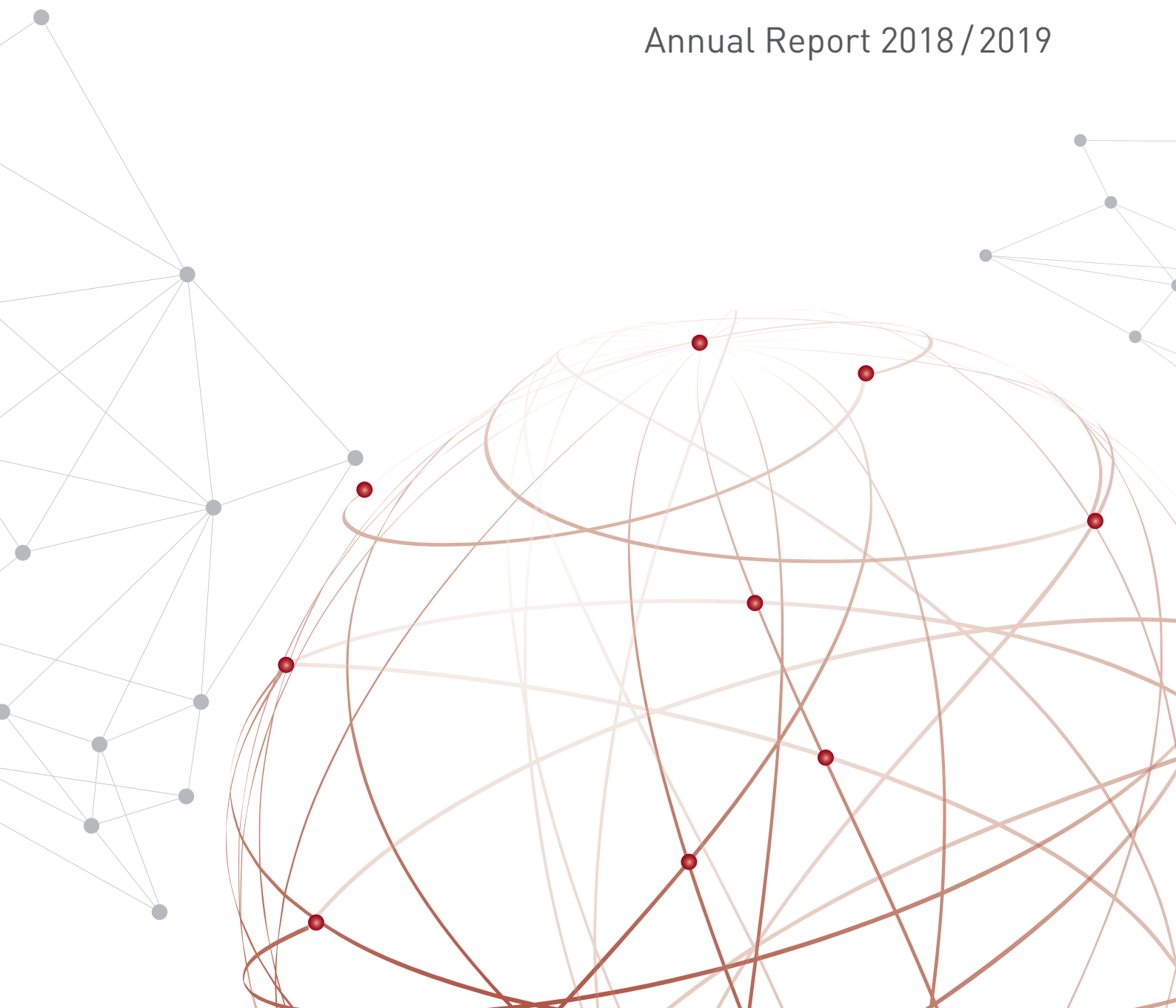




OP Financial Limited  
Stock Code: 1140

# BRIDGING REVOLUTION

Annual Report 2018 / 2019



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## FORWARD-LOOKING STATEMENTS

This annual report contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board of Directors of the Company regarding the industry and markets in which it invests. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

# CORPORATE INFORMATION

## **BOARD OF DIRECTORS**

### **Executive Directors**

Mr. ZHANG Zhi Ping (*Honorary Chairman*)

Mr. ZHANG Gaobo (*Chairman, resigned as CEO on 16 April 2019*)

Dr. LIU Zhiwei (*appointed as Executive Director and CEO on 16 April 2019*)

Mr. ZHANG Weidong

### **Non-executive Director**

Dr. WU Zhong (*Deputy Chairman*)

### **Independent Non-executive Directors**

Mr. KWONG Che Keung, Gordon

Prof. HE Jia

Mr. WANG Xiaojun

Mr. CHEN Yuming (*re-designated from Non-executive Director on 15 July 2019*)

Dr. FU Weigang (*re-designated from Non-executive Director on 15 July 2019*)

### **AUDIT COMMITTEE**

Mr. KWONG Che Keung, Gordon (*Chairman*)

Prof. HE Jia

Mr. WANG Xiaojun

### **REMUNERATION COMMITTEE**

Mr. WANG Xiaojun (*Chairman*)

Prof. HE Jia

Mr. KWONG Che Keung, Gordon

### **NOMINATION COMMITTEE**

Mr. ZHANG Gaobo (*Chairman*)

Mr. KWONG Che Keung, Gordon

Prof. HE Jia

Mr. WANG Xiaojun

### **CORPORATE GOVERNANCE COMMITTEE**

Prof. HE Jia (*Chairman*)

Mr. ZHANG Zhi Ping

Mr. ZHANG Gaobo

Mr. KWONG Che Keung, Gordon

Mr. WANG Xiaojun

### **AUTHORIZED REPRESENTATIVES**

Mr. ZHANG Gaobo

Mr. ZHOU Tao, David

### **COMPANY SECRETARY**

Mr. ZHOU Tao, David

### **INVESTOR RELATIONS CONTACT DETAILS**

Tel: (852) 2842 9688

Fax: (852) 2842 9666

Email: [ir@oriental-patron.com.hk](mailto:ir@oriental-patron.com.hk)

### **INVESTMENT MANAGER**

Oriental Patron Asia Limited

### **AUDITOR**

PricewaterhouseCoopers

### **PRINCIPAL REGISTRAR**

SMP Partners (Cayman) Limited

Royal Bank House, 3rd Floor

24 Shedden Road, P.O. Box 1586

Grand Cayman KY1-1110

Cayman Islands

### **BRANCH REGISTRAR**

Tricor Abacus Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

### **REGISTERED OFFICE**

P.O. Box 309

Ugland House

Grand Cayman, KY1-1104

Cayman Islands

### **PRINCIPAL PLACE OF BUSINESS**

41/F, One Exchange Square

8 Connaught Place

Central

Hong Kong

### **PRINCIPAL BANKER**

Bank of China (Hong Kong) Limited

Bank of Communications Co., Ltd. Hong Kong Branch

China CITIC Bank International Limited

China Construction Bank Corporation Hong Kong Branch

China Merchants Bank

China Minsheng Banking Corporation Limited

Chiyu Banking Corporation Limited

Hang Seng Bank Limited

Industrial and Commercial Bank of China (Asia) Limited

Luso International Banking Limited

Shanghai Pudong Development Bank Hong Kong Branch

Xiamen International Bank Co Limited

### **STOCK CODE**

The Stock Exchange of Hong Kong Limited

Code: 1140

### **WEBSITE**

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

# CHAIRMAN'S STATEMENT

## TOWARDS CROSS-BORDER INTEGRATION AND COLLABORATION

Dear Shareholders,

FY2018/2019 is a year full of challenges. During the Year, we have been actively discovering industry leaders with growth prospects as core holding companies and made a breakthrough in the healthcare industry successfully. Leveraging the prudent and diverse investment strategy as well as effective risk management mechanism, the major assets of the Company has maintained the stable valuation, while the divestment scale increased significantly during the Year, leading to a solid financial performance in the volatile market.

For the year ended 31 March 2019, the revenue of the Company amounted to approximately HK\$228 million, representing an increase of 81.68% as compared to HK\$125 million last year; net realized gain on disposal of investments increased significantly from HK\$49.11 million last year to HK\$211 million; total comprehensive income increased by 30.74% from HK\$196 million last year to HK\$256 million. As of 31 March 2019, the net asset value further increased to HK\$5.63 billion from HK\$5.59 billion last year. Hence, the Company Board of Directors recommended the payment of a final dividend of HK\$0.046 per share.

In the past year, the familiar business environment has changed dramatically. Globalization and free trade have met great challenges. The US-China trade war broke out and quickly spread to the fields of science and technology as well as ideology. The global economy faces great uncertainty.

However, we still have implicit faith in the long-term development of the Chinese economy. The reasons are as follows:

Firstly, China enjoys an irreplaceable position in the global industrial chain. Although the trade war may drive some companies out of China, the industries that require large-scale coordination will stay in China since a large enough capacity is required to meet global demand. In terms of scale, no economy can replace China in the short term. Maintaining the normal operation of China's industrial chain is related to the stability and security of the global economy.

Secondly, China's huge domestic market of 1.4 billion people is playing an increasingly important role in economic development. The increasing proportion of domestic demand can effectively resist the impact of overseas market fluctuations on China's economy.

Thirdly, the trade war and Huawei incident will accelerate the commercial landing of 5G in China. The in-depth integration of big data, artificial intelligence, the Internet and the Internet of Things will accelerate the industrial upgrade and the birth of innovative business models, and create huge business opportunities.

In this context, OP Financial's confidence in China remains unchanged. We will fully leverage our strong capability of investment, financing and industry consolidation to promote innovation and cross-sector integration. According to the established strategy, we will focus on the great enterprises with high investment potential as core holding companies and discover investment opportunity along with their industrial chains, which could create a long-term capital appreciation as well as mid-term and short-term returns for our shareholder.

We will place emphasis on the market player that benefited from China's domestic demand. Among them, healthcare is one of the industries with the most rapid domestic demand growth. With the improvement of people's living standards, the demand for healthcare services is increasing. The integration of life science, information technology, big data, and artificial intelligence will give birth to new business models and a number of emerging enterprises with broad prospects. During the Year, we made an important step forward in the healthcare industry to successfully invest in iCarbonX. At the same time, we will pay attention to other related beneficial industries.

Looking forward, OP Financial will continue the implementation of our strategy and carry out cross-border integration and collaboration, and continue to discover future leaders with growth prospects in the new economy industry and domestic demand market. Besides, we will take advantage of the listed company platform, and cross-border and cross-sector capabilities to motivate the close integration of industries, technology, and financial capital. We will strive to achieve the inherent synergies of investment strategies, maintain the liquidity of the assets at a proper level, and create diversified returns for shareholders.

**ZHANG Gaobo**

*Chairman*

25 June 2019, Hong Kong

# MANAGEMENT DISCUSSION AND ANALYSIS

## THE OP FINANCIAL CHARTER

OP Financial is a cross-border investor with a focus on China's fast growing industries and the best investment opportunities. We believe a long-term investment perspective is a critical enabler of responsible investment. The close integration among industries, technology, and financial capital has become an irresistible trend, leading to the new industrial revolution. Our mission is to identify great companies and enhance their performance by providing patient capital and support to strong management teams.

Being an owner of the portfolio, we invest off our own balance sheet. Our investment covers long-term core holding, mid-term private equity and venture capital, and short-term arbitrage opportunities, with returns generating from interests, dividends, and capital appreciation.

## INVESTMENT REVIEW

### Investment Activity

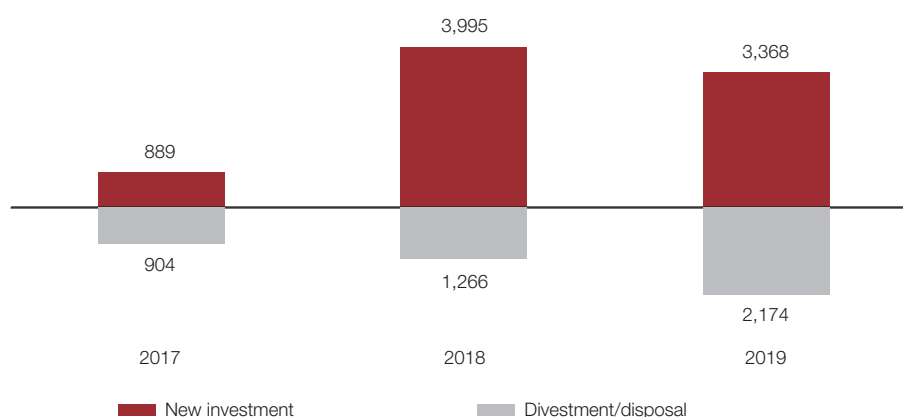
OP Financial has initiated the upgrade of its overall strategic planning since early 2018 and has been bullish on the long-term growth of the Chinese economy. During the Year, OP Financial endeavored to discover industry leaders as long-term core holding companies and made breakthrough in the healthcare. Healthcare is a huge industrial cluster with sustainable and long-term development and less affected by economic cycles.

Taking into account the challenging market conditions during the Year, we remained prudent on the new equity investments and endeavored to make maximum value of the capital and our financing capability. We invested in iCarbonX Group Limited ("iCarbonX") as the largest portfolio and one of the core holding companies to capture the great synergy among industries, technology, and financial capital. Overall, we made a total of HK\$3,368 million new investments during the Year, which was distributed in long-term core holding, mid-term PE/VC and short-term arbitrage opportunities as 33%, 8% and 59%. Apart from the new investment made during the Year, our divestment of HK\$2,174 million mainly derived from some short-term debt instruments, listed securities and private equity investments.

During the Year, the investment in debt and other instruments contributed to enhancing the capital liquidity and generated revenue in fixed income, and the investment and disposal of some listed securities brought positive returns. Our mixed portfolio helped to reduce the impact caused by some financial asset price fluctuation on the back of the volatile capital market and challenging economic environment.

### New investment and divestment/disposal (2017-2019)

(HK\$ million)



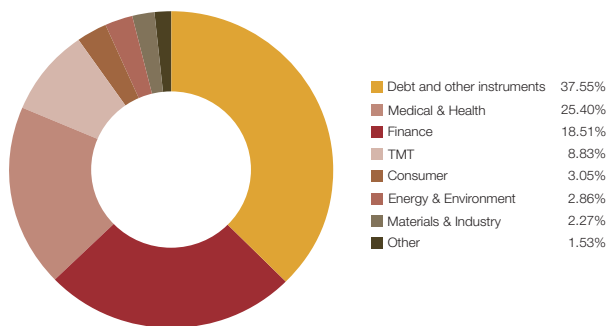
# MANAGEMENT DISCUSSION AND ANALYSIS

## Portfolio Breakdown

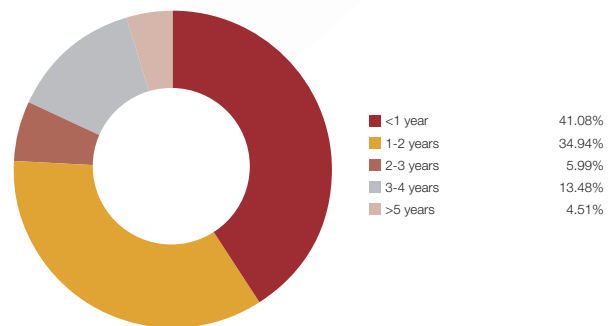
We divide our strategy into three categories, namely long-term core holding, mid-term private equity and venture capital, and short-term arbitrage and others. The core holding strategy is our first focus, and we take advantage of the long-term investment with own capital to support their development. We uncover companies with high potential of both growth and scalability and support them with a long-term capital. The mid-term private equity and venture capital aim to seek opportunities arose in emerging industries and even will contribute to the consolidation of the industry chain for core holdings. The third strategy focuses on opportunities that mainly emerge from short-term financing needs and other opportunistic deals.

As of 31 March 2019, the top three sectors for our existing investments were medical & health, finance and TMT. The leading position of medical & health sector was our new investment iCarbonX. In the finance sector, Beijing International Trust Co., Ltd. made the largest contribution. In the TMT sector, major investments included Didi Chuxing and Wacai.

By Sector



By Holding Period



## MAJOR INVESTMENT PORTFOLIO

### Long-term Core Holding

As of 31 March 2019, our core holding companies include iCarbonX, CSOP Asset Management Limited ("CSOP") and OPIM Holdings Limited ("OPIM"). iCarbonX focuses on digital health management, CSOP is the largest RQFII manager globally, while OPIM is Asia's leading hedge fund platform. As of 31 March 2019, OP Financial's holding in this category amounted to HK\$1,255.71 million. OP Financial will hold these core holding companies to pursue long-term investment return.

### iCarbonX Group Limited

Date of initial investment: 2018  
 Type of deal: Core Holding  
 Equity ownership: <5%  
 Cost: HK\$1,098.79 million  
 Valuation: HK\$1,099.00 million  
 Location: China  
 Industry: Medical & Healthcare

In 2018, OP Financial invested in iCarbonX as one of its core holding companies and established a joint venture with iCarbonX named iCarbonX OP Investment Limited to capture potential investment opportunities.

iCarbonX is the global pioneer in digital life and precision health management and aims to build an ecosystem of digital life based on a combination of individuals' life data, the Internet and artificial intelligence. Its main founding team includes the world's top biotechnology experts with extensive experiences in multi-omics technology, medical service, biological data analysis, artificial intelligence, and data mining.

iCarbonX has established a digital life alliance with a number of innovative technology companies, and actively carry out cross-border cooperation layout as well as the use of digital life technology to help integrate the enterprise with growth prospects. OP Financial believes that the development of iCarbonX will benefit from the combination of life science, information technology, big data, and artificial intelligence, and will actively bridge opportunities between iCarbonX and industry leaders to accelerate its development and capital appreciation in the healthcare industry. OP Financial will benefit from the capital appreciation and potential investment cooperation of iCarbonX and hold it as a long-term core holding company.



# MANAGEMENT DISCUSSION AND ANALYSIS

## CSOP Asset Management Limited

Date of initial investment: 2008  
 Type of deal: Core Holding  
 Equity ownership: 30%  
 Cost: HK\$60.00 million  
 Valuation: HK\$98.69 million  
 Location: Hong Kong  
 Industry: Finance

OP Financial and China Southern Asset Management Co., Ltd. jointly established CSOP in 2008. Currently OP Financial owns 30% of issued capital of CSOP. Our position in CSOP fell from HK\$150.32 million to HK\$98.69 million over the Year due to HK\$65.40 million dividend declared during the Year. The share of cumulative profits from 1 April 2018 amounted to HK\$13.80 million. Taking into account the shared results and dividend received, OP Financial has achieved over 4x returns on CSOP to date.

CSOP is a well-known asset management company in Hong Kong, which manages private and public funds, as well as providing investment advisory services to Asian and global investors with a dedicated focus on China investing. CSOP holds a total of RMB46.10 billion RMB Qualified Foreign Institutional Investor (RQFII) quota, making it the largest RQFII manager in the market. CSOP's newly launched innovative products during the Year, including CSOP Hong Kong Dollar Money Market ETF and CSOP US Dollar Money Market ETF, filled the gap in Hong Kong's money market fund industry.

CSOP's leading position in RQFII product management has made it one of the leading ETF providers in Hong Kong. With the further opening of China's capital market and the increasing confidence of international investors in China, CSOP will continue to bridge investment opportunities in China for overseas investors with its abundant and innovative fund products and achieve steady development. OP Financial believes that CSOP is expected to continue to bring solid returns and will hold it as a long-term core holding company.

## OPIM Holdings Limited

Date of initial investment: 2008  
 Type of deal: Core Holding  
 Equity ownership: 30%  
 Cost: HK\$53.59 million  
 Valuation: HK\$58.02 million  
 Location: Hong Kong  
 Industry: Finance

OP Financial currently owns 30% of the issued share capital in OPIM Holdings Limited and also owns 100% of the issued non-voting preference shares of its subsidiaries (together "OPIM"). Our investment position increased from HK\$52.62 million to HK\$58.02 million on account of AUM increase of OPIM.

OPIM is a leading hedge fund platform in Asia serving both global and Asia-based managers to develop funds across diversified strategies for institutional and professional investors. It has built an ecosystem linking up fund managers, service providers and capital allocators, which enable the managers to launch offshore funds in fast and affordable structures. The ecosystem allows the managers to focus on performance and build a professional track record.

With the acceleration of the entrance of China's private equity to the overseas market, OPIM is expected to maintain a steady rise in the asset of the momentum, in terms of the growth of the number of funds and the overall scale. At the same time, with the opening up of China's capital market, especially driven by the QFII project, the entry of foreign managers into the Chinese market is also expected to bring new growth opportunities for OPIM's platform business. OP Financial believes that the business scale of OPIM is expected to continue to improve, and it will hold it as a long-term core holding company.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Mid-term Private Equity and Venture Capital

During the Year, OP Financial added few investments in mid-term private equity and venture capital investment, while the divestments mainly include 3 private equity investments and one matured fund. As of 31 March 2019, OP Financial's holding in this category amounted to HK\$1,952.66 million. OP Financial will benefit from the mid-term asset appreciation and maintain the holding as reserve for future divestment. The major investments are listed below:

### Treasure Up Ventures Limited (BITIC)

Date of initial investment: 2016  
 Type of deal: Private Equity  
 Equity ownership: 25%  
 Cost: HK\$351.67 million  
 Valuation: HK\$688.74 million  
 Location: China  
 Industry: Finance

OP Financial acquired 25% equity interest in Treasure Up Ventures Limited, which in turn participates in a minority economic interest in Beijing International Trust Co., Ltd. ("BITIC"). Our position increased from HK\$490.74 million to HK\$688.74 million due to the prospects of overall Chinese Trust industry leading to the valuation increase of BITIC.

