Mr. Chen Guorong, Mr. Chan Wing Keung Terence and Ms. Pang Wai Yu Michelle on 14 May 2015, with an aggregate consideration of HK\$14,400,000. Gain on change in shareholding of HKDMS of HK\$14,399,991 was recognised in the consolidated statements of comprehensive income during the year ended 31 March 2016. The aggregate consideration was received by Mr. Wong Ka Sek on behalf of the Company.

### 11. Account receivables

	2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$ (unaudited)
Account receivables from				
- Creditors of bankrupts	1,024,447	1,664,719	938,774	829,016
- Nominees of I.V.A. services	15,775	30,450	54,025	-
	<u>1,040,222</u>	<u>1,695,169</u>	<u>992,799</u>	<u>829,016</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 31 March 2014, 2015, 2016 and 2017 as there has not been a significant change in credit quality and the balances are considered fully recoverable. The Group does not hold any collateral over these balances.

# Hong Kong Debt Management Limited and its subsidiaries

## Notes to the Consolidated Financial Statements (Continued)

For the years ended 31 March 2015, 2016 and 2017

### 11. *Account receivables (continued)*

Account receivables from nominees of I.V.A. 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 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.

Further details on the Group's credit policy are set out in Note 21(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*

	2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$ (unaudited)
Prepayments	11,501	297,759	13,755	13,529
Deposits	197,000	197,000	192,400	192,400
Other receivables	441,712	430,705	359,390	297,553
	<u>650,213</u>	<u>925,464</u>	<u>565,545</u>	<u>503,482</u>

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

### 13. *Amounts due from/(to) the controlling shareholder/a shareholder/a related party/a related company*

The amounts due from/(to) the controlling shareholder/a shareholder/a related party/a related company are unsecured, interest-free and repayable on demand.

The controlling shareholder represents Mr. Wong Ka Sek who is the sole shareholder of Beta Field, the immediate and ultimate holding company. The related party represents Ms. Chan Chuen Lan who is the spouse of Mr. Wong Ka Sek.

The shareholder represents Mr. Wong Ka Lam King who has 5% equity interest in HKDMS as at 31 March 2015 and 2016.

The related company represents Jimmie K S Wong & Partners, a partnership of which Mr. Wong Ka Sek, the controlling shareholder of the Group, who is also the beneficiary owner as at 31 March 2014 and 2015. On 14 May 2015, Mr. Wong Ka Sek retired from Jimmie K S Wong & Partners and Jimmie K S Wong & Partners ceased to be a related party of the Group thereafter.

# Hong Kong Debt Management Limited and its subsidiaries

## Notes to the Consolidated Financial Statements (Continued)

For the years ended 31 March 2015, 2016 and 2017

### 14. Accruals, other payables and receipts in advance

	2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$ (unaudited)
Accruals	182,344	102,071	35,620	59,679
Other payables (Note)	-	10,000,000	-	-
Receipts in advance	48,281	43,092	-	-
	<u>230,625</u>	<u>10,145,163</u>	<u>35,620</u>	<u>59,679</u>

Note: As at 31 March 2016, HK\$7,000,000 and HK\$3,000,000 were advanced from two independent individuals. The payables were unsecured, interest-free and fully repaid during the year ended 31 March 2017.

### 15. Interest-bearing bank borrowings

The analysis of the carrying amounts of unsecured bank loans is as follows:

	2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$ (unaudited)
Unsecured bank loans due for repayment within one year	-	-	3,517,900	332,251

The unsecured bank loans bear interest rates per annum as follows:

	2017	2016	2015	2014 (unaudited)
Unsecured term loans	-	-	2.5% to 4.75%	2.5% to 4.75%

As at 31 March 2014 and 2015, the unsecured bank loans were guaranteed by the followings:

- (i) As at 31 March 2014 and 2015, bank loans amounting to HK\$316,628 and HK\$15,972 were guaranteed by Mr. Wong Ka Sek, the controlling shareholder of the Group.
- (ii) As at 31 March 2014, bank loan amounting to HK\$15,623 was jointly guaranteed by Mr. Wong Ka Sek, the controlling shareholder of the Group and a related company, Jimmie K S Wong & Partners.
- (iii) As at 31 March 2015, bank loan amounting to HK\$3,501,928 was jointly guaranteed by Mr. Wong Ka Sek and Ms. Chan Chuen Lan, the controlling shareholder of the Group and his spouse.