BITIC is a Chinese large-scale non-banking financial institution, which engages in trusts, investment funds, financial services, brokerage, and advisory businesses.

Trust industry has been playing an irreplaceable role in China's economic development and financial resource allocation. In recent years, it has been continuously improving the efficiency and capacity of serving the real economy. In 2018, BITIC implemented the development strategy of reducing the quantity and improving quality and adjusted the layout of trust business to realize the steady development, with trust assets rising steadily. OP Financial believes that BITIC will benefit from the continuous improvement of China's financial system and the upgrading of the trust industry, and bring good investment returns to the Company.

### Victorian Investment Limited Partnership

Date of initial investment: 2018  
 Type of deal: Private Equity  
 Equity ownership: 46.15%  
 Cost: HK\$234.80 million  
 Valuation: HK\$236.79 million  
 Location: China  
 Industry: Medical & Healthcare

In 2018, OP Financial invested US\$30 million (equivalent to approximately HK\$234.80 million) in Victorian Investment Limited Partnership to participate the investment in the healthcare business of a Chinese company. Our position slightly increased from HK\$235.41 million last year to HK\$236.79 million.

The investment has a maturity of 2 years and OP Financial will divest the investment after maturity.

During the investment period, OP Financial will receive consistent returns and distributions under the investment framework of Victorian Investment Limited Partnership. The market potential of China's health industry is constantly being released. OP Financial made this investment in line with its current investment layout of the industry, and it is expected to obtain good returns after the exit of the investment.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Xiaoju Kuaizhi Inc. (Didi Chuxing)

Date of initial investment: 2016  
 Type of deal: Private Equity  
 Equity ownership: <1%  
 Cost: HK\$116.45 million  
 Valuation: HK\$156.88 million  
 Location: China  
 Industry: TMT

Xiaoju Kuaizhi Inc. (“Xiaoju Kuaizhi”) is the Cayman Island SPV of Didi Chuxing. OP Financial subscribed less than 1% preferred shares issued by Xiaoju Kuaizhi. Our position in Didi Chuxing nearly remained unchanged as compared to HK\$156.83 million last year.

Didi Chuxing is the world’s leading one-stop mobile transportation platform. Didi Chuxing offers a full range of app-based mobility options for over 550 million users.

With the development of urbanization and the evolution of consumption habits, mobile transportation will play an important role in urban society. In recent years, Didi Chuxing has been actively exploring the application of artificial intelligence, big data, and other technologies in the transportation industry, and the optimization and upgrading of its business and actively promote global operations. OP Financial believes that with Didi Chuxing’s leading position in the industry and its smart transportation layout, the Company will benefit from the prospects of the transportation industry and the capital appreciation of this investment.

## OP EBS Fintech Investment L.P. (Wacai)

Date of initial investment: 2017  
 Type of deal: Private Equity  
 Equity ownership: 40%  
 Cost: HK\$156.26 million  
 Valuation: HK\$156.53 million  
 Location: China  
 Industry: TMT

OP Financial and China Everbright Securities International Structured Finance Company Limited formed OP EBS Fintech Investment L.P., for subscription of preferred shares of Wacai. Our position in Wacai nearly remained unchanged as compared to HK\$156.26 million last year.

Wacai Holdings Limited (“Wacai”) is one of the earliest established Fintech companies in China, which has gradually evolved into an internet finance platform with a wide array of personal financial management tools and services, wealth management services and credit solutions.

The development of the Internet finance industry will continue to benefit from the innovative consolidation of finance, technology, and the Internet. The industry regulation is becoming more standardized. It is expected that the market share will be integrated, and Wacai is expected to benefit from it. OP Financial will continue to monitor the dynamic development of China’s Internet financial market to benefit from the potential opportunities brought by the industry.

## BE Financial Service (Beijing) Investment Holdings Limited

Date of initial investment: 2017  
 Type of deal: Private Equity  
 Equity ownership: 20%  
 Cost: HK\$46.64 million  
 Valuation: HK\$51.29 million  
 Location: China  
 Industry: Energy & Environment

OP Financial partners with Beijing Enterprises Water Group Limited (“BEWG”, stock code: 371.HK) to promote the establishment of BE Financial Service (Beijing) Investment Holdings Limited (北控金服(北京)投資控股有限公司, “BEFS”). OP Financial committed RMB200 million for 20% registered capital in BEFS and has paid up the first capital call of RMB40 million (equivalent to HK\$46.64 million) in August 2017. Our position slightly increased from HK\$49.17 million last year to HK\$51.29 million.

BEFS works along with its subsidiaries to provide comprehensive services of fund investment, financing, and management for BEWG’s PPP projects in relation to environmental protection. As a large water treatment and environmental protection group with core competitiveness in China, BEWG has achieved a nationwide strategic layout and successfully entered into the overseas market. OP Financial believes that with China’s continuous support for the environmental protection industry and the market-leading position of BEWG, BEFS will promote business development in an orderly manner and bring medium-term investment returns to the Company.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Short-term Arbitrage and Others

During the Year, OP Financial made new investment and divestment in some debt instruments and listed securities to enhance the capital liquidity and generated returns from interests, dividends and capital gains. At the same time, our portfolio of debt instruments recorded provision for expected credit losses following the adoption of HKFRS 9, while some listed securities recorded market price change among the fluctuating stock market. As of 31 March 2019, OP Financial's holding in listed securities that falls into this category amounted to HK\$183.36 million, while its holding in debt and other instruments amounted to approximately HK\$2.04 billion.

OP Financial maintains close communication with the debt issuers. At the end of the Year, no material issue was found to significantly affect the loan repayment ability of the issuers. OP Financial maintains the held-to-maturity strategy in debt investment.

## FINANCIAL REVIEW

### Financial position

*Net asset value:* The Group's net asset value as at 31 March 2019 increased by 0.64% from HK\$5.59 billion to HK\$5.63 billion. The NAV per share increased from HK\$1.90 to HK\$1.94.

*Gearing:* The gearing ratio, which is calculated on the basis of total liabilities over total equity as at 31 March 2019, was 0.04 (31 March 2018: 0.10). We managed to maintain our low leverage policy for the investments.

*Investments accounted for using equity method:* It represents mainly our interest in mid-term private equity companies including BITIC, and the share of the core holding company CSOP. Assets increased by 12.96% to HK\$1,147.29 million as at 31 March 2019 (31 March 2018: HK\$1,015.69 million), which was mainly due to the valuation increase of BITIC, offsetting share of results of several associates, joint ventures and the decline in our positions with CSOP due to dividend declared during the Year.

*Available-for-sale financial assets:* Upon application of HKFRS 9 on 1 April 2018, the available-for-sale financial assets ("AFS") are all reclassified to financial assets at fair value through profit or loss ("FVPL").

*Financial assets at fair value through profit or loss:* The HK\$822.89 million or 57.33% of increase from HK\$1.44 billion to HK\$2.26 billion was mainly attributable to (i) the new investment of HK\$1,098.79 million in iCarbonX, (ii) the reclassification of HK\$346.80 million of equity investments from AFS to FVPL, offsetting (iii) HK\$277.36 million of the partial disposal or fair value decrease of some listed securities, and (iv) HK\$330.96 million of fair value decrease of some private equity investments and investment funds.

*Debt investments:* It represents the investments in debt instruments during the Year. Assets increased by 39.11% to HK\$2,025.48 million as at 31 March 2019 (31 March 2018: HK\$1,456.00 million). The debt investments contributed to enhancing the capital liquidity and generated revenue in fixed income.

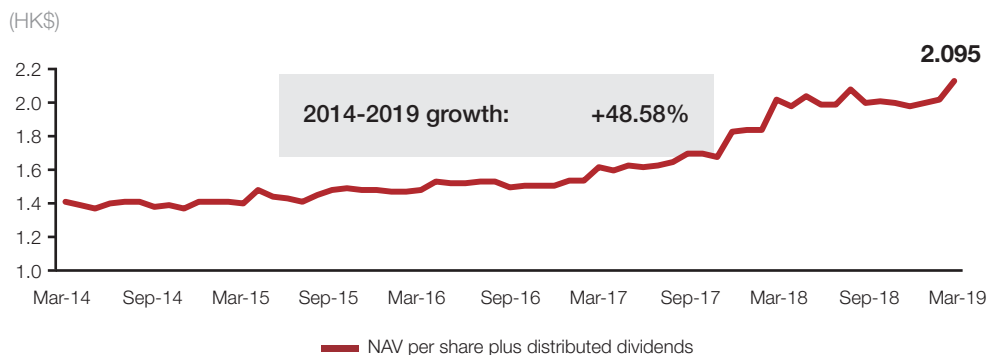
*Bank and cash balances:* To implement our deployment in the healthcare industry and to make good use of capital, most cash was utilized in the investment in iCarbonX and other investments during the Year. Several short-term investments were partially disposed or divested on schedule, and we also divested some debt instruments after maturity to enhance the cash level. As of 31 March 2019, we maintained a net cash position and our bank and cash balance was HK\$193.80 million (31 March 2018: HK\$1.77 billion).

## RESULTS

Amid the challenging economic environment and the volatile stock market, the investment industry experienced certain pressure during the Year. Despite this, benefitted from the prudent and diverse investment strategy and effective risk management mechanism, the major portfolios of the Company delivered a solid performance with stable valuation. The Company was profitable during the Year. The total comprehensive income amounted to a gain of HK\$256.44 million compared to HK\$196.15 million last year, an increase of 30.74%. These were primarily due to share of results of investments accounted for using equity method, the realized gains on disposal/distribution of some listed securities and PE/VC investments as well as the interest income from debt instruments.

As of 31 March 2019, OP Financial's net asset value per share was HK\$1.94, an increase of 2.11% from HK\$1.90 in 2018. Over the five years to 31 March 2019, the net asset value per share plus distributed dividends has increased by 48.58%.

### NAV per Share Movement (2014-2019)



# MANAGEMENT DISCUSSION AND ANALYSIS

## Consolidated statement of profit or loss and other comprehensive Income

Revenue represents the income received and receivable on investments during the Year as follows:

	2019 HK\$'000	2018 HK\$'000
Dividend income <sup>(1)</sup>	6,483	7,077
Interest income <sup>(2)</sup>	221,409	102,721
Performance premium from co-investment partner	–	15,639
	<b>227,892</b>	<b>125,437</b>

(1) Dividends received from listed investments during the Year.

(2) Interest income of HK\$221.41 million generated from the Company's debt investments as well as term deposits in banks.

*Net change in unrealized (loss)/gain on financial assets at fair value through profit or loss:* The net change in unrealized loss of HK\$158.44 million (2018: gain of HK\$40.37 million) mainly represents the net result of (i) unrealized loss of HK\$63.20 million on Thrive World Limited, (ii) net unrealized loss of HK\$79.85 million on listed shares, and (iii) unrealized loss of HK\$48.21 million on an exchangeable bond, offsetting the unrealized gain of HK\$48.67 million on some private equity investment and several investment funds.

*Net change in unrealized (loss)/gain on financial liabilities at fair value through profit or loss:* The net change in unrealized loss of HK\$12.99 million (2018: gain of HK\$37.86 million) mainly represents the increase in share of interests by our co-investment partner, attributable to unrealized gains generated from those co-investments.

*Net realized gain on disposal/distribution of investments:* The HK\$210.51 million (2018: gain of HK\$49.11 million) represents the net result of (i) realized gain of HK\$117.51 million on the disposal of listed securities, (ii) realized gain of HK\$79.34 million on the disposal and distribution of several private equity investment, and (iii) realized gain of HK\$13.66 million on the disposal and redemption of investment funds.

*Provision for expected credit losses ("ECL"):* The HK\$72.69 million represents the provision for ECL on debt instruments, following the adoption of HKFRS 9 by the Group and provision for a loan receivable provided to a potential investee established in the PRC during the Year.

*Equity-settled share-based payments:* The HK\$12.20 million represents the value of share options vested during the Year. These share options were granted to certain directors, employees and consultants on 20 May 2016 and 1 February 2018, which are vested over five years from the grant date.

*Operating and administrative expenses:* The HK\$117.25 million (2018: HK\$165.42 million) mainly include staff costs, investment management fee, rents, and legal and professional fees. The decrease was mainly attributable to the decrease of investment management fee pursuant to the revised investment management agreement with Oriental Patron Asia Limited.

*Share of results of investments accounted for using equity method:* a net gain of approximately HK\$205.96 million (2018: gain of HK\$50.42 million) mainly accounted for our share of results of BITIC and CSOP.

*Other comprehensive income:* Changes to the Group's NAV, otherwise not accounted for in "profit for the Year", are found in "other comprehensive income". Upon the application of HKFRS 9 on 1 April 2018, AFS were reclassified to FVPL. The fair value changes of these assets were recognized in profit or loss during the Year. The net loss of HK\$249,000 (2018: gain of HK\$52.73 million) only represents the share of investment revaluation reserve, surplus reserve and the exchange differences of investments accounted for using equity method. Combining with the "profit for the Year", the total comprehensive income for the Year was a gain of HK\$256.44 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## DIVIDEND POLICY AND PROPOSED FINAL DIVIDEND

No interim dividend was paid during the Year (2018: nil).

As part of a long-term commitment to providing shareholder value, the Board intends to recommend dividend distribution upon successful exit of any material profitable investment position. In recommending the payment of dividends, the Board will take into account factors, including but not limited to, the following:

- (1) the financial position and financial performance of the Group;
- (2) the Group's estimated investment plan and capital expenditure plan;
- (3) the Group's debt-to-equity ratio, return on equity and committed financing agreements;
- (4) the retained profits and distributable reserves of the Company and each of the members of the Group;
- (5) the expectation of shareholders and the investors and industry practice;
- (6) other internal or external factors that may have an impact on the financial performance or financial position of the Company; and
- (7) any other factors that the Board deems appropriate.

The Board recommend the payment of a final dividend of HK\$0.046 (2018: HK\$0.04) per share in respect of the Year to shareholders whose names appear on the Register of Members of the Company at the close of business on Friday, 30 August 2019. The proposed final dividend will be paid on Wednesday, 11 September 2019 following the approval at the forthcoming annual general meeting of the Company.

## CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the proposed final dividend for the Year (subject to approval by shareholders of the Company at the forthcoming annual general meeting), the register of members of the Company will be closed from Monday, 2 September 2019 to Tuesday, 3 September 2019, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Friday, 30 August 2019.

## LIQUIDITY AND FINANCIAL RESOURCES

Interest income from financial instruments held and bank deposits, dividend income from investments held were the Company's major source of revenue during the Year.

As at 31 March 2019, the Group had cash and bank balances of HK\$193.80 million (31 March 2018: HK\$1.77 billion). The Group had HK\$71.56 million of interest-free borrowings from one of the associates for a PRC potential investment at 31 March 2019 (31 March 2018: The Group had loan payables of HK\$127.98 million of bank margin financing on listed equity investments and interest-free borrowings from one of associates for a PRC potential investment). The debt-to-equity ratio (interest-bearing external borrowings divided by shareholders' equity) stood at zero (31 March 2018: 0.9%) while the current ratio (current assets divided by current liabilities) was 9 times (31 March 2018: 8 times). For further analysis of the Group's cash position, current assets and gearing, please refer to paragraphs under subsections headed "Financial Position" above.

We finance our ongoing operating activities by using funds from our operations, external credit or financing arrangements. We routinely monitor current and expected operational requirements and financial market conditions to evaluate the use of available financing sources. Considering our existing working capital position and our ability to access debt funding sources, the Board believes that our operations and borrowing resources are sufficient to provide for our current and foreseeable capital requirements to support our ongoing investments and working capital requirements for the next twelve months.

# MANAGEMENT DISCUSSION AND ANALYSIS

## CAPITAL STRUCTURE

As at 31 March 2019, the Company's shareholders' equity and the total number of shares in issue less treasury shares for the Company stood at HK\$5.63 billion (31 March 2018: HK\$5.59 billion) and 2,900,940,000 (31 March 2018: 2,937,396,000), respectively.

## MATERIAL ACQUISITIONS AND DISPOSALS OF INVESTMENTS

The Company had the following material acquisitions as well as disposals of investments during the Year.

	New/Additional investment (HK\$ million)	Divestment/ Disposal (HK\$ million)
Long-term Core Holding	1,099 <sup>(1)</sup>	65 <sup>(2)</sup>
Mid-term private equity and venture capital	267 <sup>(3)</sup>	474 <sup>(4)</sup>
Short-term arbitrage opportunities		
– Listed security	645 <sup>(5)</sup>	911 <sup>(6)</sup>
– Debt instrument	1,357	724
<b>Total</b>	<b>3,368</b>	<b>2,174</b>

(1) The HK\$1,099 million represents our new investment in iCarbonX

(2) The HK\$65 million represents the dividend declared by CSOP

(3) The HK\$267 million represents our new/additional investment in four private equity investments

(4) The HK\$474 million mainly represents our divestment of one private equity investment in finance sector and partial redemption of Greater China Select Fund

(5) The HK\$645 million represents our new/additional investment in three listed securities

(6) The HK\$911 million represents our divestment and partial disposal of four listed securities

## SEGMENT INFORMATION

Segment information of the Group is set out in note 7 on page 88 of this report.

The detailed disclosures relating to the Company's share option scheme and valuation of options are set out in the section headed "Share Option Scheme" under Notes to the consolidated financial statements.

## EMPLOYEES

As of 31 March 2019, the Group had 47 employees (2018: 46), inclusive of all directors of the Company and its subsidiaries. Total staff costs for the Year increased to HK\$72.04 million (2018: HK\$66.11 million). The Group's remuneration policies are in line with the market practice and are determined on the basis of the performance and experience of the individual employee.

## SHARE OPTION SCHEME

During the Year, the Board had not granted any share option under the Company's share option scheme to any Directors or eligible employee of the Group and 300,000 granted share options were exercised (2018: nil). As at 31 March 2019, there were 72,700,000 (31 March 2018: 73,000,000) share options that remained outstanding under the scheme.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

At 31 March 2019, the Company exposure to foreign currency risk from financial instruments that are monetary items included financial assets at fair value through profit or loss, loan and other receivables, bank balances, other payables (31 March 2018: financial assets at fair value through profit or loss, loan and interest receivables, bank balances, account and other payables). These assets were denominated in RMB and the maximum exposure to foreign currency risk was RMB284,589,000, equivalent to HK\$332,215,000 (31 March 2018: RMB406,108,000, equivalent to HK\$502,944,000).



# MANAGEMENT DISCUSSION AND ANALYSIS

At 31 March 2019, the Group held certain financial assets which were denominated in USD. The Board is of the opinion that the Company's exposure to USD foreign currency risk is minimal as HKD is pegged to USD by the Hong Kong's Linked Exchange Rate System.

## **CHARGES ON THE COMPANY'S ASSETS AND CONTINGENT LIABILITIES**

As at 31 March 2019, there were no charges on the Company's assets.

At 31 March 2019, the Group had given guarantees in respect of the settlement of RMB20,000,000 (equivalent to HK\$23,347,000) (31 March 2018: HK\$24,769,000) loan provided by 博石資產管理股份有限公司 to 上海幸福九號網絡科技有限公司, a potential investee of the Company. In the opinion of the directors of the Company, the fair values of the financial guarantee contract of the Group are insignificant at initial recognition and the directors of the Company consider that the possibility of default of the parties involved is remote, accordingly, no value has been recognized at the inception of the guarantee contract and at the end of the Year.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS AND THEIR EXPECTED SOURCES OF FUNDING**

As at 31 March 2019, there were no plans for material investments or capital assets, but the Company may, at any point, be negotiating potential investments. The Company considers new investments as part of its normal business, and therefore management may publically announce these plans as they become necessarily discloseable to shareholders during the course of the financial year.

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

During the Year and up to the date of this report, the Company repurchased a total of 36,756,000 Shares at an aggregate consideration of approximately HK\$78,100,000 and cancelled a total of 21,068,000 Shares. The remaining 15,688,000 shares were not cancelled and recognized as treasury shares. The purchase of shares was effected by the Directors, pursuant to the unconditional and general mandate granted by the Shareholders at the annual general meeting dated 28 August 2018 with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year and up to the date of this report.

## **EVENTS AFTER THE REPORTING YEAR**

Pursuant to the revised Joint Policy Statement regarding the listing of overseas companies published by the Securities and Futures Commission and the Stock Exchange of Hong Kong Limited on 27 September 2013, the Board will propose special resolutions on the amendments to Article 79 "Convening of extraordinary general meeting" of the Articles of Association to approve at the forthcoming annual general meeting. The detailed disclosure relating to the amendments is set out in the section headed "Proposed Amendments to The Articles of Association" under the Corporate Governance Report.



## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are stated below:

### DIRECTOR

#### Executive Directors

**Mr. ZHANG Zhi Ping**, aged 63, has been appointed as the Honorary Chairman of the Company since 29 June 2018, an executive Director since February 2003, and a member of the corporate governance committee since January 2012. From February 2003 to June 2018, he was the Chairman of the Board. From January 2012 to June 2018, he was also the chairman of the nomination committee. Mr. Zhang is the chairman of Oriental Patron Financial Group and is responsible for formulating the investment strategies, monitoring the investment performance and approving investment decisions. Mr. Zhang obtained a bachelor degree in Arts from Heilongjiang University in 1982 and later graduated from Graduate School of the People's Bank of China ("PBOC") and obtained a master's degree in Economics. Mr. Zhang has over 30 years of experience in the PRC and international financial markets and held senior positions in a number of institutions, including the deputy division chief in Financial Administration Department of the PBOC, the chairman and general manager of Hainan Provincial Securities Company, the inaugural director of the Securities Society of China, the inaugural director of Department of Intermediary Supervision of China Securities Regulatory Commission ("CSRC"), a member of the listing committee of the Shanghai Stock Exchange and the chairman of the investment committee of Hainan Fudao Investment Management Company. Mr. Zhang has been a member of the Council of The PBC School of Finance of Tsinghua University since 2012. Mr. Zhang has taken up the role to serve as an Executive President of the Finance Center for South-South Cooperation Limited (formerly known as South-South Asia-Pacific Finance Center), a non-profit international organization in Special Consultative Status with ECOSOC of the United Nations, established for the promotion of South South Cooperation since April 2014.

**Mr. ZHANG Gaobo**, aged 54, has been appointed as the Chairman of the Board and the chairman of the nomination committee since 29 June 2018, an executive director since February 2003, and a member of the corporate governance committee since January 2012. From February 2003 to April 2019, he was also the Chief Executive Officer. Mr. Zhang is responsible for formulating the investment strategies, monitoring the investment performance and approving investment decisions. Mr. Zhang founded Oriental Patron Financial Group with founding partners in 1993 and held the position as chief executive since then. He obtained a bachelor's degree in Science from Henan University in 1985 and later graduated from the Peking University with a master's degree in Economics in 1988. From 1988 to 1991, Mr. Zhang worked in Hainan

Provincial Government and PBOC Hainan Branch and as the chairman of Hainan Stock Exchange Centre. Mr. Zhang is also an independent non-executive director of Beijing Enterprises Water Group Limited, a company listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and was a non-executive director of Vimetco N.V., a company listed on the London Stock Exchange from June 2007 to June 2017. Mr. Zhang has taken up the role to serve as the Vice-President of Finance Center for South-South Cooperation Limited (formerly known as South-South Asia-Pacific Finance Center), a non-profit international organization in Special Consultative Status with ECOSOC of the United Nations, established for the promotion of South South Cooperation since April 2014.

**Dr. LIU Zhiwei**, aged 52, has been appointed as Chief Executive Officer and an executive Director of the Company since 16 April 2019. From June 2016 to June 2018, he was an executive Director, the president of the Company, and a member of the corporate governance committee. From December 2015 to June 2016, he served as a non-executive director of the Company. Dr. Liu obtained a bachelor's degree in Industrial Management Engineering from Zhe Jiang University in 1989. He furthered his studies in Graduate School of the People's Bank of China between 1989 and 1992 and obtained his master's degree in international finance. In 2007, he obtained a doctoral degree in Economics & Law from Hunan University. Dr. Liu completed a professional programme in Finance CEO from Cheung Kong Graduate School of Business in 2010. Dr. Liu has over 20 years of experience in financing, securities investment and capital market. He served as a non-executive director of Shanghai Zendai Property Limited (stock code: 755), whose shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") for the period from 2 February 2010 to 12 December 2012. He was the vice-chairman of Chang'an International Trust Co., Ltd (formerly known as Xi'an International Trust Co., Ltd) from 2008 to 2011. Dr. Liu served as a supervisor of Xin Jiang Hui-tong (Group) Co., Ltd (stock code: 415) from December 2005 to December 2008, whose shares are listed on the Shenzhen Stock Exchange. He also served as a general manager of the merger and acquisition department of Guosen Securities Co., Ltd from 1997 to 1998.

**Mr. ZHANG Weidong**, aged 54, was appointed as an executive Director of the Company in February 2017. Mr. Zhang has joined the Company as the deputy chief executive officer of the Company since January 2008. He is currently one of the members of the investment committee of the Company. Mr. Zhang has over 12 years' experience in the operation and management of commercial banking, during which he worked in the international business department of Industrial and Commercial Bank of China Limited ("ICBC") with final position level as departmental deputy general manager of the Head Office, including 3 years in ICBC Almaty Branch, where he

## ○ BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

was in charge of treasury, credit lending and office operations. Moreover, Mr. Zhang has 18 years' experience of investment banking and investment industries in Hong Kong, served as executive director of ICEA Finance Group (the investment banking arm of ICBC) and managing director of Alpha Alliance Finance Holdings, responsible for corporate finance and sales department respectively. He has been appointed as an independent non-executive director of each of ZZ Capital International Limited (stock code: 8295) whose shares are listed on the growth enterprise market board of the Stock Exchange and Tianjin Port Development Holdings Limited (stock code: 3382) whose shares are listed on the Main Board of the Stock Exchange. Mr. Zhang holds a master degree in Economics from Renmin University, a diploma of Program for Management Development of Harvard Business School and held a fellowship from Columbia University in New York.

### **Non-executive Director**

**Dr. WU Zhong**, aged 55, has been appointed as a non-executive Director of the Company since February 2017 and the Deputy Chairman of the Board since 29 June 2018. Dr. Wu has been the Vice-President and Director-General of Finance Center for South-South Cooperation Limited ("FCSSCL", a connected person of the Company under Chapter 14A of the Listing Rules) since June 2015. Prior to joining FCSSCL, Dr. Wu held various positions in the PRC. He was the Mayor of Qianjiang, Chongqing Municipality from December 2010 to May 2015; the Director of International Poverty Reduction Center in China from July 2008 to November 2010; the Director-General of the Department of International Cooperation and Social Mobilization of the State Council Leading Group Office of Poverty Alleviation and Development ("LGOP") from May 2002 to July 2008; the Chief of the Planning Division of LGOP from May 2000 to May 2002 (during the period he was transferred to be the Assistant Commissioner of the Administrative Office of Tongren Prefecture in Guizhou Province from February 2001 to January 2002); the Director of Purchasing Division of Foreign Capital Project Management Center of LGOP from May 1996 to May 2000 (during the period he was also appointed as the Chairman and the General Manager of Huada Industrial Company in Fangchenggang City, Guangxi Zhuang Autonomous Region, being responsible for implementation of World Bank hard-loans to poverty alleviation projects about aquaculture, labor export and low-cost housing, etc. from 1996 to 1998); and the Deputy Director of the Institute of Population Research of Peking University from March 1993 to May 1996. Dr. Wu obtained a bachelor of Economics degree and a master of Economics degree from Peking University in 1985 and 1988 respectively, a Master of Science in Medical Statistics from the London School of Hygiene & Tropical Medicine, the University of London in 1993. Dr. Wu also obtained a PhD in demography from the School of Economics, Peking University in 1999.

### **Independent Non-executive Directors**

**Mr. KWONG Che Keung, Gordon**, aged 69, has been an independent non-executive Director and the chairman of the audit committee of the Company since February 2003. Mr. Kwong has also been serving as a member of the remuneration committee of the Company since April 2005, a member of the nomination committee and corporate governance committee of the Company since January 2012. He is also an independent non-executive director of a number of companies listed on the Stock Exchange, namely NWS Holdings Limited, Global Digital Creations Holdings Limited, China Power International Development Limited, Henderson Land Development Company Limited, Henderson Investment Limited, Agile Property Holdings Limited, Chow Tai Fook Jewellery Group Limited and FSE Engineering Holdings Limited. Mr. Kwong resigned as an independent non-executive director of CITIC Telecom International Holdings Limited on 1 June 2017 and retired as an independent non-executive director of China COSCO Holdings Company Limited on 25 May 2017 after serving two terms of three years. From 1984 to 1998, Mr. Kwong was a partner of Pricewaterhouse and was a council member of the Stock Exchange from 1992 to 1997. He has a Bachelor of Social Science degree from the University of Hong Kong and is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

**Prof. HE Jia**, aged 64, has been an independent non-executive Director and serving as a member of the audit committee of the Company since February 2003 and a member of the remuneration committee of the Company since April 2005. Prof. He has also been appointed the chairman of the corporate governance committee and serving as a member of the nomination committee of the Company since January 2012. He is currently a leading professor of Department of Finance at the South University of Science and Technology of China and an independent non-executive director of each of CITIC Securities Company Limited and China Chengtong Development Group Limited, the shares of which are listed on the Main Board of the Stock Exchange. He was a professor of Department of Finance at the Chinese University of Hong Kong and a professor at the Tsinghua University. He was a commissioner of the Strategy and Development Committee of CSRC and a director of research of Shenzhen Stock Exchange from June 2001 to October 2002. He is an editor of China Financial Economics Review, and is serving as a member of editorial boards of a number of journals, including China Accounting and Finance Review and Research in Banking and Finance. He holds a Doctor of Philosophy degree in Finance from the Wharton School of University of Pennsylvania, the United States.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. WANG Xiaojun**, aged 64, has been an independent non-executive Director and a member of the audit committee of the Company since August 2004. Mr. Wang has also been serving as the chairman of the remuneration committee of the Company since April 2005, and a member of the nomination committee and corporate governance committee of the Company since January 2012. Mr. Wang is a partner of Jun He Law Offices and was admitted lawyer and solicitor in the PRC, Hong Kong and England and Wales in 1988, 1995 and 1996 respectively. Mr. Wang has worked as a member of the legal expert group in the Stock Exchange and solicitor in Richards Butler and has worked as an investment banker in Peregrine and ING Barings. He graduated from the People's University of China and the Graduate School of the Chinese Academy of Social Science and holds a bachelor degree in Laws and a master degree in Laws. Mr. Wang is currently an independent non-executive director of, Livzon Pharmaceutical Group Co., Ltd., a company listed on Stock Exchange and Shenzhen Stock Exchange, and China Aerospace International Holdings Limited, a company listed on the Stock Exchange. He was previously an independent non-executive director of Norinco International Cooperation Company Limited until 16 September 2014, and Yanzhou Coal Mining Company Limited until 29 June 2017.

**Mr. CHEN Yuming**, aged 56, has been re-designated from a non-executive Director to an independent non-executive Director since 15 July 2019. He obtained a bachelor degree and a master degree from Jiangxi University of Finance and Economics in 1983 and 1999 respectively. He also obtained an EMBA from Cheung Kong Graduate School of Business in 2010. Mr. Chen has more than 30 years of experience in banking, securities, fund management and auditing. He is currently Chairman of Shenzhen Leaguer Financial Holdings Company Limited, Chairman of Shanghai Leaguer Financial Leasing Co., Ltd., and Assistant to Dean of Shen Zhen Research Institute of Tsinghua University. Prior to that, Mr. Chen had served in Bank of East Asia (China) Co., Ltd. from 2007 to 2011 in various positions including President of its Shenzhen Branch and Vice President of its head office. From 1999 to 2006, Mr. Chen had worked in the Shenzhen Commercial Bank, where he had first served as Vice President, and later as President and Vice Chairman. From 1993 to 1998, Mr. Chen had held various positions in the head office of Shenzhen Urban Cooperative Bank, including Assistant to President, General Manager of Credit Department and Director of Business Department. He had served as Deputy Director of Jiangsu Provincial Auditing Department from 1989 to 1992. He had also served as Deputy Director and Division Chief of Jiangxi Provincial Auditing Department from 1983 to 1989.

**Dr. FU Weigang**, aged 41, has been re-designated from a non-executive Director to an independent non-executive Director since 15 July 2019. He is currently the executive president of the Sifl Institute. Dr. Fu has served in the Sifl Institute since 2003 in various positions including Assistant President and Vice President. Dr. Fu is a provocative commentator and a leading authority on domestic issues such as urbanization, the internet and government regulation. Dr. Fu is also a column writer for many financial media such as *Caijing*, *Caixin* and *FT Chinese*. Additionally, he is an adjunct professor at Shanghai University of Finance and Economics (SHUFE), Shanghai Normal University and other universities, a vice director of the Legal Committee of the Zhejiang Chamber of Commerce in Shanghai, and a member of the South China International Economic and Trade Arbitration Commission (SCIA) Public-Private Partnership (PPP) Committee. Besides this, he served as an independent director of Changan Fund Management Co., Ltd., Shanghai Shifang Landscape and Ecology Co., Ltd. and Kingnet Network Co., Ltd. Dr. Fu obtained a bachelor of Law degree from Xi'an University of Technology in 2000 and a PhD degree from Zhejiang University in 2009.

**SENIOR MANAGEMENT** (In the order of commencement of engagement)

**Mr. KE Yi** (*Joint Chief Operating Officer and Co-head of Direct Investment*), CFA, aged 33, was appointed as Joint Chief Operating Officer and Co-head of Direct Investment in 2017, and is responsible for the direct investment business of the Group. Mr. Ke has worked in the capital market and direct investment sector for 11 years, with extensive experience in cross border equity investments, overseas M&A transactions and various structured financing projects. Mr. Ke has completed transactions in sectors including financial technology, healthcare, new economy and environmental protection, etc. Mr. Ke was graduated from the University of Hong Kong with a bachelor degree in Economics and Finance.

**Mr. LEUNG Kai Wai** (*Head of Finance*), aged 40, has joined the Company since 2010 and is currently the Head of Finance of the Company. Mr. Leung has more than 18 years of experience in accounting, auditing and finance and has held several financial positions in both listed companies in Hong Kong and reputable international accounting firm. Mr. Leung is a certified public accountant under the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants. Mr. Leung was graduated from the City University of Hong Kong with a bachelor degree in Accountancy.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. LIU Yanbin** (*Joint Chief Operating Officer and Co-head of Direct Investment*), aged 39, was appointed as Joint Chief Officer and Co-head of Direct Investment in 2017 and is responsible for the Direct Investment business of the Company. Mr. Liu holds an Executive MBA degree from CASS Business School in London and a Bachelor degree in Business and Economics from University of International Business and Economics in Beijing. He has over 15 year's experience in Project Finance, M&A Finance and Capital Markets, over 8 year's experience in developing financing business in Europe, Middle East and Africa, and over 5 years of cross-border direct investment experience. Before joining the Group, Mr. Liu is an Associate Director of China-ACEAN Fund's (CAF) advisory company. Prior to this position, Mr. Liu had worked in London for over 8 years, and had served as the General Manager of Project Finance & Syndication Department of Bank of China (UK) Limited and Head of EMEA Regional Center of Bank of China Group, in charge of Project Finance, M&A Finance, and Syndication Business with European, Middle-East and Africa Region. Before that, Mr. Liu was employed by Bank of China Head Office in Beijing, with the main focus on Group-Key-Client relationship management and Corporate Banking business development.

**Mr. ZHOU Tao David** (*Head of Legal and Compliance, Company Secretary*), aged 48, was appointed as the Head of Legal and Compliance and the Company Secretary in September 2016. He oversees the legal and compliance matters of the Company as the Company Secretary. He is responsible for facilitating the Board process, as well as communication among the Board members, with the Shareholders and management of the Company. Mr. Zhou is a solicitor in Hong Kong, and has more than twelve years of experience in legal and compliance matters in financial institutions in Hong Kong. He holds the lawyer qualification in China, a LLB degree from Xiamen University and a LLB degree from Manchester Metropolitan University. He is also an arbitrator of South China International Economics and Trade Arbitration Commission.

**Mr. ZHANG Wei** (*Executive Deputy Chief Executive Officer*), aged 48, was appointed as Executive Deputy Chief Executive Officer in August 2017. He is in charge of financing and development, capital markets and institutional relationship. Mr. Zhang has over 15 years' onshore and offshore experience in the operation and management in commercial and investment banking business. From 1994 to 1999, he worked at Sinotrans Limited, Hebei Company. From 2002 to 2005, he served as senior trader of China Minsheng Banking Corporation head office. From 2005 to 2015, he served as AVP of Development Bank of Singapore HK Branch, Director of Standard and Chartered Bank HK Branch, Director and head of China institutional sales of ING Bank respectively. From 2015 to 2017, he served as assistant general manager of Huarong Qianhai Wealth Management Co., Limited. Mr. Zhang obtained a bachelor's degree in Economics from Lanzhou University in 1994 and a master's degree in finance from Graduate School of PBOC in 2002.

**Mr. MEI Bing** (*Chief Financial Officer*), aged 54, was appointed as Chief Financial Officer of the Company since January 2019. Mr. Mei is a seasoned financial executive with a distinguished career of more than 20 years of successful financial management experience in the U.S. and China. From 2016 through joining the Company, he served as Chief Financial Officer and Board Director of Kandi Technology Group, a NASDAQ listed leading new energy vehicle manufacturer in China. From 2011 through 2016, he served as Chief Financial Officer and Board Secretary of Skystar Bio-Pharmaceutical Company, a publicly traded biotechnology company in China. From 2015 through 2016, he also served as an independent non-executive Board Director and Chairman of the Audit Committee of Jiangsu PharmaMax Corporation. From 2006 through 2011, Mr. Mei served as Chief Financial Officer of Avineon, Inc., a multinational technology company in the U.S., where he managed the Company's global financial operations in North America, Asia and Europe. Prior to that, he served as Financial Controller of Arrowhead Global Solutions, Inc. (now part of Harris Corporation) and Thompson Hospitality Corporation, a member of the Compass Group family of companies, in the U.S. Mr. Mei received a B.S. degree in Economics from Zhejiang University in Hangzhou, China and holds an M.B.A. degree from The Fuqua School of Business at Duke University in the U.S., where he graduated with distinction as a Fuqua Scholar. He is a Certified Public Accountant (CPA) in the U.S., a Certified Management Accountant (CMA) in the U.S., and a Chartered Global Management Accountant (CGMA).



# DIRECTORS' REPORT

The directors ("Directors") of OP Financial Limited (the "Company", together with its subsidiaries, collectively referred to as the "Group") are pleased to present their annual report together with the audited consolidated financial statements for the year ended 31 March 2019 (the "Year").

## **PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The Company is an investment company incorporated with limited liability as an exempted company in the Cayman Islands on 26 July 2002. The principal investment objective is to achieve earnings for the Company in the form of medium to long term capital appreciation through investing in a diversified portfolio of global investments in listed and unlisted enterprises. The activities of its principal subsidiaries are set out in the section headed "Investments in Subsidiaries" under Notes to the Consolidated Financial Statements.

## **SEGMENT INFORMATION**

Segment information of the Group is set out in the section headed "Segment Information" under Notes to the Consolidated Financial Statements.

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the Year are set out in the consolidated statement of profit or loss and other comprehensive income.

The Directors recommend the payment of a final dividend of HK\$0.046 per share in respect of the Year to shareholders whose names appear on the Register of Members of the Company at the close of business on 30 August 2019. The proposed final dividend will be paid on 11 September 2019 following the approval at the forthcoming annual general meeting of the Company.

## **DONATIONS**

Please refer to "Community Involvement" section in Environment, Social and Governance Report.

## **RESERVES**

Details of the movements in the reserves of the Group and of the Company during the Year are set out in the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and in the section headed "Balance Sheet and Reserve Movement of the Company" under Notes to the Consolidated Financial Statements.

## **SHARE CAPITAL**

Details of the movements in the share capital of the Company during the Year are set out in the section headed "Share Capital" under Notes to the Consolidated Financial Statements.

## **DISTRIBUTABLE RESERVES**

Distributable reserves of the Company at 31 March 2019 amounted to HK\$4,915,902,000.

## **PRE-EMPTIVE RIGHTS**

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

# DIRECTORS' REPORT

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and assets and liabilities of the Group for the last five financial years is set out in Financial Summary.

## PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Year and up to the date of this report, the Company repurchased the Shares as follows:

Date	Number of shares repurchased	Highest price per share (HK\$)	Lowest price per share (HK\$)	Total Paid (HK\$)
26 Feb 2019	1,048,000	2.2200	2.2000	2,320,560.00
27 Feb 2019	1,520,000	2.2200	2.1900	3,369,480.00
28 Feb 2019	1,400,000	2.2100	2.1900	3,075,960.00
01 Mar 2019	1,800,000	2.1900	2.1800	3,931,600.00
04 Mar 2019	1,500,000	2.1700	2.1400	3,245,480.00
05 Mar 2019	6,100,000	2.1600	2.0200	12,823,480.00
06 Mar 2019	2,800,000	2.1900	2.1500	6,086,680.00
07 Mar 2019	2,300,000	2.1900	2.1700	5,021,520.00
08 Mar 2019	2,600,000	2.1900	2.1500	5,647,680.00
11 Mar 2019	3,300,000	2.1700	2.1200	7,116,320.00
12 Mar 2019	388,000	2.1700	2.1700	841,960.00
13 Mar 2019	700,000	2.1500	2.1500	1,505,000.00
14 Mar 2019	700,000	2.1500	2.1400	1,504,080.00
18 Mar 2019	3,300,000	2.1300	2.0400	6,922,960.00
19 Mar 2019	1,000,000	2.0500	2.0300	2,040,000.00
20 Mar 2019	4,500,000	2.0300	2.0000	9,033,000.00
21 Mar 2019	1,800,000	2.0300	1.9900	3,614,000.00

During the Year and up to the date of this report, the Company repurchased a total of 36,756,000 Shares at an aggregate consideration of approximately HK\$78,100,000 and cancelled a total of 21,068,000 Shares. The purchase of shares was effected by the Directors, pursuant to the unconditional and general mandate granted by the Shareholders at the annual general meeting dated 28 August 2018 with a view to benefiting shareholders as a whole by enhancing the net asset value per share and earnings per share.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Year and up to the date of this report.

## PERMITTED INDEMNITY PROVISION

The Company has arranged for appropriate insurance cover for Directors' and officers' liabilities in respect of legal actions against its Directors and senior management arising out of corporate activities. The permitted indemnity provision is in force for the benefit of the Directors as required by section 470 of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) when this report prepared by the Directors is approved in accordance with section 391 (1)(a) of the Companies Ordinance.

## SHARE OPTIONS

Information about the share options of the Company during the Year is set out in the section headed "Share Option Scheme" under Notes to Consolidated Financial Statements.