# Hong Kong Debt Management Limited and its subsidiaries

## Notes to the Consolidated Financial Statements (Continued)

For the years ended 31 March 2015, 2016 and 2017

### 16. Share capital

	Number of shares	Nominal value HK\$
Ordinary shares of US\$1.00 each		
<b>Authorised:</b>		
As at 1 April 2013 (unaudited), 31 March 2014 (unaudited), 31 March 2015, 2016 and 2017	50,000	390,000
<b>Issued and fully paid:</b>		
As at 1 April 2013 (unaudited), 31 March 2014 (unaudited), 31 March 2015 and 2016	1	8
Allotment of share (Note)	9,999	77,992
As at 31 March 2017	10,000	78,000

Note: On 10 January 2017, the Remaining Shareholders transferred the respective entire equity interests in HKDMS to the Company in consideration of the Company allotting and issuing in aggregate 1,400 shares to them, respectively, credited as fully paid. On the same day, 8,599 ordinary shares of the Company were allotted and issued to Beta Field.

### 17. Reserves

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

### 18. 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 31 March 2014, 2015, 2016 and 2017, total balances of these segregated bank accounts amounting to HK\$50,596,810, HK\$57,732,411, HK\$67,595,898 and HK\$73,217,297 respectively.

## Notes to the Consolidated Financial Statements (Continued)

For the years ended 31 March 2015, 2016 and 2017

### 18. Significant assets not dealt with in the consolidated financial statements (continued)

#### (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 31 March 2014, 2015, 2016 and 2017, they held 661 units, 658 units, 673 units and 709 units of properties in Hong Kong respectively. For the years ended 31 March 2014, 2015, 2016 and 2017, revenue earned by the Group in respect of the realisation of these properties amounting to HK\$524,665, HK\$1,646,877, HK\$1,661,540 and HK\$542,108 respectively.

#### (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 31 March 2014, 2015, 2016 and 2017, the balances of time deposit pledged as security for the above purpose were HK\$1,042,026, HK\$1,042,124, HK\$1,042,231 and HK\$1,042,337 respectively. These assets arising thereon are not dealt with in the consolidated financial statements, as they are not assets of the Group.

### 19. Operating leases commitments

As at 31 March 2014, 2015, 2016 and 2017, the Group had minimum outstanding commitments under non-cancellable operating leases in respect of office premises which fall due as follows:

	2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$ (unaudited)
Within one year	276,000	1,104,000	240,000	960,000
In the second to fifth year, inclusive	-	276,000	-	240,000
	<u>276,000</u>	<u>1,380,000</u>	<u>240,000</u>	<u>1,200,000</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 and its subsidiaries

## Notes to the Consolidated Financial Statements (Continued)

For the years ended 31 March 2015, 2016 and 2017

### 20. 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 years:

#### (a) Related party transactions

	2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$ (unaudited)
Legal and professional fee paid to a related company	-	9,000	-	-

#### (b) Financial guarantees provided by the related parties

The details of guarantees provided by the related parties are set out in Note 15.

#### (c) 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:

	2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$ (unaudited)
Salaries, wages and other benefits	660,000	398,488	362,672	417,871
Contributions to defined contribution retirement plans	29,500	18,167	15,000	15,000
	<u>689,500</u>	<u>416,655</u>	<u>377,672</u>	<u>432,871</u>

# Hong Kong Debt Management Limited and its subsidiaries

## Notes to the Consolidated Financial Statements (Continued)

For the years ended 31 March 2015, 2016 and 2017

### 21. Financial risk management and capital disclosures

#### (a) Financial instruments by categories

	2017 HK\$	2016 HK\$	2015 HK\$	2014 HK\$ (unaudited)
<b>Financial assets</b>				
Loans and receivables, measured at amortised cost:				
- Account receivables	1,040,222	1,695,169	992,799	829,016
- Deposit and other receivables	638,712	627,705	551,790	489,953
- Amount due from the controlling shareholder	1,540,217	4,417,799	5,005,999	4,839,209
- Amount due from a shareholder	-	5	1	-
- Cash and cash equivalents	1,270,108	6,623,033	600,354	242,799
	<u>4,489,259</u>	<u>13,363,711</u>	<u>7,150,943</u>	<u>6,400,977</u>
<b>Financial liabilities</b>				
Financial liabilities, measured at amortised cost:				
- Accruals and other payables	182,344	10,102,071	35,620	59,679
- Amount due to a related party	-	79,046	179,178	64,274
- Amount due to a related company	-	-	25,660	15,450
- Interest-bearing bank borrowings	-	-	3,517,900	332,251
	<u>182,344</u>	<u>10,181,117</u>	<u>3,758,358</u>	<u>471,654</u>

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

The Group has exposure to the credit risk, liquidity risk and interest rate 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.

## Notes to the Consolidated Financial Statements (Continued)

For the years ended 31 March 2015, 2016 and 2017

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

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

##### (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 amounts due from the controlling shareholder and a 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 amounts due from the controlling shareholder and a 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 amounts due from the controlling shareholder and a 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.

The following table set out the Group's remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

# Hong Kong Debt Management Limited and its subsidiaries

## Notes to the Consolidated Financial Statements (Continued)

For the years ended 31 March 2015, 2016 and 2017

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

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

##### (ii) Liquidity risk (continued)

Specifically, for interest-bearing bank borrowings which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect.