# DIRECTORS' REPORT

## **DIRECTORS**

The Directors during the Year and up to the date of this report were:

### **Executive Directors**

Mr. ZHANG Zhi Ping

Mr. ZHANG Gaobo

Dr. LIU Zhiwei (*appointed on 16 April 2019*)

Mr. ZHANG Weidong

### **Non-executive Directors**

Dr. WU Zhong

Mr. CHEN Yuming

Dr. FU Weigang

### **Independent Non-executive Directors**

Mr. KWONG Che Keung, Gordon

Prof. HE Jia

Mr. WANG Xiaojun

Dr. LIU Zhiwei was appointed as an Executive Director with effect from 16 April 2019 and Dr. LIU is entitled to an annual remuneration of HK\$3,000,000. In accordance with Article 106 and Article 113 of the Company's Articles of Association, Dr. LIU Zhiwei, Mr. KWONG Che Keung Gordon, Prof. HE Jia and Mr. WANG Xiaojun will retire from office by rotation. Dr. LIU Zhiwei, Prof. HE Jia and Mr. WANG Xiaojun will, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

The Company confirms that it has received from each of the INEDs an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers the INEDs are independent. The reasons are given in the "Corporate Governance Report" to this report.

Biographical details of the Directors as at the date of this annual report are set out in the "Biographical Details of Directors and Senior Management" to this report.

## **DIRECTORS' SERVICE CONTRACTS**

Each of the Directors has entered into a service contract with the Company and was appointed for a specific term, any of which is not more than three years. All of the Directors are subject to retirement by rotation in accordance with the Articles. No director offering for re-election at the forthcoming annual general meeting has entered into a service contract with the Company which is not terminable by the Company within one year without payment of compensation other than the normal statutory compensation.

## **DIRECTORS' INTERESTS IN CONTRACTS**

Save as disclosed in the paragraph headed "Connected transactions" in this report and in the sections headed "Accounts and Loans Receivable" and "Related Party Transactions" under Notes to the Consolidated Financial Statements. No other contracts of significance in relation to the Group's business to which the Company, any of its subsidiaries or its fellow subsidiaries was a party and in which any Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the Year or at any time during the Year.

## DIRECTORS' REPORT

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 31 March 2019, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), to be notified to the Company and the Stock Exchange were as follows:

#### Long positions in shares and underlying shares of the Company:

Name of director	Capacity in which interests are held	Number of ordinary shares/ underlying shares held in the Company			Total interests as to % to the capital of the Company as at 31 March 2019 (note 1)
		Interests in shares	Interests under equity derivatives	Total interests	
Mr. ZHANG Zhi Ping (note 2)	Interest of controlled corporation	359,800,000	–	359,800,000	12.34%
Mr. ZHANG Gaobo (note 2)	Interest of controlled corporation	359,800,000	–	359,800,000	12.34%
Mr. ZHANG Weidong (note 3)	Beneficial owner	–	7,000,000	7,000,000	0.24%
Dr. Wu Zhong (note 4)	Beneficial owner	–	10,000,000	10,000,000	0.34%

Notes:

- (1) The percentage of shareholding was calculated on the basis of the Company's issued share capital of 2,916,628,000 shares as at 31 March 2019.
- (2) This represented an aggregate of 330,000,000 shares held by Ottness Investments Limited ("Ottness") and 29,800,000 shares held by Oriental Patron Financial Services Group Limited ("OPFSG"). Ottness is a wholly owned subsidiary of Oriental Patron Financial Group Limited ("OPFGL"), while 95% of the issued share capital of OPFSG is owned by OPFGL. The issued share capital of OPFGL is beneficially owned as to 51% by Mr. Zhang Zhi Ping and 49% by Mr. Zhang Gaobo. By virtue of the SFO, each of Mr. ZHANG Zhi Ping and Mr. ZHANG Gaobo is deemed to be interested in the Shares and underlying Shares of the Company held by Ottness and OPFSG.
- (3) These Shares are underlying shares comprised in the options granted to Mr. Zhang Weidong pursuant to the share option scheme of the Company adopted on 17 May 2016.
- (4) These shares are underlying shares comprised in the options granted to Dr. Wu Zhong pursuant to the share option scheme of the Company adopted on 17 May 2016.

Save as disclosed above, as at 31 March 2019, none of the Directors or chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

# DIRECTORS' REPORT

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 March 2019, the Company had been notified of the following substantial shareholders' interests or short positions, being 5% or more of the Company's shares and underlying shares. These interests include those disclosed above in respect of the Directors and chief executive.

### Long positions in shares and underlying shares of the Company:

Name of shareholder	Capacity in which interests are held	Number of ordinary shares/ underlying shares held in the Company			Total interests as to % to the issued share capital of the Company as at 31 March 2019 (note 1)
		Interests in shares	Interests under equity derivatives	Total interests	
OPFGL (note 2)	Interest of controlled corporation	359,800,000	–	359,800,000	12.34%
Dr. LIU Zhiwei	Beneficial owner	334,306,000	–	391,954,000	13.44%
	Interest of controlled corporation (note 3)	57,648,000			
Magopt Ltd. (note 4)	Beneficial owner	–	202,553,560	202,553,560	6.94%
Bestone Asset Management Co., Ltd (note 5)	Beneficial owner	169,720,000	–	169,720,000	5.82%
21st Century Champion Limited (note 5)	Interest of controlled corporation	169,720,000	–	169,720,000	5.82%
Ms. WANG Juan (note 5)	Interest of controlled corporation	169,720,000	–	169,720,000	5.82%
Ms. YANG Fuyi	Beneficial Owner	165,962,500	–	165,962,500	5.69%
Grand Link Finance Limited (note 6)	Beneficial owner	146,188,000	–	146,188,000	5.01%
Mr. WANG Delian (note 6)	Interest in controlled corporation	146,188,000	–	146,188,000	5.01%
Wah Hing Global Investment Limited (note 7)	Beneficial owner	287,000,000	–	287,000,000	9.84%
Mr. He Zhiping (note 7)	Interest in controlled corporation	287,000,000	–	287,000,000	9.84%
Full House Investment Limited (note 8)	Beneficial owner	287,000,000	–	287,000,000	9.84%
Mr. Fu Jianping (note 8)	Interest in controlled corporation	287,000,000	–	287,000,000	9.84%
Caitong Funds SPC (for and on behalf of Bestone Greater China Fund SP) (note 9)	Beneficial owner	169,068,000	–	169,068,000	5.80%

# DIRECTORS' REPORT

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN SHARES AND UNDERLYING SHARES (continued)

Long positions in shares and underlying shares of the Company: (continued)

Name of shareholder	Capacity in which interests are held	Number of ordinary shares/ underlying shares held in the Company			Total interests	Total interests as to % to the issued share capital of the Company as at 31 March 2019 (note 1)
		Interests in shares	Interests under equity derivatives			
FTLife Insurance Company Limited (note 10)	Beneficial owner	290,000,000	–	290,000,000	9.94%	
Mr. Wu Gang (note 10)	Interest in controlled corporation	290,000,000	–	290,000,000	9.94%	

Notes:

- (1) The percentage of shareholding was calculated on the basis of the Company's issued share capital of 2,916,628,000 shares as at 31 March 2019.
- (2) This represented an aggregate of 330,000,000 Shares held by Ottness and 29,800,000 Shares held by OPFSG. Ottness is a wholly owned subsidiary of OPFGL, while 95% of the issued share capital of OPFSG is owned by OPFGL. The issued share capital of OPFGL is beneficially owned as to 51% by Mr. Zhang Zhi Ping and 49% by Mr. Zhang Gaobo. By virtue of the SFO, each of Mr. Zhang Zhi Ping and Mr. Zhang Gaobo is deemed to be interested in the Shares and underlying Shares of the Company held by Ottness and OPFSG.
- (3) This represented 44,912,000 shares held by AI International Capital Management Ltd ("AI International") and 12,736,000 shares held by Chunda International Capital Management Co., Ltd ("Chunda International"). Mr. LIU Zhiwei ("Mr. LIU") owns 100% of the issued share capital in AI International and Chunda International. By virtue of the SFO, Mr. LIU is deemed to be interested in the shares held by AI International and Chunda International.
- (4) This represented 202,553,560 underlying shares comprised in the unlisted warrants granted to Magopt Ltd. pursuant to the consultancy agreement approved at the extraordinary general meeting held on 30 March 2017. Mr. Liu Yu owns 80% of the issued share capital in Magopt Ltd. By virtue of the SFO, Mr. Liu Yu is deemed to be interested in the Shares held by Magopt Ltd.
- (5) This represented 169,720,000 shares held by Bestone Asset Management Co., Ltd ("Bestone Asset Management"). Ms. Wang Juan ("Ms. Wang") owns 100% of the issued share capital in 21st Century Champion Limited ("21st Century Champion") while 21st Century Champion owns 100% of the issued share capital in Bestone Asset Management. By virtue of the SFO, each of Ms. Wang and 21st Century Champion is deemed to be interested in the shares held by Bestone Asset Management.
- (6) This represented 146,188,000 shares held by Grand Link Finance Limited ("GLFL"). Mr. Wang Delian ("Mr. Wang") owns 100% of the issued share capital in GLFL. By virtue of the SFO, Mr. Wang is deemed to be interested in the shares held by GLFL.
- (7) This represented 287,000,000 shares held by Wah Hing Global Investment Limited ("Wah Hing"). Mr. He Zhiping ("Mr. He") owns 100% of the issued share capital in Wah Hing. By virtue of the SFO, Mr. He is deemed to be interested in the shares held by Wah Hing.
- (8) This represented 287,000,000 shares held by Full House Investment Limited ("Full House"). Mr. Fu Jianping ("Mr. Fu") owns 100% of the issued share capital in Full House. By virtue of the SFO, Mr. Fu is deemed to be interested in the shares held by Full House.
- (9) This represented 169,068,000 shares held by Caitong Funds SPC (for and on behalf of Bestone Greater China Fund SP) ("Caitong Funds SPC"). Caitong Funds SPC is a wholly-owned subsidiary of Caitong International Overseas Investment Limited ("CIOIL"), while CIOIL is a wholly-owned subsidiary of Caitong International Investment Co., Limited ("CIICL"). Caitong International Asset Management Co., Limited ("CIAMCL") owns 100% of the issued share capital of CIICL, and Caitong Securities (Hong Kong) Co., Limited ("CSHKCL") owns 100% of the issued share capital of CIAMCL. Caitong Securities Co., Limited ("CSCL") owns 100% of the issued share capital of CSHKCL, and 浙江省金融控股有限公司 owns 36.60% of the issued share capital of CSCL. As 浙江省財務開發公司 owns 100% of the issued share capital of 浙江省金融控股有限公司, by virtue of the SFO, 浙江省財務開發公司 is deemed to be interested in the shares held by Caitong Funds SPC.
- (10) This represented 290,000,000 shares held by FTLife Insurance Company Limited ("FTLife Insurance"). FTLife Insurance is a wholly-owned subsidiary of Bright Victory International Limited ("BVIL"), while BVIL is a wholly-owned subsidiary of FTL Asia Holdings Limited ("FTL Asia"). Tongchuangjiuding Investment Management Group Co., Ltd ("TIMGCL") owns 100% of the issued share capital of FTL Asia, while the issued share capital of TIMGCL is owned as to 46.19% by Tongchuang Jiuding Investment Holding Co., Ltd ("TJIHCL"). Mr. Wu Gang ("Mr. Wu") owns 35% of the issued share capital in TJIHCL. By virtue of the SFO, Mr. Wu is deemed to be interested in the shares held by FTLife Insurance.

Save as disclosed above, as at 31 March 2019, the Company has not been notified by any other persons, not being a Director or chief executive of the Company, who has interests or short positions in the shares and underlying shares of the Company representing 5% or more of the Company's issued share capital.

## DIRECTORS' REPORT

### **DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES**

Apart from the share option scheme disclosed in the section headed "Share Option Scheme" under Notes to the Consolidated Financial Statements, at no time during the Year was the Company, any of its subsidiaries or its associated corporations a party to any arrangements to enable the Directors or chief executive of the Company to acquire any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations.

### **EMOLUMENT POLICY**

The emoluments of the Directors of the Company are subject to review and recommendation to the Board by the Remuneration Committee and then fixed by the Board with the authorization of the shareholders at a general meeting.

### **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of its Directors, as at the date of this report, there is a public float of more than 25% of the issued capital of the Company.

### **MANAGEMENT CONTRACTS**

Save as disclosed in the paragraph below the New Investment Management Agreement and the section headed "Related Party Transaction" under Notes to the Consolidated Financial Statements and employment contracts, no other contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

### **ISSUE OF UNLISTED WARRANTS PURSUANT TO SPECIFIC MANDATE**

On 13 January 2017, the Company has entered into a consultancy agreement ("Consultancy Agreement") with Magopt Ltd (the "Consultant") for its assistance on acquiring and capturing investment opportunities in the negotiation for achieving better investment terms and gains. The Company has agreed to conditionally issue and the Consultant has agreed to subscribe for 202,553,560 unlisted warrants at zero issue price, carrying the right to subscribe for an aggregate of 202,553,560 shares of the Company at a subscription price of HK\$2.20 per share.

Please refer to the section headed "Issue of Unlisted Warrants" under Notes to the Consolidated Financial Statements. The full version of the transaction details are set out in the Company's announcements dated 13 January 2017, 1 March 2017, 13 March 2017 and 30 March 2017, and the Company's circular dated 13 March 2017.

# DIRECTORS' REPORT

## CONNECTED TRANSACTIONS

During the Year, the Company had the following connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules.

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

The Company's independent non-executive Directors have reviewed the continuing connected transactions and confirmed that all continuing connected transactions have been entered into:

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms or better; and
- (3) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

### (a) Non-exempt continuing connected transactions

#### (1) New Investment Management Agreement

Pursuant to the Investment Management Agreement dated 18 July 2018 (the "New Investment Management Agreement"), the previous Investment Management Agreement dated 3 March 2016 was terminated with effect from 1 September 2018, and Oriental Patron Asia Limited ("OPAL") agreed to adjust the performance fee to zero and the management fee to HK\$1,150,000 per month for a period from 1 April 2018 up to 1 September 2018. Under the New Investment Management Agreement, the Company has re-appointed OPAL as its investment manager to provide investment management services for a period commencing on 1 September 2018 to 31 March 2021, and will pay OPAL a monthly management fee payable in Hong Kong dollars in arrears on or before the seventh business day of the immediately following calendar month at HK\$1,150,000 per month. For a period less than a month, the amount of such fee shall be calculated in proportion to the number of days on the basis of a calendar month of 30 days. During the Year, the aggregated management fee paid/payable by the Company under the New Investment Management Agreement to OPAL was HK\$13,800,000 (2018: HK\$53,866,000).

OPAL, being the investment manager of the Company, is regarded as a connected person of the Company by virtue of Rule 14A.08 of the Listing Rules and also because it is an associate of OPFGL, a substantial shareholder of the Company under Chapter 14A of the Listing Rules. The Investment Management Agreement constitutes a continuing connected transaction of the Company.

#### (2) License Agreement

OP Investment Service Limited ("OPISL"), a wholly owned subsidiary of the Company, entered into the New License Agreement with Oriental Patron Management Services Limited ("OPMSL") on 11 April 2017, pursuant to which OPMSL has conditionally agreed to provide the Group the premises for use for the License term from 1 April 2017 to 31 March 2020. The premises, approximately 4,755 square feet by salable area, is a portion of the whole of the 27th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong. It is used as the Company's principal place of business in Hong Kong. The New License Agreement was approved by the Shareholders at the extraordinary general meeting on 26 May 2017. During the Year, the aggregated license fees paid/payable by the Company was HK\$9,078,000.

OPMSL is a connected person of the Company because it is an associate of OPFGL, a substantial shareholder of the Company under Chapter 14A of the Listing Rules. The New License Agreement constitutes a continuing connected transaction of the Company.



# DIRECTORS' REPORT

## **CONNECTED TRANSACTIONS** (continued)

### **(b) Continuing connected transaction exempted from reporting, annual review, announcement and independent shareholders' approval requirements**

#### **Custodian Agreement**

Pursuant to the Service Agreement signed between the Company and Hang Seng Bank Limited on 26 August 2015, the Company appointed Hang Seng Bank Limited as its custodian and to provide financial services, including safe custody and physical settlement of the listed securities in the investment portfolio of the Company, and the collection of dividends and other entitlements in respect of such securities. The Service Agreement would continue in force until terminated by either the Company or the custodian at any time by giving not less than 30 days' prior notice in writing to the other party. The fee paid to Hang Seng Bank in this regard during the Year was HK\$300.

The custodian is regarded as a connected person of the Company by virtue of Rule 14A.08 of the Listing Rules. The Custodian Agreement constitutes a fully exempt connected transaction of the Company under Chapter 14A of the Listing Rules.

### **(c) Connected transactions exempt from the circular (including independent financial advice) and shareholders' approval requirements**

#### **Promissory Note**

The Company entered into the Subscription Agreement with Finance Center for South-South Cooperation Limited ("FCSSC") on 20 June 2016 and subscribed for the Promissory Note (the "Promissory Note") issued by FCSSC in the principal amount of HK\$9,500,000 in cash for a total consideration of HK\$9,500,000. During the Year, the aggregated interest paid by FCSSC to the Company was HK\$ 475,000.

FCSSC is owned as to 50% by Mr. Zhang Zhi Ping and Mr. Zhang Zhi Ping is an executive Director of the Company. Hence, FCSSC is an associate of Mr. Zhang Zhi Ping and a connected person of the Company under Chapter 14A of the Listing Rules. The Promissory Note constitutes a connected transaction exempted from circular and shareholders' approval requirement under Chapter 14A of the Listing Rules.

### **(d) Connected transactions exempted from reporting, annual review, announcement and independent shareholders' approval requirements**

#### **Securities Brokerage Commission**

During the Year, the Company placed orders for buying shares in listed companies through its securities trading account maintained with Oriental Patron Securities Limited ("OPSL") and a brokerage commission of 0.25% and 1% was charged by OPSL for each transaction ("Transaction") proceeds. The total brokerage fee paid by the Company to OPSL for the Year amounted to HK\$758,000. OPSL is a connected person of the Company because it is an associate of OPFGL, a substantial shareholder of the Company under Chapter 14A of the Listing Rules. The transactions between the Company and OPSL constituted fully exempt connected transactions of the Company under Chapter 14A of the Listing Rules.

All of the connected transactions entered by the Group above have complied with the applicable disclosure requirements in accordance with Chapter 14A of the Listing Rules. Apart from the custodian fee paid under the Custodian Agreement, these transactions are also disclosed in the section headed "Related Party Transactions" under Notes to the Consolidated Financial Statements.

## **BUSINESS REVIEW**

### **Fair review of the Company's business and likely future development**

Please refer to the section headed "Investment Review" under Management Discussion and Analysis.

### **Principal risks and uncertainties**

Please refer to the section headed "Financial Instruments" under Notes to the Consolidated Financial Statements.

### **Important events after the end of the financial year**

Please refer to the section headed "Events after the Reporting Year" under Management Discussion and Analysis.

# DIRECTORS' REPORT

## **BUSINESS REVIEW** (continued)

### **Environmental protection**

Please refer to the section headed "Environment" under the Environmental, Social and Governance Report.

### **Compliance with laws and regulations**

Please refer to the subsections headed "Employment and Labour Practices" and "Anti-corruption" under the Environmental, Social and Governance Report.

### **Operating policies**

Please refer to the section headed "Operating Practices" under the Environmental, Social and Governance Report.

### **Company's key relationships with its employees**

Please refer to the section headed "Employment and Labour Practices" under the Environmental, Social and Governance Report.

### **Community involvement**

Please refer to the section headed "Community Involvement" under the Environmental, Social and Governance Report.

## **RETIREMENT BENEFIT SCHEME**

Details of the retirement benefit scheme of the Company are set out in the section headed "Retirement Benefits Scheme" under Notes to the Consolidated Financial Statements.

## **AUDIT COMMITTEE**

The Company established an audit committee in accordance with Rule 3.21 of the Listing Rules. Amongst other duties, the principal duties of the audit committee are to review the interim and annual results and internal control system of the Company.

The Company's audit committee comprised three independent non-executive directors, namely, Mr. KWONG Che Keung, Gordon, Prof. HE Jia and Mr. WANG Xiaojun. Mr. KWONG Che Keung, Gordon is the chairman of the Audit Committee.

The audited consolidated financial statements for the Year have been reviewed by the audit committee.

## **AUDITOR**

The consolidated financial statements for the Year have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

A resolution to re-appoint the retiring auditor, PricewaterhouseCoopers, will be submitted at the forthcoming annual general meeting of the Company.

On behalf of the Board

**OP Financial Limited**

**ZHANG Gaobo**

*Chairman*

Hong Kong SAR, 25 June 2019

# CORPORATE GOVERNANCE REPORT

## **CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES**

The Company and its board (the “Board”) of Directors strongly believes that strict adherence to the highest governance standards is vital to fulfilling its corporate responsibilities as a listed company. The Directors and employees all endeavor to uphold and nurture accountability, transparency, fairness and integrity in all aspects of the Group’s operations. We are committed to the highest governance standards by regularly reviewing and enhancing our governance practices.

The principles set out in the Corporate Governance Code (“CG Code”) in Appendix 14 to the Listing Rules have been adopted to shape our corporate governance structure. This corporate governance report (“Corporate Governance Report”) describes how the principles of the CG Code were applied during the Year under different aspects.

## **CORPORATE GOVERNANCE CODE COMPLIANCE**

Except otherwise stated herein, none of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not, at any time during the Year, in compliance with the CG Code.

Code provision A.6.7 provided that, the independent non-executive directors and other non-executive directors, as equal Board members, should give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders.

The attendance of each Director, by name, at the board, committees’ and general meetings is set out in the subsection headed “Meetings” under Corporate Governance Report.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted a “Policy for Director and Employee Dealings in the Company’s Securities” which supplements the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 of the Listing Rules and is available on the Company’s website. Following specific enquiry by the Company, all Directors have confirmed, that they have fully complied with the Model Code and the aforesaid internal policy regarding Directors’ securities transactions throughout the Year.

Directors’ and Chief Executive’s interests and/or short positions in shares and underlying shares of the Company or any associated corporation are shown in the section headed “Directors’ and Chief Executive’s Interests and/or Short Positions in the Shares and Underlying Shares of the Company or Any Associated Corporations” under Directors’ Report.

## **THE BOARD**

### **Composition**

The Board currently comprises ten members. Four of them are executive Directors, one of them is non-executive Director and the remaining five members are independent non-executive Directors (“INEDs”) who are either legal professional or accounting or financial experts. In accordance with Article 106 of the Company’s Articles of Association, one executive Director, Dr. LIU Zhiwei who was appointed by the Board on 16 April 2019, will retire from office and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

The Board’s constitution is governed by Article 105 of the Articles of Association of the Company (the “Articles”) under which the number of Directors shall not be less than two and Rules 3.10 and 3.10A of the Listing Rules under which every board of directors of a listed issuer must include at least three independent non-executive directors, at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise, and an issuer must appoint independent non-executive directors representing at least one-third of the board. Its composition also ensures that there is a balance of skills and experience appropriate to the requirements of the business of the Group and a balance of executive and non-executive directors (including INEDs) so that there is a strong independent element on the Board, which can effectively exercise independent judgement. There is no relationship (including financial, business, family or other material relationship) among members of the Board. The list of Directors and their biographies (including their roles and functions at the Company) are set out in the Biographical Details of Directors and Senior Management section of this Annual Report, and are available on the Company’s website.

# CORPORATE GOVERNANCE REPORT

## **THE BOARD** (continued)

### **Board Diversity Policy**

The Board adopted its Board Diversity Policy in August 2013. A summary of the policy is as follows:

Board diversity can be achieved through consideration of a number of factors, including but not limited to gender, age, cultural and educational background, or professional experience appropriate to the Company's business model and specific needs. The Nomination Committee will: (i) discuss, agree and review annually all measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption; (ii) report annually, in the Corporate Governance Report of the Company's annual report, a summary of the policy, the measurable objectives set for implementing the policy, and the progress made towards achieving those objectives; and (iii) review the policy, as appropriate, to ensure the effectiveness of the policy and discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

### **Responsibilities**

The overall management of the Group's business is vested in the Board, which assumes responsibility for leadership and control of the Group and is collectively responsible for promoting success of the Group by directing and supervising its affairs. All Directors make decisions objectively in the best interests of the Group.

The Board takes the responsibility for all major matters of the Company including: the preparation of the accounts, the approval and monitoring of all policy matters, overall strategies, risk management and internal control systems, appointment and retirement of directors and other significant financial and operational matters. It will regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether he is spending sufficient time to perform his duties.

The executive Directors are responsible for overseeing the day-to-day management of the Group's operations and implementation of the strategies set by the Board. The independent non-executive Directors will participate in board meetings and serve on the audit, remuneration, nomination and corporate governance committees to bring an independent judgment on issues of strategy, policy, performance, accountability, resources, key appointments, standards of conduct and potential conflicts of interests, if any.

As the Company is an investment company, investment management services have been delegated to the investment manager, namely, Oriental Patron Asia Limited; the custodian services have been delegated to the custodian. The delegated functions and performance are reviewed periodically by the Board.

### **Chairman and Chief Executive Officer**

Dr. Liu Zhiwei has been appointed the Chief Executive Officer of the Company with effect from 16 April 2019. Mr. Zhang Gaobo has resigned as the Chief Executive Officer with effect from 16 April 2019, but remains as the Chairman.

There is a clear division of the management of the Board and the day-to-day management of business of the Group between the roles of the Chairman and the Chief Executive Officer to ensure that power is not concentrated in any one individual. The Chairman is mainly responsible for providing leadership for the Board and ensuring that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner.

The Chief Executive Officer is mainly responsible for implementing the investment strategies agreed by the Board, monitoring the investment performance and leading the day-to-day management of the Group.

# CORPORATE GOVERNANCE REPORT

## **THE BOARD** (continued)

### **Independence of Non-executive Directors**

To determine the independent non-executive Directors' independence, assessments are carried out upon appointment, annually and at any time where the circumstances warrant reconsideration. Each of the INEDs is appointed for a term from their appointment until the of the next general meeting. They are also subject to retirement by rotation of at least once every 3 years in accordance with Article 113 of the Articles and the CG Code. If an INED serves more than 9 years, his further appointment will be subject to a separate resolution to be approved by shareholders of the Company ("Shareholders") in accordance with the CG Code.

The Company confirms that it has received from each of the INEDs an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and the Company considers the INEDs are independent in character and judgement, and fulfill the independence guidelines. Also, the two INEDs, namely, Prof. He Jia and Mr. Wang Xiaojun who have been serving more than 9 years had already offered themselves for re-election and their further appointments should be approved by the Shareholders at the annual general meetings. Each of Prof. He Jia and Mr. Wang Xiaojun will offer themselves for re-election at the forthcoming annual general meeting. The Board and the Nomination Committee further consider that both INEDs remain independent, notwithstanding their length of tenure. They continue to demonstrate the attributes of an INED noted above and there is no evidence that their tenure has had any impact on their independence. The Board and the Nomination Committee believe that their detailed knowledge and experience of the Group's business and their external experience continue to be of significant benefit to the Company and that they maintain an independent view of its affairs.

Mr. Chen Yuming and Dr. Fu Weigang have been re-designated from Non-executive Directors to Independent Non-executive Directors with effect from 15 July 2019. Since their appointment as Non-executive Directors on 29 June 2018, they have not held any management or executive role in the Company other than holding the office of Non-executive Directors and attending Board meetings. They and their immediate family members are not connected with any Director, chief executive or substantial shareholder of the Company. They and their immediate family members did not have any material interest in any business activity of or were involved in any business dealings with the Company, its holding company or any of their subsidiaries or with any core connected persons of the Company. They and their immediate family members are not financially dependent on the Company, its holding company or any of their subsidiaries or core connected persons of the Company. As at the date of this report and within the meaning of Part XV of the SFO, Mr. Chen Yuming and Dr. Fu Weigang do not have any interests in the shares of the Company. Other than the above, the Board is satisfied that none of the factors set out in Rule 3.13 of the Listing Rules applies to their re-designation as Independent Non-executive Directors. Accordingly, the board is satisfied and has demonstrated to the satisfaction of the Stock Exchange that they are independent to act as Independent Non-executive Directors pursuant to Rule 3.14 of the Listing Rules.

### **Continuous Professional Development**

All Directors should keep abreast of their responsibilities as Directors and the Company's business and activities. The company secretary continuously updates all Directors on the latest developments regarding Listing Rules and other applicable regulatory requirements to ensure compliance of the same by all Directors. All Directors are also encouraged to attend relevant training courses and seminars that may require keeping abreast with the latest changes in laws, regulations and the business environment.

Pursuant to Code Provision A.6.5, Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. During the Year, all Directors have participated in appropriate continuous professional development activities either by attending training courses or by reading materials relevant to the Company's business, corporate governance, the latest development of the industry or the Directors' duties and responsibilities. Each Director has confirmed that he has participated in continuous professional development by attending training course or reading relevant materials on the topics related to corporate governance and regulations.

During the Year, the Company Secretary undertook no less than 15 hours of relevant professional training.

# CORPORATE GOVERNANCE REPORT

## THE BOARD (continued)

### Meetings

Each Director makes every effort to contribute to the formulation of strategy, policy and decision-making by attending each meeting, whether in person or by telephonic conference, and each of them is prepared to contribute to the Group's business. All Directors are also encouraged to attend general meetings and develop a balanced understanding of the views of the Shareholders.

Besides general meetings, regular Board and committee meetings are held for reviewing, discussing, considering and approving the financial and operating performance, the overall strategies and policies of the Company.

There were 4 full Board meetings, 3 Audit Committee's meetings, 3 Remuneration Committee's meetings, 1 Nomination Committee's meeting, 2 CG Committee's meetings, and 1 annual general meeting and 1 extraordinary general meeting for the Year. The attendance record of each Director was as follows:

Name of Directors	Meetings attended/held					
	General (Note)	Regular Board (Note)	Audit Committee (Note)	Remuneration Committee (Note)	Nomination Committee (Note)	CG Committee (Note)
<b>Executive Directors</b>						
Mr. Zhang Zhi Ping	2/2	3/4	–	–	1/1	1/2
Mr. Zhang Gaobo	0/2	4/4	–	–	1/1	2/2
Dr. Liu Zhiwei (appointed on 16 April 2019)	0/2	1/4	–	–	–	1/2
Mr. Zhang Weidong	2/2	4/4	–	–	–	–
<b>Non-executive Director</b>						
Dr. Wu Zhong	2/2	4/4	–	–	–	–
<b>Independent non-executive Directors</b>						
Mr. Kwong Che Keung Gordon	2/2	4/4	3/3	3/3	1/1	2/2
Prof. He Jia	0/2	4/4	3/3	3/3	1/1	2/2
Mr. Wang Xiaojun	0/2	4/4	3/3	3/3	1/1	2/2
Mr. Chen Yuming (re-designated on 15 July 2019)	0/2	4/4	–	–	–	–
Dr. Fu Weigang (re-designated on 15 July 2019)	2/2	4/4	–	–	–	–

Note: The attendance figure represents actual attendance/the number of meetings a director is entitled to attend throughout the Year.

### Performance Evaluation

The executive Board conducts an evaluation of the Board's performance on an annual basis with the aim of ensuring continuous improvement in the functioning of the Board. The evaluation will focus on the Board structure, culture, decision-making processes, proceedings of meetings as well as the performance of the Board as a whole, with a view towards recommending areas for further improvement. The results of the evaluation will be presented to all Directors, including the INEDs, for review.

The executive Board has conducted an evaluation for the Year which revealed that the Board performed well with a strong composition. The Board continued to operate efficiently and was well aligned with the Group's overall objectives.



# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES

A total of 4 Board Committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the CG Committee (collectively referred to as the “Committees”) have been formed, each of which has specific roles and responsibilities delegated by the Board.

The Committees’ terms of reference are reviewed and updated regularly to ensure they continue to be at the forefront of best practice, and they are available on the Company’s website. Each Committee’s membership is also reviewed by the Board annually. The member lists of the Committees are set out below in this Corporate Governance Report.

### Audit Committee

The Audit Committee comprises three INEDs, namely, Mr. Kwong Che Keung, Gordon, Prof. HE Jia and Mr. Wang Xiaojun. Mr. Kwong Che Keung, Gordon is the chairman of the Audit Committee.

The major role and function of the Audit Committee are to review the interim and annual results and risk management and internal control systems of the Company and perform other duties under the CG Code. More details of its duties are set out in its terms of reference.

During the Year, the Audit Committee has performed the following duties:

- made recommendations to the Board on the reappointment of the external auditor, the remuneration and terms of engagement of the external auditor;
- reviewed and monitored the external auditor’s independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;
- discussed with the external auditor the nature and scope of the audit and reporting obligations;
- made recommendations on the engagement of the external auditor to supply non-audit services;
- monitored integrity of the Company’s financial statements, annual report and interim report and reviewed significant financial reporting judgements contained in them;
- held two meetings with the external auditors;
- held one meeting with the internal auditors;
- reviewed and discussed the risk management and internal control systems with the management to ensure that management has performed its duty to have effective systems;
- reviewed and discussed the adequacy of resources, staff qualification and experience of the Company’s accounting and financial reporting function.

# CORPORATE GOVERNANCE REPORT

## **BOARD COMMITTEES** (continued)

### **Remuneration Committee**

The Remuneration Committee comprises three INEDs, namely, Mr. Wang Xiaojun, Prof. He Jia and Mr. Kwong Che Keung, Gordon. Mr. Wang Xiaojun is the chairman of the Remuneration Committee.

The major role and function of the Remuneration Committee are to review and provide recommendations on the policy for the remuneration of all Directors and senior management. It will make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. More details of its duties are set out in its terms of reference.

During the Year, the Remuneration Committee has performed the following duties:

- made recommendations to the Board on the remuneration packages of individual executive Directors and Senior Management for the Year;
- reviewed the Company's existing remuneration policy.

The remuneration of the members of the senior management by band for the Year is set out in the section headed "Directors and Senior Management's Emoluments" under Notes to the Consolidated Financial Statements.

### **Nomination Committee**

The Nomination Committee currently comprises one executive Director, Mr. Zhang Gaobo and three INEDs, namely, Mr. Kwong Che Keung, Gordon, Prof. He Jia and Mr. Wang Xiaojun. Mr. Zhang Gaobo is currently the chairman of the Nomination Committee.

The major role and function of the Nomination Committee are to review and provide recommendations on the policy for the nomination of directors. More details of its duties are set out in its terms of reference.

The Nomination Committee has also reviewed the structure, size and composition of the Board, assessed the independence of INEDs and made recommendations on the re-appointment of retiring Directors to the Board. All re-appointments were approved by the Shareholders at the AGM held on 28 August 2018.

### **Corporate Governance Committee**

The Corporate Governance Committee currently comprises two executive Directors, namely, Mr. Zhang Zhi Ping and Mr. Zhang Gaobo, and three INEDs, namely, Mr. Kwong Che Keung, Gordon, Prof. He Jia and Mr. Wang Xiaojun. Prof. He Jia is the chairman of the Corporate Governance Committee.

The major role and function of the Corporate Governance Committee are to review and provide recommendations on the policy for the corporate governance of the Company. More details of its duties are set out in its terms of reference.

During the Year, the Corporate Governance Committee has reviewed the Company's policy and practices on corporate governance, training and continuous professional development of directors and senior management, compliance with the Corporate Governance Code and relevant disclosure in the annual report for the year ended 31 March 2018 and the interim report for the period from 1 April 2018 to 30 September 2018. Save as otherwise provided in the section headed "Corporate Governance Code Compliance", the Corporate Governance Committee concluded that the Company has complied with the Corporate Governance Code and all Directors have fully complied with the Model Code during the Year. The disclosure in this Corporate Governance Report has also been reviewed by the Corporate Governance Committee.

# CORPORATE GOVERNANCE REPORT

## **NOMINATION POLICY**

### **1. Criteria for the selection and recommendation of candidates for directorship**

The Nomination Committee should consider the following criteria when selecting and recommending candidates for directorship:

- (i) Experience and expertise: whether the candidates have the professional qualifications, skills, knowledge, expertise and experience relevant to the business development of the Company.
- (ii) Integrity and character: whether the candidates are a person of honesty, integrity and have a good reputation.
- (iii) Time commitment: whether the candidates can provide sufficient time to discharge their duties as a director, including attending board meetings, participating in director training and other matters of the Company.
- (iv) Diversity policy: whether the candidates satisfy the Board Diversity Policy of the Company, including but not limited to gender, age, cultural and educational background.
- (v) Independence: whether the candidates for independent non-executive Director satisfy the independence requirements of the Listing Rules, have a conflict of interest with the Company, are independent in character and judgment, and able to act on behalf of and in the best interests of the shareholders of the Company as a whole.
- (vi) Other factors that the Board or the Nomination Committee may further consider from time to time.

### **2. Nomination procedures**

#### **(1) Appointment of new director or replacement of director**

- (i) Upon receipt of the proposal on appointment of new director or replacement of director, the Nomination Committee identifies and selects candidates through various channels, including but not limited to shareholders, directors, management, the Company's human resources department and external headhunting companies.
- (ii) The Nomination Committee may evaluate candidates in such manner as they think fit, including but not limited to face-to-face interviews, background checks, and third-party verification.
- (iii) The Nomination Committee submits the list of shortlisted candidates to the Board for consideration. The Board, after consideration, makes the final decision on the appointment of the candidate based on the recommendation by the Nomination Committee.

#### **(2) Re-election of director and nomination by shareholder**

- (i) The Board should review the contribution of the retiring director to the Company and his/her level of participation and performance on the Board. The independence and the year of service should also be considered for the retiring non-executive director. Where a retiring director, being eligible, offers himself for re-election, and the Board considers appropriate, the Board shall recommend such retiring director to stand for re-election at a general meeting. A circular containing the information on such retiring director will be sent to shareholders prior to a general meeting in accordance with the Listing Rules.
- (ii) No person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless, during a period, which shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days before the date of such meeting, there has been given to the Secretary notice in writing by a member of the Company (not being the person to be proposed), entitled to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

# CORPORATE GOVERNANCE REPORT

## DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Board acknowledges its responsibility to prepare the Group's accounts for each financial period and to ensure that the financial statements are in accordance with statutory requirements and applicable accounting standards. The Board also ensures the timely publication of the consolidated financial statements. The Directors, having made appropriate enquiries, confirm that they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

## AUDITOR'S REMUNERATION

The Audit Committee reviews each year with the external auditors, PricewaterhouseCoopers, of the Group with regard to their independence, their appointment, the scope of their audit, their fees, and the scope and appropriate fees for any non-audit services provided by them.

During the Year, the fees paid to the Group's external auditors in respect of audit services and non-audit services amounted to HK\$1,438,000 (2018: 1,175,000) and HK\$376,000 (2018: HK\$365,000) respectively. It should be noted that the non-audit services e.g. review of interim financial statements, results announcements and continuing connected transactions of the Group, provided by the external auditors during the Year were incidental to their audit services.

The statement of the external auditors of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report".

## COMPANY SECRETARY

The Company Secretary, Zhou Tao David, is responsible for facilitating the Board process, as well as communication among the Board members, with the Shareholders and management of the Company.

## SHAREHOLDERS' RIGHTS

### Convening of Extraordinary General Meeting

Pursuant to Article 79 of the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of:

- any two or more members of the Company; or
- any one member of the Company which is a recognized clearing house (or its nominee)

deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitioner. Pursuant to the Board resolutions passed on 27 November 2018, such requisitioner shall hold as at the date of deposit of the requisition not less than 10% of the paid up capital of the Company which carries the right of voting at general meetings of the Company, and the Company will propose a special resolution on the amendments to Article 79 "Convening of extraordinary general meeting" of the Articles of Association to approve at the forthcoming annual general meeting. For Details of the amendments, please refer to the following section headed "Proposed Amendments to the Articles of Association".

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitioner(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

# CORPORATE GOVERNANCE REPORT

## **SHAREHOLDERS' RIGHTS** (continued)

### **Convening of Extraordinary General Meeting** (continued)

Pursuant to Article 80(a) of the Articles, subject to section 578 of the Companies Ordinance, an annual general meeting shall be called by notice in writing of at least 21 clear days (or such longer period as may be required by the Listing Rules), and a general meeting other than an annual general meeting shall be called by notice in writing of at least 14 clear days (or such longer period as may be required by the Listing Rules), which notice shall be given in the manner prescribed by these Articles to all members, to the Directors and to the Auditors. Notice of a general meeting shall be given to such persons as are, under these Articles, entitled to receive such notices from the Company. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place, and agenda of the meeting, particulars of the resolutions to be considered at the meeting and in the case of special business (as defined in Article 82) the general nature of that business. The notice convening an annual general meeting shall specify the meaning as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution.

Further details of the procedures for shareholders to convene general meetings and put forward proposals at a general meeting are set out in the Company's Articles which is available on the Company's website.

### **Shareholder Communication Policy**

The Board is accountable to the Shareholders for the Company's performance and activities. It recognizes the importance of promoting mutual understanding between the Company and the Shareholders through ongoing engagement and communication.

The Company also maintains an ongoing dialog with the Shareholders, for example, through annual general meeting or other general meetings to communicate with them and encourage their participation. The Board always ensures that the Shareholders' and other stakeholders' views are heard and welcomes their questions and concerns relating to the Group's management and governance. The Shareholders and other stakeholders may at any time send their enquiries and concerns to the Company by addressing them to the Company Secretary or the Investor Relations Officer by post or email at [ir@oriental-patron.com.hk](mailto:ir@oriental-patron.com.hk). The contact details of the Investor Relations Officer are set out in the Company's website.

Details of the Company's "Shareholder Communication Policy" are available on the Company's website.

## **INVESTOR RELATIONS**

### **Proposed Amendments to the Articles of Association**

Pursuant to the revised Joint Policy Statement regarding the listing of overseas companies published by the Hong Kong Securities and Futures Commission ("Hong Kong SFC") and HKEx on 27 September 2013, the Board of the Company will propose a special resolution on the amendments to Article 79 "Convening of extraordinary general meeting" of the Articles of Association to approve at the forthcoming annual general meeting. Details of the proposed amendments to the Articles of Association are set out as follows:

The existing Article 79:

"The Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than twenty-five per cent. of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member of the Company which is a recognized clearing house (or its nominee) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than 25 per cent. of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company."

# CORPORATE GOVERNANCE REPORT

## **INVESTOR RELATIONS** (continued)

### **Proposed Amendments to the Articles of Association** (continued)

be amended as follows:

“The Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than **10** per cent. of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member of the Company which is a recognized clearing house (or its nominee) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than **10** per cent. of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.”

There was no other change in the constitutional documents during the Year.

### **General Meetings**

A general meeting is an important forum where communications with the Shareholders can be effectively conducted. During the Year, an AGM and an EGM were held at the principal place of business of the Company on 28 August 2018. All resolutions proposed at the AGM and the EGM were duly passed. Details of the poll results were posted on the websites of the Stock Exchange and the Company.

## **RISK MANAGEMENT AND INTERNAL CONTROLS**

The Group is committed to set up and maintain an effective risk management and internal control systems which is devised to provide reasonable, but not absolute, assurance against material misstatement or loss, and to manage and minimize rather than eliminate the risks of failure in the Group’s operational systems.

The Board is responsible for maintaining a sound and effective risk management and internal control systems particularly in respect of the controls on financial, operational, compliance and risk management, to achieve the Group’s business strategies and business operations and safeguard the Shareholders’ investment and the Company’s assets.