	Less than 1 year or on demand HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
<b>At 31 March 2014 (unaudited)</b>			
Accruals and other payables	59,679	59,679	59,679
Amount due to a related party	64,274	64,274	64,274
Amount due to a related company	15,450	15,450	15,450
Interest-bearing bank borrowings	332,251	332,251	332,251
	<u>471,654</u>	<u>471,654</u>	<u>471,654</u>
<b>At 31 March 2015</b>			
Accruals and other payables	35,620	35,620	35,620
Amount due to a related party	179,178	179,178	179,178
Amount due to a related company	25,660	25,660	25,660
Interest-bearing bank borrowings	3,517,900	3,517,900	3,517,900
	<u>3,758,358</u>	<u>3,758,358</u>	<u>3,758,358</u>
<b>At 31 March 2016</b>			
Accruals and other payables	10,102,071	10,102,071	10,102,071
Amount due to a related party	79,046	79,046	79,046
	<u>10,181,117</u>	<u>10,181,117</u>	<u>10,181,117</u>
<b>At 31 March 2017</b>			
Accruals and other payables	<u>182,344</u>	<u>182,344</u>	<u>182,344</u>

## Notes to the Consolidated Financial Statements (Continued)

For the years ended 31 March 2015, 2016 and 2017

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

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

##### (ii) Liquidity risk (continued)

The following table that follows summarises the maturity analysis of interest-bearing bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "less than 1 year or on demand" time band in the maturity analysis. Taking into account the Group's financial position, the management do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The management believe that such interest-bearing bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Less than 1 year or on demand HK\$	Total undiscounted cash flows HK\$	Carrying amount HK\$
<b>At 31 March 2014 (unaudited)</b>			
Interest-bearing bank borrowings	<u>343,237</u>	<u>343,237</u>	<u>332,251</u>
<b>At 31 March 2015</b>			
Interest-bearing bank borrowings	<u>3,579,687</u>	<u>3,579,687</u>	<u>3,517,900</u>

##### (iii) Interest rate risk

The Group manages its interest rate exposure based on interest rate level and outlook as well as the potential impact on the Group's financial position arising from volatility. The Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The management monitor the Group's exposure on an ongoing basis and will consider hedging the interest rate should the need arises.

The Group is exposed to interest rate risk through the impact of rates changes on interest-bearing borrowing, predominantly with variable interest rate.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank loans.

As the Group does not have significant exposure to interest rate risk, the Group's income and operating cash flows are substantially independent of changes in interest rates.

## Notes to the Consolidated Financial Statements (Continued)

For the years ended 31 March 2015, 2016 and 2017

### 21. 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 (including unsecured bank loans and amounts due to a related party and a related company (as detailed in notes 13 and 15 respectively) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statements of financial position plus net debt, if any.

As at 31 December 2016 and 2017, cash and cash equivalents exceeds total borrowings. Net gearing ratio as at 31 December 2016 and 2017 is not presented as such information is not meaningful. The net gearing ratio of the Group as at 31 March 2014 and 2015 are as follows:

	2015 HK\$	2014 HK\$ (unaudited)
Total borrowings	3,722,738	411,975
Less: Cash and cash equivalents	<u>(600,354)</u>	<u>(242,799)</u>
Net debt	<u>3,122,384</u>	<u>169,176</u>
Total equity	<u>7,075,772</u>	<u>4,226,168</u>
Net gearing ratio	<u>0.44</u>	<u>0.04</u>

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

#### (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 31 March 2014, 2015, 2016 and 2017.

### 22. Major non-cash transactions

In respect of the years ended 31 March 2014, 2015, 2016 and 2017, the interim dividends in the amount of HK\$9,800,000, HK\$10,100,000, HK\$10,740,000 and HK\$8,700,000 respectively were settled by crediting the amount due from the controlling shareholder, Mr. Wong Ka Sek and the amount due to a related party.

# Hong Kong Debt Management Limited and its subsidiaries

## Notes to the Consolidated Financial Statements (Continued)

For the years ended 31 March 2015, 2016 and 2017

### 23. 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*
IAS 7 Amendments	Disclosure Initiative	1 January 2017
IAS 12 Amendments	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
IFRSs Amendments	Annual Improvements to IFRSs 2014 – 2016 Cycle	1 January 2017 or 1 January 2018 (as appropriate)
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
IFRIC 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
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 or 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:

## Notes to the Consolidated Financial Statements (Continued)

For the years ended 31 March 2015, 2016 and 2017

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

#### 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.

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.



## Notes to the Consolidated Financial Statements (Continued)

For the years ended 31 March 2015, 2016 and 2017

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

IFRS 16 "Leases" (continued)

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.

**24. Approval of the consolidated financial statements**

These consolidated financial statements were approved and authorised for issue by the sole director on 6 NOV 2017