During the Year, the outsourced internal auditor, Regent Corporate Risk Advisory Limited, was responsible for the review and appraisal on the effectiveness of risk management and internal control system. The objective of this internal audit services was to assist the Audit Committee and the Board of Directors in carrying out their responsibilities in accordance with Code Section C.2 of the Corporate Governance Code (“Code” – Appendix 14 Main Board Listing Rules) to conduct a review of the effectiveness of the Company’s risk management and internal control systems and to report the findings in the Corporate Governance Report. Such review covers all material controls, including financial, operational and compliance controls and risk management functions. The internal auditor’s report concluded that effective internal controls were in place and the Company’s manage conducted proper risk assessment and management.

The Audit Committee considered that there was no material defect in the Company’s risk management and internal control system. After discussion with the Audit Committee, the Board was of the view that the existing risk management and internal control systems are effective and adequate to the Group.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## ABOUT THIS REPORT

OP Financial Limited (the “Company”) is pleased to launch the Environmental, Social and Governance (ESG) Report (the “Report”) for the year ended 31 March 2019 (the “Year”) to demonstrate its commitment and effort in the pursuit of sustainable development. The report complies with the requirements of the ESG Reporting Guide stated in Appendix 27 of the Listing Rules. The scope of the report covers the Company’s investment business in Hong Kong and outlined the policies and practices of the ESG performance during the Year.

## Message from the Board of Directors

The Company is accountable for sustainable development in respect of environmental and social responsibilities while balancing its financial performance. The Board designates and supports the ESG working group to identify and evaluate the material ESG-related risks and opportunities of the Company, trying utmost to incorporate environmental initiatives into the daily operation to promote and establish a green office and ensure those appropriate green measures are effective. Moreover, the Board believes in being a family-friendly employer and community-friendly corporation would bring a positive impact to business operation. Even more significant, the Board assumes to minimize ESG-related operation risk and embrace the opportunity would benefit the business.

## ESG Working Group

Under the supervision of the Board, every aspect of ESG is aided and managed by an ESG working group. The working group comprises employees from the departments of compliance, corporate communication, human resources, and finance. The working group has developed a process to work with relevant departments to consolidate and analyze ESG-related data. According to a formulated annual ESG plan, the working group is responsible for organizing internal activities and attending external ESG-related events. During the Year, the representatives of the group participated in various activities including the Green Office seminar, the Carbon Audit seminar for Listed Companies and the Eco Expo Asia Guided Tour, etc.

## Communication with Stakeholders

The Company believes that showing respect to stakeholders’ opinions, understanding their expectations, and treating them sincerely will gain their trust and supports. Therefore, the Company has reached employees through internal review meetings, emails, and surveys on a regular basis. Regarding ESG performance, the area of concerns of employee and management are shown below in priority.

Materiality	Employee	Management
1	Employment	Energy Conservation and Emission Reduction
2	Training and Development	Use of resources
3	Occupational Health and Safety	Occupational Health and Safety

Because of the overwhelmed concerns from employees and management on environmental protection and health, the Company devotes more resources in response to the corresponding concerns. For details, please refer to the section headed “**Environment**” and “**Occupational Health and Safety**”.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. ENVIRONMENT

Preserving the principle of sustainable development, the Company is dedicated to developing business without compromising the environment and future generations. First and foremost, the Company has complied with all environmental laws and regulations and prohibited to the utmost of all relevant illegal and violating activities. During the Year, there was no non-compliance with the environmental laws and regulations. Second, the Company has established five general principles to pursue green office (refer to the chart on the right). Third, the Company attaches great importance to environmental threats and impacts caused directly and indirectly by the business and with careful assessment and monitoring. Various measures with reference to the 5Ps green office principles are adopted.

### Five Principles (5Ps) on green office

# P

Use only when necessary

Reduce, reuse & recycle

Adopt energy saving practices

Think before print

Use public transport

### 1.1 Emissions

#### Greenhouse Gases (GHG) Emission

GHG emission is a key indicator to assess environmental performance. Since the Company considers the emission reduction as a long-term objective, it has collected and quantified the emission data since 2017 to better manage the internal control and understand the emission caused. Due to the business nature of the Company, the daily operation mainly generates indirect GHG emission. The source of GHG emissions of the Company is primarily generated from business travels, operated vehicles and purchased electricity. The Company has realized that the total GHG emission in 2019 is higher than that in 2018. A contributing reason is more frequent business travels by flight and vehicles to facilitate the latest business development during the Year. The Company will continue to monitor the relevant data and set the plan for carbon reduction.

Business travel is sometimes inevitable due to the Company's business nature. Yet the Company notices distanced transportation is a critical cause in triggering and worsening climate change. Therefore, the Company encourages employees to prevent unnecessary business trips and utilize online communication channels and video conferencing to conduct interviews and meeting if applicable. Furthermore, employees shall select accommodations near the working location during a business trip. Also, the high-speed train should be considered before flights whenever available.

Indicator	Units	Total emissions in 2019
Scope 1 (Direct emissions)	CO2e tonnes	16.66
Scope 2 (Energy indirect emissions)	CO2e tonnes	30.66
Scope 3 (Other indirect emissions, Flight travel only)	CO2e tonnes	157.31
<b>Total GHG emissions (Scope 1, 2 and 3)</b>	<b>CO2e tonnes</b>	<b>204.63</b>
Nitrogen Oxides (NOx)	kg	2.71
Sulfur Oxides (SOx)	kg	0.09
Particulate Matter (PM)	kg	0.20

Note: Emission factors are reference to Hong Kong Electric, Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purpose) in Hong Kong and the UK Government GHG Conversion Factors for Company Reporting.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1.2 Use of Resources

### Waste Management and Packaging Materials

Due to business nature, the Company does not pose a significant impact to the environment. The Company has adopted a 3Rs (Reduce, Reuse and Recycle) approach to handling paper usage and waste management. Moreover, the Company has implemented several measures to reduce paper use and waste, while employees are encouraged to paper recycling in the office.

- Reuse single-used waste paper and cardboard;
- Set duplex-printing, black and white printing as default;
- Carried out an e-fax system in the office; and
- Posted the paper recycling tips near the paper collection point.

During the Year, the Company produced 1.68 tonnes of non-hazardous waste, which is slightly greater than that in 2018 by 4.30%. More employees may be a reason for the increase.

Basically, hazardous waste generation is not applicable to the Company. Yet a handful of exhausted compact fluorescent lamps, batteries, cartridges and toners are produced in the office. Those wastes are collected and handled by the property management office of the building whereas exhausted cartridges and toners are collected by the service provider as well. In addition to waste management, key performance indicators A2.5 regarding the packaging material used is not applicable due to the business nature of the Company.

### Energy and Water Consumption

The Company has realized that the non-renewable fossil fuel combustion outputs energy, but also amplifies GHG emission and releases the greater number of pollutants into the atmosphere for certain. In view of that, the Company's office is deliberately designed as an open office to allow better ventilation and the use of natural light. Different energy-saving measures listed below have been adopted in the hope of further lowering energy consumption and alleviating climate change.

- Replaced some conventional lightings with LEDs in the office;
- Activated energy saving mode in each computer and monitor;
- Turned off lighting, equipment, and personal computer during non-office hours;
- Placed reminder at the prominent location to remind employees to save energy; and
- Purchased environmentally friendly products with energy efficient labels.

The overall water consumption of the Company is relatively low. Notwithstanding the fact, the Company diligently reduces the use of water by placing reminder at the toilet and pantry and has installed water taps with motion sensors to eliminate unnecessary water discharge.

Indicator	Units	Total emissions in 2019	Intensity (per building area)
Electricity purchased	kWh	38,329.65	128.69
Unleaded petrol used	Litre	6,259.67	21.02
Water consumption	m <sup>3</sup>	4.91	0.016

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1.3 The Environment and Natural Resources

### Green Office and Eco-Healthy Work Place

Environmental protection cannot be achieved without the support and cooperation from the employees. The Company has actively participated in the Green Office Awards Labelling Scheme (GOALS) organized by the World Green Organization (WGO) since 2016 to evaluate and even enhance the environmental footprint of the Company. The Company jointly worked with all employees to adopt green initiatives based on the Green Office Best Practice Criteria, covering energy savings, water savings, paper reduction, green procurement, and education and awareness. It is the honor of the Company to be awarded WGO's "Green Office" and "Eco-Healthy Workplace" label for the three consecutive years, which recognized its conscientious efforts to execute green practices and commitments in the direction of sustainable development.



### Environmental Protection Education and Activity

Sustainability is now crucial to our daily life, society, and even future generation. The Company, as an environmentally responsible corporate, hopes to protect the earth by properly utilizing the natural resources and slowing down the pace of resources depletion as well as ecosystem degradation. Therefore, the Company is proactively seeking for the room of improvement, with an endeavor to advocate sustainability. The Company has been working with the assistance of WGO to evaluate and suggest areas of environmental improvement. Employees are invited to join different activities to enhance the awareness of environmental protection. The Company also demonstrates its green office best practices and achievements to the newcomers during orientation.

Over the years, the Company continues its support to Greeners Action's "Lai See Packet Reuse & Recycling Programme". Greeners Action, the organizer, is a charitable organization and green group in Hong Kong. The Company encourages employees to recycle red packets to the boxes placed in the office or to the nearby public collection points to support the recycling program. More than 800 Lai See packets were collected and sent to the organizer during the collecting period.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 2. SOCIAL

### 2.1 Employment and Labour Practices

The Company acknowledges employees are valuable assets of the Company. This drives the Company to create an engaging, harmonious, fair and safe working environment to the employees. Given that the Company endlessly strives to the room for enhancement in respect of social responsibility, the Company, therefore, has constantly improved the working environment and provided a competitive remuneration package in line with the market, as well as a transparent promotion channel. The Company strictly follows the employment ordinance of Hong Kong. During the Year, there was no case of non-compliance regarding compensation and dismissal, recruitment and promotion, equal opportunities, diversity, as well as discrimination.

Fair and equal employment and recruitment procedure are adopted by the Company. Any forms of discrimination are prohibited. Recruitment is simply based on candidates' experiences, abilities and business needs, regardless of race, gender, age, marital status, religion, and nationality. All talented candidates and employees can be hired and promoted, as well as eligible to attend training to meet business needs and career development. In addition, child labor is not allowed in the Company. The Company must check the identity card and relevant document in the recruitment process to ensure the regulatory working age is met before on board. An Employee's Handbook is issued to all staff on their first day of work, which clearly states the Company's policies, employment guidelines, and the Code of Conduct.

#### Team Structure

As of 31 March 2019, the Company employed 47 full-time employees, who are all based in Hong Kong. The total workforce during the Year can be illustrated by the following detailed table.

<b>By Gender</b>	<b>No.</b>	<b>By age</b>	<b>No.</b>	<b>By employee category</b>	<b>No.</b>
Male	33	20-35	18	Senior Management	11
Female	14	36-50	13	Middle Management	13
		>50	16	General Staff	23

#### Benefits and Welfares

Employees of the Company are entitled to various statutory holidays and paid leave such as sick leave and maternity leave. To reward the hard work of talented employees, the Company benchmarks salaries against industry norms annually to maintain a competitive remuneration package. Meanwhile, all employees shall participate in the annual appraisal to review their performance. The remuneration package will be adjusted in accordance with the appraisal result. By doing so, the Company hopes to boost productivity and enhance corporate competitiveness.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Above all, the Company is committed to being a family-friendly employer. Working time and rest days have fully complied with the requirements of the laws and regulations, furthermore, several employee-oriented employment practices have been adopted to enhance their sense of belonging and achieve a work-life balance; for instance, five-day work weeks, flexible leaves application, facilitation breastfeeding for working mothers, and family recreational activities such as annual dinner to share warmth and happiness among fellow colleagues. Because of these employee care policies, the Company is honorably awarded “Family-Friendly Employers” and “Awards for Breastfeeding Support” of the 2017/18 Family-Friendly Employers Award Scheme during the Year, which is organized by the Family Council. Furthermore, the Company constantly cares about the employees’ safety, not limited to the working environment at the office but also in the time of daily commute. During the Year, the Company adopted a one-off special working arrangement of flexible working hours on the day after typhoon “Mangkhut” smashed through Hong Kong.



## 2.2 Occupational Health and Safety

The Company remains highly attentive and responsible to provide a safe, healthy and comfortable working environment. Thereby, proper office equipment is provided to all employees. For instance, commodious working space, height adjustable chairs with adjustable armrest and tilting backrest, ergonomic desk accessories, etc. Benefits coverage is also stated in the employee handbook and the significance of having a reasonably sound body and mind are also advocated.

All full-time employees are entitled to a medical insurance plan, covering out-patient clinical visits as well as hospitalization, dental checkups, and surgical treatment. During the Year, the Company has upgraded the medical insurance plan after stakeholder engagement to address the employee’s opinion on the matter of insufficient medical coverage. Body checkups, vaccinations, and vision care are newly covered in the plan. The upper limit of each claim of dental consultation has also been raised. The Company has worked with the insurance services provider to adopt an e-claim mobile application to facilitate the claims in a more convenient way. The dependent of the employees can also voluntarily join the medical insurance plan with extra cost.

Aside from the medical plan to all employees, the Company also provides travel insurance for extra protection, especially for the employees who have often business trips. There were no work-related fatalities and injuries recorded in the Company, resulting work-related lost days during the Year, yet the Company will offer immediate support to the injured and launch investigations to examine the cause of accidents if any. Corrective actions will be taken to avoid recurrence of such accidents.

## 2.3 Training and Development

Investment business evolves with changing economic conditions and regulation. To cope with the rapidly changing market, the Company arranges the employees to attend professional training by virtue of corresponding job duties. Moreover, representative of the ESG workforce attended environmental seminars during office hours to acquire the latest knowledge and skill. The Company also sponsors employees to participate in external training and professional examinations to acquire the latest technologies and qualifications. All employees can be granted paid leaves for examination preparation and attendance.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 3. OPERATING PRACTICES

### 3.1 Supply Chain Management

The Company relies on suppliers and services provider to support the office operation. The Company is committed to providing a transparent and fair procurement process. Selection criteria not only include the price, product and services quality, but the suppliers' reliability and reputation are also being considered. To lead the suppliers on to achievements on ESG aspects, the Company gives preference to the environmental-responsible suppliers and environmentally friendly products such as electrical devices with energy-saving label and paper bearing eco-label. Supplier evaluation is also carried out annually to make certain that suppliers' performance meets tender requirements.

### 3.2 Product Responsibility

#### Responsible Investment

Incorporating ESG factors into investment decisions has become material for investors, to better manage its financial risks and generate sustainable returns. The capability of an investment company to identify and evaluate their own potential ESG risks and opportunities are key indicators for stakeholders to assess their performance. In managing and evaluating its investment portfolio, the Company also considers whether the management of the investee is acting in an environmentally, socially and ethically manner.

#### Sensitive Data Handling

The Company sticks fast to the data privacy law to take special care of personal data and confidential information. All data and information must be kept in strictest confidence at all times. A guideline and procedure are established and listed in the employee's handbook to guide every one of the Company to handle personal data and confidential information. Employees are forbidden to reveal any confidential information to outsiders or any co-workers who are not directly concerned. The information is also restricted access to selected personnel who are well-trained to manage the data. Consequently, any unlawful and inappropriate act is not acceptable in the Company.

### 3.3 Anti-Corruption

The Company adheres to operate the high standard of corporate governance. We have zero tolerance for corruption and bribery in any form. The established anti-corruption policies and procedures outline the unacceptable behavior and are applicable to laws, regulations and industry standards. In order to minimize the non-compliance risk, the Company established corruption risk management policy and the "Policy on Acceptance of Advantage and Handling of Conflict of Interests". Refresher training is also offered to the employees regularly to refresh their knowledge on the latest laws and compliances and share cases.

Under the existing guidelines issued by the Securities & Futures Commission, all employees are required to make a declaration of interests for those accounts in which they or their associates have beneficial interests and report all such transactions to the Company. All staffs are required to sign the declaration form to avoid conflict of interest on the first day of employment. The established whistle-blowing policy enables stakeholder to report on any suspected inappropriate situations. Reported cases are investigated and followed up by the compliance or internal audit teams. Confirmed cases are reported to the Audit Committee and Management of the Company.

The Company does not condone any form of corruption, bribery, extortion, fraud and money laundering. During the Year, there were no related risks, confirmed case or public legal cases against the Company or its directors.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 4. COMMUNITY INVOLVEMENT

The Company actively joins various types of community activities with NGO, social enterprises and educational institutes, to help people in need and fulfill corporate social responsibility. The Company realizes the importance of extending its reach to the community, and both employees and the management are pledged to continue with consistent efforts in community involvement.

### Support for South-South Cooperation

The directors of the Company Mr. Zhang Zhi Ping, Mr. Zhang Gaobo and Dr. Wu Zhong have taken up the role to serve as the Executive President, Vice President, and Vice President and Director-General of the Finance Centre for South-South Cooperation Limited (FCSSC). FCSSC is a non-profit international organization founded in April 2014 and has been in Special Consultative Status with ECOSOC of the United Nations since 2017. It is an integral platform set under the United Nation's Sustainable Development Agenda framework, which specializes in production capacity cooperation, development experience exchange and financial services, so as to promote pragmatic cooperation and partnerships between governments of developing countries, private enterprises, multilateral development institutions, and international development assistance organizations.

Since its establishment, FCSSC actively promotes international production capacity cooperation by offering consultancy to developing countries and helping draw foreign investment through bridging China and other emerging economies. Besides, FCSSC facilitates the experience and best practice sharing by holding high-level international conferences, training programs and establishing think tank network and industries research institute. In March 2019, under the framework of the Second High-level UN Conference on South-South Cooperation "BAPA+40" conference held in Buenos Aires, FCSSC partnered with the United Nations Office for South-South Cooperation (UNOSSC) and organized the "South-South Cooperation in a Digital Era" side-event. During the event, the two parties jointly launched "South-South Galaxy" knowledge-sharing platform and 2018 South-South Cooperation annual report "South-South Cooperation in a Digital World". It is expected to strengthen technical cooperation among developing countries in the digital era and enhance digital infrastructure, human capital investment as well as knowledge and experience exchange in the Global South.

Besides, since 2016, FCSSC has started to cooperate with the United Nations Industrial Development Organization to jointly organize the "One Belt, One Road" annual urban development conference, aiming to build a dialogue platform for stakeholders to help developing countries find green and new industrialization roads, innovative solutions and actively promote the circulation of trade and investment on the "Belt and Road". In October 2018, the third "One Belt and One Road: Urban Green Economy Development Conference" was held in Vienna, Austria.

Moreover, taking the advantage of Hong Kong's role as an international financial center, FCSSC also mobilizes personnel and capital for South-South cooperation projects by fund issuing, equity investment and other market-oriented means, and finance projects through its partner network. In May 2018, FCSSC, African Export-Import Bank and Made in Africa Initiative signed a strategic cooperation agreement, whereby the three parties will pull together to promote China-Africa trade development with the help of diversified financial instruments and resources. They also plan to build a financing platform worth USD 1 billion to accelerate industrialization in Africa.

The Company believes the close relationship with FCSSC is beneficial to expand the international partner network and to expand its business scope into social impact investing.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## **Six Industries Research Institute of Fudan University**

The Company jointly cooperated with Shanghai Fudan University and FCSSC to support the establishment of the Six Industries Research Institute of Fudan University (復旦大學六次產業研究院) in 2017. RMB1.5 million is devoted during the Year. The Six Industries Research Institute aims to assist Fudan University to promote the development of applied economics and management science, and on this basis, to promote the innovative projects of national food safety, healthy endowment, and Six Industries based poverty alleviation.

## **Participation in the Underprivileged Support**

The company continues to invite the employees to participate in the event organized by the NGO and charity organizations to support the underprivileged. During the Year, the Company invited MicroForests to have a DIY workshop with the employees as an environmental protection talk as well as a team-building activity. MicroForests is a social enterprise that provides meaningful training and dignified job opportunities for marginalized women who are new arrivals, single parents, teen mom or women from low-income families through the sale of artwork and workshops.

Other than helping the marginalized women via MicroForests workshops, the Company also continued to take part in Dress Casual Day organized by the Community Chest of Hong Kong to raise money to the needy. During the Year, the Company donated HKD \$5,000 to the Community Chest and paid HKD\$12,800 to the MicroForests for their service. The Company is pledged to continue the activities in the future to help those in need.

## **5. CONCLUSION**

In the quest for continuous improvement, the Company will continue to keep abreast on sustainable development and to track the ESG performance and progress on a regular basis. Valuable feedback enables the Company to improve its performance. For any comments regarding this report, please feel free to contact us by email to [ir@oriental-patron.com.hk](mailto:ir@oriental-patron.com.hk).

# INDEPENDENT AUDITOR'S REPORT

## To the Shareholders of OP Financial Limited

*(incorporated in the Cayman Islands with limited liability)*

### **OPINION**

#### **What we have audited**

The consolidated financial statements of OP Financial Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 53 to 127, which comprise:

- the consolidated statement of financial position as at 31 March 2019;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

#### **Our opinion**

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### **BASIS FOR OPINION**

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

- Valuation of level 3 financial instruments
- Assessment of expected credit losses of debt investments

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### Valuation of level 3 financial instruments

The disclosure of the fair valuation of the above level 3 financial instruments are detailed in note 4 to the consolidated financial statements.

The Group has invested in unlisted financial instruments at fair value through profit or loss with fair value of HK\$2,026.7 million, representing 36.0% of the net assets value of the Group as at 31 March 2019. These unlisted financial instruments were valued with inputs that are not based on observable market data and were classified as level 3 financial instruments at 31 March 2019. The Group considered the amount of level 3 financial instruments is material to the consolidated financial statements of the Group as at 31 March 2019.

We focused on this area because there is significant judgment exercised by management involved in identifying the appropriate valuation models and in determining appropriate inputs to establish the fair value of these level 3 financial instruments. Management used different valuation models in determining the fair value of each level 3 financial instrument. As part of the valuation process, management had appointed an independent external valuer to estimate the fair value of a level 3 financial instruments and the fair value of such amounted to HK\$57.9 million, representing 1.0% of the net asset value of the Group as at 31 March 2019.

Our major procedures in relation to management's valuation of the level 3 financial instruments were as follows:

- We obtained an understanding of management's processes which are used in determining the fair valuation of the unlisted financial instruments. This includes discussing the processes with management and reviewing the valuation governance structure and protocols around management oversight of the valuation process.
- On sampling basis, assessed and evaluated the different valuation methodologies used by the Group to estimate the fair value of level 3 financial instruments as at 31 March 2019.
- On sampling basis, challenged management on reasonableness of assumptions used by management in the different valuation models taking into consideration the respective contract terms and relevant market conditions and businesses of level 3 financial instruments.
- On sampling basis, validated mathematical accuracy of the calculation made by management and obtained the investment confirmation to verify the existence and accuracy of the Group's ownership share of each level 3 financial instrument.

We performed the following procedures on certain level 3 financial instruments for which valuation reports were issued by the independent external valuer:

- We evaluated the independent external valuer's competence, capabilities and objectivity.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (continued)

### Key Audit Matter

### How our audit addressed the Key Audit Matter

#### Valuation of level 3 financial instruments (continued)

In light of the unquoted and illiquid nature of these level 3 financial instruments, the assessment of fair value was subjective and required a number of significant and critical judgements to be made by management. The fair value of each of these unlisted investments were based on the available information and do not necessarily represent amounts which might ultimately be realized. The fair value of these level 3 financial instruments are subject to change depending on future circumstances and cannot be accurately determined until each of them is disposed.

There is a risk that inaccurate judgements made in the assessment of fair value, in particular in respect of earnings multiples, the application of marketability discounts, credit discounts, calculation of discount rates, the estimation of future maintainable earnings and use of recent transaction prices, could lead to an incorrect valuation of the unlisted financial instruments. In turn, this could materially misstate the amounts at which these financial instruments are carried in the consolidated statement of financial position, the net change in unrealized gains/losses on these financial instruments in the consolidated statement of profit or loss and other comprehensive income, and the net asset value per share.

- We assessed the valuation methodologies used by the independent external valuer in estimating the fair value.
- We validated the accuracy and relevance of the input data on a sample basis.

We also performed the following procedures on key assumptions used by management and/or external valuer in the calculation of fair value:

- We evaluated the marketability discounts, credit discounts and earnings multiples used, and obtained the rationale and supporting evidence for adjustments made.
- We challenged management on the reasonableness of discount rates.
- We assessed and evaluated the assumptions made to calculate future maintainable earnings and corroborated the assumptions to supporting documentation.

Based on the procedures we performed, the valuation process of the level 3 financial instruments is considered as not unreasonable. The fair value measurement and management's conclusion on valuation are supported by available evidence.

#### Assessment of expected credit losses of debt investments

The disclosures about the impairment assessment of debt investments classified as assets at amortised cost are detailed in note 18 to the consolidated financial statements.

As at 31 March 2019, the Group held debt investments classified as assets at amortised cost of HK\$2,025.5 million after provision of expected credit losses ("ECL") of HK\$63.4 million, in aggregate representing 36.0% of the net assets value of the Group.

The Group assessed whether the credit risk of debt investments have increased significantly since their initial recognition, and apply a three stage impairment model to calculate their ECL. In assessing the provision of ECL, management exercise significant judgment on the selection of unobservable data inputs to this three-stage impairment model including probability of default, exposure at default, loss given default and discount rate.

We have performed the following procedures in relation to management's assessment of ECL of debt investments classified as assets at amortised cost:

- Reviewed management's assessment in identification of significant changes in borrowers' credit risk based on established criteria which is the adverse change in the payment status of borrowers;
- Reviewed the ECL modelling methodologies and assessed the reasonableness of key parameters estimation in relation to the model;
- Tested the reliability of ECL data inputs during the period, by reviewing the counterparties' credit information such as credit risk ratings, overdue status and other relevant information; and



# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS (continued)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><b>Assessment of expected credit losses of debt investments</b> (continued)</p> <p>We focused on ECL assessment due to the materiality of the balances of debt investments classified as assets at amortised cost, and the assessment of ECL of debt investments classified as assets at amortised cost involves significant management judgments. In particular, we focused on:</p> <ul style="list-style-type: none"> <li>• Management assessment and identification of significant changes in borrowers' credit risk; and</li> <li>• Selection of key unobservable inputs to the three-stage impairment model.</li> </ul>	<ul style="list-style-type: none"> <li>• Tested mathematical accuracy by recalculating the provision of ECL.</li> </ul> <p>Based on the procedures we performed, we found the management's assessment of ECL of debt investments classified as assets at amortised cost were supported by available evidence that we gathered.</p>

## OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

# INDEPENDENT AUDITOR'S REPORT

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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.

## INDEPENDENT AUDITOR'S REPORT

### **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS** (Continued)

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ng, Wai Ying.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 25 June 2019

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Note	2019 HK\$'000	2018 HK\$'000
Turnover	6	1,784,148	430,744
Revenue	6	227,892	125,437
Other income		16,841	12,558
Net change in unrealized (loss)/gain on financial assets at fair value through profit or loss	17		
– arising from listed investments		(79,847)	(39,648)
– arising from unlisted investments		(78,592)	80,015
		(158,439)	40,367
Net change in unrealized (loss)/gain on financial liabilities at fair value through profit or loss	22	(12,986)	37,861
Net realized gain on disposal of investments			
– arising from listed investments		117,515	41,921
– arising from unlisted investments		92,994	7,192
		210,509	49,113
Loss on disposal of subsidiaries		–	(483)
Impairment loss on available-for-sale financial assets		–	(3,353)
Provision for expected credit losses		(72,687)	–
Equity-settled share-based payments	25	(12,200)	(7,116)
Operating and administrative expenses	10	(117,251)	(165,417)
<b>Profit from operations</b>		<b>81,679</b>	<b>88,967</b>
Finance costs	8	(10,478)	(3,126)
Share of results of investment accounted for using equity method	15	205,958	50,421
<b>Profit before tax</b>		<b>277,159</b>	<b>136,262</b>
Taxation	9	(20,469)	7,158
<b>Profit for the Year</b>	10	<b>256,690</b>	<b>143,420</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to profits or loss</i>			
Available-for-sale financial assets:			
– Fair value changes		–	48,903
– Impairment loss		–	3,353
– Balance transferred to profit or loss upon disposal		–	(161)
Share of other comprehensive income of investments accounted for using equity method			
– Investment revaluation reserve		(186)	186
– Surplus reserve		165	9
– Exchange differences		(228)	440
<b>Net other comprehensive income for the Year</b>		<b>(249)</b>	<b>52,730</b>
<b>Total comprehensive income for the Year</b>		<b>256,441</b>	<b>196,150</b>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

For the year ended 31 March 2019

	Note	2019	2018
<b>Earnings per share</b>			
<b>Basic</b>	12(a)	HK\$0.0874	HK\$0.0677
<b>Diluted</b>	12(b)	HK\$0.0868	HK\$0.0672
<b>Proposed final dividend per share</b>	11	HK\$0.046	HK\$0.04

The notes on pages 59 to 127 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Note	2019 HK\$'000	2018 HK\$'000
<b>Non-current assets</b>			
Fixed assets	14	4,118	594
Deferred tax assets	23	8,234	3,133
Investments accounted for using equity method	15	1,147,289	1,015,689
Available-for-sale financial assets	16	–	346,804
Financial assets at fair value through profit or loss	17	1,604,321	352,422
Debt investments	18	1,423,674	–
		<b>4,187,636</b>	<b>1,718,642</b>
<b>Current assets</b>			
Financial assets at fair value through profit or loss	17	653,869	1,082,874
Debt investments	18	601,805	1,456,000
Accounts and loans receivable	19	172,402	83,237
Prepaid tax		12,837	12,837
Interest receivables		29,640	14,133
Prepayments and other receivables		23,763	10,446
Bank and cash balances		193,800	1,771,671
		<b>1,688,116</b>	<b>4,431,198</b>
<b>TOTAL ASSETS</b>		<b>5,875,752</b>	<b>6,149,840</b>
<b>Capital and reserves</b>			
Share capital	24	290,094	293,740
Reserves		5,340,369	5,301,118
<b>TOTAL EQUITY</b>		<b>5,630,463</b>	<b>5,594,858</b>
<b>Current liabilities</b>			
Accounts payable	20	11,000	69,353
Other payables		20,491	14,694
Deposit received		–	240,000
Loan payable	21	71,558	127,975
Financial liabilities at fair value through profit or loss	22	37,295	58,310
Tax payable		40,249	14,678
		<b>180,593</b>	<b>525,010</b>
<b>Non-current liabilities</b>			
Financial liabilities at fair value through profit or loss	22	64,696	29,972
<b>TOTAL LIABILITIES</b>		<b>245,289</b>	<b>554,982</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>5,875,752</b>	<b>6,149,840</b>
<b>NET ASSETS</b>		<b>5,630,463</b>	<b>5,594,858</b>
<b>Net asset value per share</b>	26	<b>HK\$1.94</b>	<b>HK\$1.90</b>

The notes on pages 59 to 127 form an integral part of these consolidated financial statements.

Approved by the Board of Directors on 25 June 2019.

**ZHANG Gaobo**  
Director

**LIU Zhiwei**  
Director



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Share capital		Reserves							Total
	Issued capital	Treasury shares	Share Premium	Share-based payment reserve	Investment revaluation reserve	Surplus reserve	Exchange reserve	Retained profits		
Note	HK\$'000	HK\$'000	HK\$'000 (note 32)	HK\$'000 (note 32)	HK\$'000 (note 32)	HK\$'000 (note 32)	HK\$'000 (note 32)	HK\$'000	HK\$'000	
At 1 April 2017	189,740	-	2,299,971	26,081	18,387	-	(603)	380,924	2,914,500	
Vesting of share options	25	-	-	7,116	-	-	-	-	7,116	
Placing of shares	24	104,000	2,448,599	-	-	-	-	-	2,552,599	
Share of reserve movements of associate	-	-	-	(1,273)	-	-	(29)	1,591	289	
Exchange difference arising from translation of foreign operations	-	-	-	-	-	-	100	-	100	
Total comprehensive income for the year	-	-	-	-	52,281	9	440	143,420	196,150	
Dividend paid	-	-	-	-	-	-	-	(75,896)	(75,896)	
At 31 March 2018 and 1 April 2018	293,740	-	4,748,570	31,924	70,668	9	(92)	450,039	5,594,858	
Adjustment on adoption of HKFRS9	2	-	-	-	(70,482)	-	-	30,033	(40,449)	
At 31 March 2018 and 1 April 2018 (restated)	293,740	-	4,748,570	31,924	186	9	(92)	480,072	5,554,409	
Vesting of share options	25	-	-	12,200	-	-	-	-	12,200	
New shares issued due to exercise of share options	25	30	658	(193)	-	-	-	-	495	
Exchange difference arising from translation of foreign operations	-	-	-	-	-	-	2,526	-	2,526	
Repurchase of shares	24	(2,107)	(1,569)	(74,424)	-	-	-	-	(78,100)	
Total comprehensive income for the Year	-	-	-	-	(186)	165	(228)	256,690	256,441	
Dividend paid	11	-	-	-	-	-	-	(117,508)	(117,508)	
<b>At 31 March 2019</b>	<b>291,663</b>	<b>(1,569)</b>	<b>4,674,804</b>	<b>43,931</b>	<b>-</b>	<b>174</b>	<b>2,206</b>	<b>619,254</b>	<b>5,630,463</b>	

The notes on pages 59 to 127 form an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

Note	2019 HK\$'000	2018 HK\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	277,159	136,262
Adjustments for:		
Dividend income	(6,483)	(7,077)
Interest income	(221,409)	(91,020)
Interest expenses	10,478	3,126
Other income	(16,841)	–
Exchange differences	1,892	(3,758)
Depreciation	828	138
Realized gain on disposal of available-for-sale financial assets	–	(4,032)
Realized gain on disposal of financial assets at fair value through profit or loss	(210,509)	(45,081)
Realized loss on disposal of subsidiaries	–	483
Net change in unrealized loss/(gain) on financial liabilities at fair value through profit or loss	12,986	(37,861)
Net change in unrealized loss/(gain) on financial assets at fair value through profit or loss	158,439	(40,367)
Loss on disposal of fixed assets	29	–
Waive of performance premium	3,923	–
Impairment loss on available-for-sale financial assets and investments accounted for using equity method	–	3,353
Provision for expected credit losses	72,687	–
Share of results of investments accounted for using equity method	(205,958)	(50,421)
Equity-settled share-based payments	12,200	7,116
Operating cash flows before working capital changes	(110,579)	(129,139)
Increase in accounts and loans receivable	(22,022)	(73,619)
Increase in prepayments and other receivables	(15,802)	(9,247)
Increase in other payables	8,128	9,508
Increase in financial liabilities at fair value through profit or loss	–	10,790
Tax paid	–	(22,022)
Net cash used in operating activities	(140,275)	(213,729)

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

	Note	2019 HK\$'000	2018 HK\$'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of financial assets at fair value through profit or loss		(1,992,397)	(1,359,992)
Subscription of debt investments		(1,357,000)	(2,270,935)
Deposits (released)/received		(240,000)	240,000
Acquire equity interests of associates		(18,998)	(363,850)
Proceeds (to)/from financial participation arrangement		(11,980)	90,000
Purchase of fixed assets		(4,419)	(438)
Net proceeds on disposal of listed securities		910,786	272,219
Proceeds on settlement of debt investments		724,160	822,935
Distribution/disposal from unlisted investments		357,105	2,557
Interest received		205,699	79,430
Dividend received		129,583	56,897
Distribution/redemption of unlisted investment funds		102,949	2,538
Proceeds received from a co-investment partner		16,841	–
Sales proceeds from disposal of fixed assets		38	–
Repayment from staff on staff participation program		16	–
Proceeds from disposal of available-for-sale financial assets		–	27,993
Proceeds from share repurchase by an associate		–	1,264
Net cash outflow from disposal of a subsidiary		–	(671)
Net cash used in from investing activities		(1,177,617)	(2,400,053)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of loans	36	(786,856)	–
Dividend paid	36	(117,508)	(75,896)
Repurchase of shares		(78,100)	–
Interest paid	36	(12,810)	(3,126)
Proceeds from loans	36	734,800	125,066
Receipt from exercise of share options granted		495	–
Net proceeds from placement of shares		–	2,552,599
Net cash (used in)/generated from financing activities		(259,979)	2,598,643
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(1,577,871)</b>	<b>(15,139)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>1,771,671</b>	<b>1,786,810</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		<b>193,800</b>	<b>1,771,671</b>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS</b>			
Bank and cash balances		193,800	1,771,671

For major non-cash transactions, please refer to note 28.

The notes on pages 59 to 127 form an integral part of these consolidated financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 1 GENERAL INFORMATION

OP Financial Limited (the “Company”) was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of its registered office is P.O. Box 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. The address of its principal place of business is 41st Floor, One Exchange Square, 8 Connaught Place, Central, Hong Kong. The Company’s shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. The principal activities of its subsidiaries and associates are set out in notes 33 and 15 respectively.

These consolidated financial statements are presented in thousands of Hong Kong dollars (“HKD’000”), unless otherwise stated.

## 2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

### (a) New standards and amendments to standards adopted by the Group

In the Year, the Company and its subsidiaries (the “Group”) has adopted all the relevant new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that are currently in issue and effective for its accounting year beginning on 1 April 2018. HKFRSs comprise all applicable individual Hong Kong Financial Reporting Standards (“HKFRS”), Hong Kong Accounting Standards (“HKAS”), and interpretations (“HK (IFRIC)”).

The following amendment to standards have been adopted by the Group for the first time for the financial year commencing 1 April 2018.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(continued)

### (a) New standards and amendments to standards adopted by the Group (continued)

#### HKFRS 9 “Financial instruments”

The adoption of HKFRS 9 has resulted in the restatement of the following line items. The restatements are explained in detail below.

Consolidated statement of financial position (extracted)	31 March 2018 As originally presented HK\$'000	New classification category under HKFRS 9 HK\$'000	Expected credit losses ("ECL") under HKFRS 9 HK\$'000	1 April 2018 Restated HK\$'000
<b>Non-current assets</b>				
Available-for-sale financial assets	346,804	(346,804)	–	–
Financial assets at fair value through profit or loss	352,422	346,804	–	699,226
<b>Current assets</b>				
Financial assets at fair value through profit or loss	1,082,874	–	–	1,082,874
Debt investments	1,456,000	–	(40,449)	1,415,551
<b>Capital and reserves</b>				
Investment revaluation reserve	70,668	(70,482)	–	186
Retained profits	450,039	70,482	(40,449)	480,072

HKFRS 9 replaces the provision of HKAS 39 that relate to the recognition, classification and measurement of financial assets and liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

#### (i) Impact of adoption

The adoption of HKFRS 9 from 1 April 2018 resulted in changes in accounting policies for certain financial instruments held by the Group. In accordance with the transition provisions in HKFRS 9, comparative figures of the financial information have not been restated.

On 1 April 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models applied to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The major effects resulting from this reclassification are as follows:

*Reclassification from available-for-sale financial assets ("AFS") to financial assets at fair value through profit or loss ("FVPL")*

Equity investments of HK\$346,804,000 were reclassified from AFS to FVPL as at 1 April 2018. The Group elected to account for these equity investments at FVPL. Related fair value gains of HK\$70,482,000 were transferred from investment revaluation reserve to retained profits on 1 April 2018. For the year ended 31 March 2019, net fair value losses of HK\$33,389,000 relating to these investments were recognized in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(continued)

### (a) New standards and amendments to standards adopted by the Group (continued)

#### HKFRS 9 “Financial instruments” (continued)

##### (i) Impact of adoption (continued)

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

The Group assesses ECL on financial assets which are subject to impairment under HKFRS 9 (including debt investments, accounts and loans receivable, interest receivables, other receivables and bank and cash balances). The assessment is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

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

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

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



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 2 **ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

(continued)

### (a) **New standards and amendments to standards adopted by the Group** (continued)

#### **HKFRS 9 “Financial instruments”** (continued)

##### (i) **Impact of adoption** (continued)

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

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information.

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

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

As at 1 April 2018, the directors of the Company reviewed and assessed the Group’s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

##### (ii) **Accounting policies applied from 1 April 2018**

From 1 April 2018, the Group classifies its financial assets in the following measurement categories: those to be measured subsequently at FVPL and at amortized cost. The classification depends on the Group’s business model for managing the financial assets and the contractual terms of the cash flows.

###### *Equity instruments*

The Group subsequently measures all equity investments at FVPL.

Changes in the fair value of the financial assets at FVPL are recognized in the consolidated statement of profit or loss.

Dividend and interest income from such investments continue to be recognized in profit or loss when the Group’s right to receive payments is established.

###### *Debt investments*

Debt investment is subsequently measured at amortized cost only if it is a debt investment, and the objective of the Group’s business model is to hold the asset to collect the contractual cash flows, and the asset’s contractual cash flows characteristics represent only unleveraged payments of principal and interest.

Interest income from these financial assets is included in revenue using the effective interest rate method.

From 1 April 2018, the Group assesses on a forward looking basis the ECL associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has a significant increase in credit risk.

For accounts and loans receivable, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. Based on the assessment of the management, the ECL is immaterial.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(continued)

### (a) New standards and amendments to standards adopted by the Group (continued)

#### HKFRS 9 “Financial instruments” (continued)

##### (ii) Accounting policies applied from 1 April 2018 (continued)

###### *Derivatives*

Derivative financial investments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The derivative financial investments are designated by the Group as non-hedging derivative financial investments and are classified as current assets. Changes in the fair value of any non-hedging derivative financial investments are recognized immediately in the consolidated statement of profit or loss.

###### *Other financial assets*

At initial recognition, the Group measures other financial assets at its fair value. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

#### HKFRS 15 “Revenue from Contracts with Customers”

The HKICPA has issued a new standard for the recognition of revenue. This has replaced HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The adoption of HKFRS 15 “Revenue from contracts with customers” has had an insignificant effect on the consolidated financial statements of the Group.

### (b) New standards, amendments and interpretations have been issued but not yet effective for the Year and have not been early adopted

#### HKFRS 16 “Leases”

HKFRS 16 will result in almost all leases being recognized on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group’s operating leases.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK\$111,704,000, see note 29(b). For these lease commitments, the Group expects to recognize lease commitment of approximately HK\$115,718,000 as right-of-use assets and lease liabilities of approximately HK\$109,694,000 on 1 April 2019, net current assets will be HK\$32,035,000 lower due to the presentation of a portion of the liability as a current liability.

The Group will apply the standard from its mandatory adoption date of 1 April 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs, accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain investments and derivatives which are carried at their fair values.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## **3 SIGNIFICANT ACCOUNTING POLICIES** (continued)

The consolidated financial statements are prepared in accordance with the applicable requirements of the Hong Kong Companies Ordinance (Cap. 622) for this financial year and the comparative period.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4 to the consolidated financial statements.

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

### **(a) Consolidation**

#### **(i) Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less impairment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

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

#### **(ii) Business combination**

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred. Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the fair value of non-controlling interest and the acquisition-date fair value of any previous equity interest in the acquiree over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Consolidation (continued)

#### (iii) Changes in ownership interests in subsidiaries without change of control

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

#### (iv) Disposal of subsidiaries

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

#### (v) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognized at cost, and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the investee after the date of acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognized in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of its associate's post-acquisition profit or loss is recognized in profit or loss, and its share of the post-acquisition movements in other comprehensive income is recognized in other comprehensive income with a corresponding adjustment to the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognized.

The gain or loss on disposal of an associate represents the difference between the proceeds of the sale and the Group's share of its carrying amount together with any remaining goodwill relating to the associate and also any related accumulated foreign currency translation reserve.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount adjacent to 'share of results of associates' in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associates are recognized in the Group's consolidated financial statements only to the extent of unrelated investor's interests in the associates. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 3 **SIGNIFICANT ACCOUNTING POLICIES** (continued)

### (a) **Consolidation** (continued)

#### (v) **Associates** (continued)

Dilution gains and losses arising in investments in associates are recognized in profit or loss.

In the Company's statement of financial position the investments in associates are stated at cost less impairment. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

#### (vi) **Joint arrangements**

Under HKFRS 11 "Joint arrangements" investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangement and determined its joint arrangement to be joint venture. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

### (b) **Segment reporting**

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

### (c) **Foreign currency translation**

#### (i) **Functional and presentation currency**

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

#### (ii) **Transactions and balances in each entity's financial statements**

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognized in other comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Foreign currency translation (continued)

#### (iii) Group companies

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

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

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

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

#### (d) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of fixed assets.

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

Depreciation of fixed assets is calculated at rates sufficient to allocate cost over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Motor vehicle	33 $\frac{1}{3}$ %
Computer equipment	25%
Office equipment	25%
Furniture	25%
Leasehold improvement	33 $\frac{1}{3}$ %

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses on disposals of fixed assets are the difference between the net sales proceeds and the carrying amount of the relevant assets, and are recognized in profit or loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## **3 SIGNIFICANT ACCOUNTING POLICIES** (continued)

### **(e) Impairment of non-financial assets**

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

### **(f) Financial assets**

#### **(i) Classification**

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in profit or loss.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

#### **(ii) Recognition and derecognition**

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

#### **(iii) Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Financial assets (continued)

#### (iii) Measurement (continued)

##### *Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

##### *Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the consolidated statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

#### (iv) Impairment

From 1 April 2018, the Group assesses on a forward looking basis the ECL associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## **3 SIGNIFICANT ACCOUNTING POLICIES** (continued)

### **(f) Financial assets** (continued)

#### **(v) Accounting policies applied before 1 April 2018**

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy, as stated below:

#### **(i) Classification**

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

##### *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss are either financial assets held for trading or designated in this category upon initial recognition. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

##### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'accounts and loans receivable', 'interest receivables', 'prepayments and other receivables' and 'bank and cash balances' in the consolidated statement of financial position.

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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity. The Group's debt investments are all expected to be settled within 12 months after the end of the reporting period, so they are included in current assets.

##### *Available-for-sale financial assets*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## **3 SIGNIFICANT ACCOUNTING POLICIES** (continued)

### **(f) Financial assets** (continued)

#### **(v) Accounting policies applied before 1 April 2018** (continued)

##### **(ii) Recognition and measurement**

Regular way purchases and sales of financial assets are recognized on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and debt investments are subsequently carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognized in profit or loss as part of revenue when the Group's right to receive payments is established. The interest component is reported as part of interest income.

Changes in the fair value of securities classified as available-for-sale financial assets are recognized in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognized in equity are included in profit or loss as gains/losses from available-for-sale financial assets.

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

##### **(iii) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the Group and the Company's statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 3 **SIGNIFICANT ACCOUNTING POLICIES** (continued)

### (f) **Financial assets** (continued)

#### (v) **Accounting policies applied before 1 April 2018** (continued)

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

###### *Assets carried at amortized cost*

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

If there is objective evidence that an impairment loss on loans and receivables or debt investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. If a loan or debt investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

###### *Assets classified as available-for-sale*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity investments classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from equity and recognized in profit or loss. Impairment losses recognized in profit or loss on equity instruments classified as available-for-sale financial assets are not reversed through profit or loss.

### (g) **Derivative financial instruments**

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair values. The derivative financial instruments are designated as non-hedging instruments and are classified as current assets or liabilities. Changes in the fair value of any non-hedging derivative financial instruments are recognized immediately in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 3 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (h) Accounts, loan and other receivables

Accounts, loan and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less allowance for impairment. An allowance for impairment of accounts, loan and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognized in profit or loss.

Impairment losses are reversed in subsequent periods and recognized in profit or loss when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortized cost would have been had the impairment not been recognized.

If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

### (i) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents represents cash at bank and in hand, demand deposits with banks and other financial institutions, and other short-term highly liquid investments which are readily convertible into known amounts of cash with original maturity of three months or less and subject to an insignificant risk of change in value.

### (j) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

#### (i) Deposit received, accounts, loan and other payables

Deposit received, accounts, loan and other payables are stated initially at their fair value and subsequently measured at amortized cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

#### (ii) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### (iii) Warrants

Warrants issued by the Company that will be settled by a fixed amount of cash for a fixed number of the Company's own equity instruments are an equity instrument. Otherwise, they would be classified as derivative financial instruments, which are recognized at their fair values at the date of issue.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## **3 SIGNIFICANT ACCOUNTING POLICIES** (continued)

### **(k) Revenue recognition**

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

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

- (i) Dividend income is recognized when the shareholder's right to receive payment is established.
- (ii) Performance premium is received from co-investors so as to compensate the Group for all direct and indirect costs and expenses incurred for certain investment projects and its additional effort to monitor such investment projects. Performance premium is recognized when the efforts are made and expenses are incurred.
- (iii) Interest income is recognized on a time-proportion basis using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognized using the original effective interest rate.

### **(l) Employee benefits**

#### **(i) Employee leave entitlements**

Employee entitlements to annual leave and long service leave are recognized when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognized until the time of leave.

#### **(ii) Pension obligations**

The Group participates in a mandatory provident fund scheme in Hong Kong which is a defined contribution plan available to all employees, generally funded through payments to trustee-administered funds. Contributions to the schemes by the Group are calculated as a percentage of the employees' basic salaries. The contributions are recognized as employee benefit expense when they are due.

#### **(iii) Termination benefits**

Termination benefits are payable when employment is terminated by the Group before the normal retirement date. The Group recognizes termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal.

#### **(iv) Bonus**

The expected costs of bonus payments are recognized as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligations can be made.

Liabilities for bonus are measured at the amounts expected to be paid when they are settled.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## **3 SIGNIFICANT ACCOUNTING POLICIES** (continued)

### **(m) Share capital and dividend distribution**

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

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

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

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

- including any market performance consideration (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting conditions. It recognizes the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

When the share options are exercised, the amount previously recognized in share-based payment reserve will be transferred to share capital and share premium. When the share options are forfeited or lapsed after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share-based payment reserve will be transferred to retained profits/accumulated losses.

### **(o) Current and deferred tax**

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

#### **(i) Current income tax**

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## **3 SIGNIFICANT ACCOUNTING POLICIES** (continued)

### **(o) Current and deferred tax** (continued)

#### **(ii) Deferred tax**

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

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

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, associates and joint arrangements, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Generally the Group is unable to control the reversal of the temporary difference for associates. Only when there is an agreement in place that gives the Group the ability to control the reversal of the temporary difference in the foreseeable future, deferred tax liability in relation to taxable temporary differences arising from the associate's undistributed profits is not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries, associates and joint arrangements only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

#### **(iii) Offsetting**

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

### **(p) Operating leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are accounted for as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the lease term.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## **3 SIGNIFICANT ACCOUNTING POLICIES** (continued)

### **(q) Related parties**

A party is related to the Group if:

- (i) directly or indirectly through one or more intermediaries, the party controls, is controlled by, or is under common control with, the Group; has an interest in the Group that gives it significant influence over the Group; or has joint control over the Group;
- (ii) the party is an associate;
- (iii) the party is a joint venture;
- (iv) the party is a member of the key management personnel of the Company or its parent;
- (v) the party is a close member of the family of any individual referred to in (i) or (iv);
- (vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or
- (vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

### **(r) Provisions and contingent liabilities**

Provisions are recognized for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made.

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

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

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 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 is remote.

### **(s) Events after the reporting period**

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

### **(t) Borrowing costs**

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 4 **CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

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

### (a) **Tax**

Significant estimates are required in determining the provision for tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax provisions in the period in which such determination is made. For details please refer to note 9 to the consolidated financial statements.

### (b) **Fair value estimation of financial instruments not quoted in an active market**

As indicated in notes 5, 16 and 17 to the consolidated financial statements, the Group selects appropriate valuation techniques for financial instruments not quoted in an active market. The fair values of unlisted investments are determined in accordance with generally accepted pricing models such as Discounted Cash Flow Method. The values assigned to these unlisted investments are based upon available information and do not necessarily represent amounts which might ultimately be realized, since such amounts depend on future circumstances and cannot be reasonably determined until the individual position is realized.

### (c) **Fair value estimation of share options**

The Group determines the fair value of its share options by using the Binomial Option valuation model which requires input of subjective assumptions as disclosed in note 25. Any change in the subjective input assumptions may materially affect the fair value of an option.

### (d) **Impairment assessment on debt investments**

The Group performs ongoing credit evaluation of debt investments and its current creditworthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its investees and the fair value of respective collaterals obtained by the Group, if any. If the financial conditions of the investees of the Group deteriorate, resulting in an impairment of their ability to make payments, an allowance may be considered. As at 31 March 2019, the carrying amount of debt investments is approximately HK\$2,025,479,000 (2018: HK\$1,456,000,000).

### (e) **Assessment of investment entities**

In preparing the consolidated financial information, significant judgment has been applied by the management in the determination of the Company's status as an investment entity under Amendments to HKFRS 10, "Consolidated Financial Statements". Management have assessed the definition of an investment entity under HKFRS 10, "Consolidated Financial Statements" and given that the performance of the investments in associates are not measured on a fair value basis, management have concluded that the Company does not fall within the definition of an investment entity under HKFRS 10.

### (f) **Classification of revenue**

Management applies judgement in determining commercial substance of the revenue received, which determine the classification of revenue in the consolidated statement of profit and loss and other comprehensive income.

### (g) **Fair value of underlying investments of investments accounted for using equity method**

As indicated in footnotes (4) and (8) of note 15 to the consolidated financial statement, the Group determines the value of the underlying investments of an associate and a joint venture using market comparison approach and discounted cash flow respectively. The values assigned to these investments are based upon available information and do not necessarily represents amounts which might ultimately be realized, since such amounts depend on future circumstance and cannot be reasonably determined until the individual position is realized.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 5 FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

	Group	
	2019 HK\$'000	2018 HK\$'000
<b>Financial assets</b>		
Available-for-sale financial assets	–	346,804
Financial assets at fair value through profit or loss	2,258,190	1,435,296
Debt investments	2,025,479	1,456,000
Loans and receivables		
Accounts, loans receivables and others	225,805	107,816
Bank deposits and cash balances	193,800	1,771,671
<b>Financial liabilities</b>		
Accounts payable	11,000	69,353
Other payables	20,491	14,694
Deposit received	–	240,000
Loan payable	71,558	127,975
Financial liabilities at fair value through profit or loss	101,991	88,282

### (b) Financial risk management

The Group's activities expose it to a variety of financial risks: foreign currency risk, interest rate risk, equity price risk, credit risk and liquidity risk. The Board of Directors (the "Board") meets periodically to analyze and formulate strategies to manage the Group's exposure to these risks to ensure appropriate measures are implemented on a timely and effective manner. The Group has not used any derivatives or other instruments for hedging purpose.

The financial risks to which the Group is exposed to are described below.

#### (i) Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

At 31 March 2019, the Group exposure to foreign currency risk from financial instruments that are monetary items including investments recognized in financial assets at fair value through profit or loss, loan and other receivables, bank balances, other payables (2018: financial assets at fair value through profit or loss, loan and interest receivables, bank balances, account and other payables). These assets were denominated in RMB and the maximum exposure to foreign currency risk was RMB284,589,000, equivalent to HK\$332,215,000 (2018: RMB406,108,000, equivalent to HK\$502,944,000).

#### *Sensitivity analysis*

At 31 March 2019, if the RMB exchange rate has been 50 basis points higher/lower with all other variables held constant, the profit for the Year would have increased/decreased by approximately HK\$1,661,000 (2018: HK\$2,515,000).

At 31 March 2019, the Group holds certain financial assets which were denominated in USD. The board is of the opinion that the Group's exposure to USD foreign currency risk is minimal as HKD has been pegged to USD by the Hong Kong's Linked Exchange Rate System.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 5 **FINANCIAL INSTRUMENTS** (continued)

### (b) **Financial risk management** (continued)

#### (ii) **Interest rate risk**

The Group's exposure to interest rate risk arises from its bank deposits (2018: bank deposits and loan payables). At 31 March 2019, the Group's bank balances was HK\$193,800,000 (2018: bank balances, net of interest-bearing loan payable HK\$1,719,613,000). A change in interest rate levels within the range foreseen by the directors for the next twelve months could have an impact on the Group.

The Board are of the opinion that the debt investments, loans receivable and other receivables held by the Group as at 31 March 2019 were all with fixed interest rates in the current period and the Company is holding these investments with a view to collect solely the payments of principal and interest. Hence the reasonable possible shift of market interest rate does not have a significant impact to the expected returns. The interest rate risk to these financial assets are considered to be insignificant.

The directors review the Group's cash flow interest rate risk exposure regularly and consider the present interest rate risk to be manageable.

#### *Sensitivity analysis*

At 31 March 2019, if the interest rates had been 25 basis points higher/lower with all other variables held constant, profit for the Year would have increased/decreased by approximately HK\$485,000 (2018: HK\$4,299,000).

#### (iii) **Equity price risk**

The Group is exposed to equity price risk through its equity investments recognized in financial assets at fair value through profit or loss. The Board manages this exposure by maintaining a portfolio of investments with different risk and return profiles.

#### *Sensitivity analysis*

At 31 March 2019, if the price of the Group's financial assets at fair value through profit or loss had been 10% higher/lower with all other variables held constant, the profit for the Year would have increased/decreased by approximately HK\$224,445,000 (2018: approximately HK\$141,580,000). The investment revaluation reserve would have no impact for 2019 (2018: the investment revaluation reserve would have increased/decreased by approximately HK\$34,680,000).

#### (iv) **Credit risk**

At 31 March 2019, the Group's maximum exposure to credit risk in the event of the counterparties fail to perform their obligations in relation to each class of recognized financial assets is the carrying amount of these assets as stated in the consolidated statement of financial position.

The Group's credit risk on bank balances is limited because most of the counterparties are banks with investment-grade credit-ratings assigned by international credit-rating agencies.

The Group exposed to the credit risk if the counterparty to a financial instrument would fail to perform its obligation. The Group considers its exposure to credit risk increased because of the higher investment amount in debt securities. The Group's credit risk on debt securities held, debt investments and accounts receivable are manageable because the directors has overall responsibility for the Group's credit policies and oversees the credit quality of the debt portfolio. The management has established policies and systems to monitor the credit risk. The management also delegated investment teams responsible for monitoring processes to ensure that follow-up actions are taken to recover doubtful debts. Financial positions of the underlying companies are closely monitored by regularly reviewing their financial and operation results and assessing their abilities to fulfill the repayment obligations.

In order to minimize the credit risk, the Group reviews the recoverable amount of each loans receivable, dividend and interest receivables, prepayment and other receivables at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is manageable.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 5 FINANCIAL INSTRUMENTS (continued)

### (b) Financial risk management (continued)

#### (iv) Credit risk (continued)

The Group uses three categories for debt investments, accounts, loans receivables and others which reflect their credit risk and how the ECL provision is determined for each of those categories. The credit loss allowance includes ECLs for financial instruments that may default in the next 12-month period for financial instruments that have not observed a significant increase in credit risk since initial recognition ("stage 1") or over a lifetime period for financial instruments that have observed a significant increase in credit risk since initial recognition ("stage 2"). The allowance also includes lifetime ECLs for financial instruments where there is objective evidence of credit-impairment at the reporting date ("stage 3").

The gross carrying amount of debt investments, accounts, loans receivables and others, and thus the maximum exposure to loss, is as follows:

	2019 HK\$'000
<b>Debt investments</b>	
Stage 1 – Unimpaired and without significant increase in credit risk	2,088,840
Stage 2 – Significant increase in credit risk	–
Stage 3 – Credit-impaired	–
<b>Total gross debt investments</b>	2,088,840
Less: ECL provision	(63,361)
<b>Debt investments, net of expected credit losses</b>	2,025,479
<b>Accounts, loans receivables and others</b>	
Stage 1 – Unimpaired and without significant increase in credit risk	205,610
Stage 2 – Significant increase in credit risk	–
Stage 3 – Credit-impaired	70,041
<b>Total gross accounts, loans receivables and others</b>	275,651
Less: ECL provision	(49,846)
<b>Accounts, loans receivables and others, net of expected credit losses</b>	225,805

The following table reconciles the movement in ECL between the beginning and the end of the financial year:

	Stage 1 12 month ECL HK\$'000	Stage 2 Lifetime ECL HK\$'000	Stage 3 Lifetime ECL HK\$'000	Total HK\$'000
<b>Debt investments</b>				
ECL as at 1 April 2018	40,449	–	–	40,449
Addition during the Year	40,418	–	–	40,418
Settlement during the Year	(17,506)	–	–	(17,506)
ECL as at 31 March 2019	63,361	–	–	63,361
<b>Accounts, loans receivables and others</b>				
ECL as at 1 April 2018	–	–	–	–
Addition during the Year	–	–	49,775	49,775
Exchange difference	–	–	71	71
ECL as at 31 March 2019	–	–	49,846	49,846

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 5 **FINANCIAL INSTRUMENTS** (continued)

### (b) **Financial risk management** (continued)

#### (v) **Liquidity risk**

Liquidity risk is the risk that the Group cannot meet its current obligations as they fall due. For managing liquidity risk, the Group monitors and maintains a sufficient level of cash and cash equivalents adequate to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The directors review and monitor its working capital requirements regularly. At 31 March 2019, the Group held cash and cash equivalents of HK\$193,800,000 (2018: HK\$1,771,671,000) which were considered adequate for working capital management.

The following tables set out the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables are drawn up based on the undiscounted cash flows of financial liabilities and the earliest dates on which the Group can be required to pay.

	<b>Less than one year or on demand HK\$'000</b>
<hr/>	
<b>At 31 March 2019</b>	
<b>Accounts payable</b>	11,000
<b>Other payables</b>	20,491
<b>Loan payable (note)</b>	71,558
	<hr/>
	103,049
<hr/>	
<b>At 31 March 2018</b>	
Accounts payable	69,353
Other payables	14,694
Deposit received	240,000
Loan payable (note)	127,975
	<hr/>
	<b>452,022</b>
<hr/>	

Note: Included in the above loan payable is a non-interest bearing third party loan (2018: a non-interest bearing third party loan and an interest-bearing margin facility loan from a financial institution situated in Hong Kong). The third party loan is repayable on demand upon request.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## **5 FINANCIAL INSTRUMENTS** (continued)

### **(c) Fair values estimation**

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts.

The fair value of financial instruments traded in active markets is based on quoted market prices for identical instruments at the reporting date. A market is regarded as active if quoted prices are readily and regularly available, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1. The Group adopted HKFRS 13 and continued to use quoted price as the valuation basis for listed equity investments.

Other unlisted equity investments/exchangeable bond, unlisted investment funds, unlisted limited partnership and unlisted debt investments are stated at their fair values, which are determined by reference to the valuation in accordance with generally accepted valuation methodologies or the prices quoted by fund administrators.

The following disclosures of fair value measurements use a fair value hierarchy which has 3 levels.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 5 FINANCIAL INSTRUMENTS (continued)

### (c) Fair values estimation (continued)

#### Disclosures of level in fair value hierarchy at 31 March 2019

Fair value measurement using:

Description	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss				
Listed equity securities	189,607	–	–	189,607
Unlisted equity investments/ exchangeable bond	–	–	1,965,156	1,965,156
Unlisted investment funds/limited partnership	–	41,871	47,814	89,685
Unlisted debt investments	–	–	13,742	13,742
<b>Total</b>	<b>189,607</b>	<b>41,871</b>	<b>2,026,712</b>	<b>2,258,190</b>
Financial liabilities at fair value through profit or loss	–	–	(101,991)	(101,991)

#### Reconciliation of assets measured at fair value based on level 3:

Description	Year ended 31 March 2019							
	Financial assets at fair value through profit or loss			Available-for-sale financial assets		Total assets HK\$'000	Financial liabilities at fair value through profit or loss HK\$'000	Total liabilities HK\$'000
	Unlisted equity investments/ exchangeable bond HK\$'000	Unlisted investment funds/limited partnership HK\$'000	Unlisted debt investments HK\$'000	Unlisted equity investments HK\$'000				
At the beginning of the Year	835,299	10,280	19,500	338,679	1,203,758	(88,282)	(88,282)	
Total gains or losses recognized – in profit or loss (#)	(127,382)	24,763	(5,758)	–	(108,377)	(12,986)	(12,986)	
Purchases/Additions	1,357,850	15,690	–	–	1,373,540	(30,307)	(30,307)	
Disposals/Distributions	(439,290)	(2,919)	–	–	(442,209)	29,584	29,584	
Reclassification	338,679	–	–	(338,679)	–	–	–	
<b>At the end of the Year</b>	<b>1,965,156</b>	<b>47,814</b>	<b>13,742</b>	<b>–</b>	<b>2,026,712</b>	<b>(101,991)</b>	<b>(101,991)</b>	
(#) Total gains or losses included in profit or loss that is attributable to the change in unrealized gains or losses relating to those assets and liabilities held at the end of reporting period	(158,938)	24,387	(5,758)	–	(140,309)	(58,465)	(58,465)	

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 5 FINANCIAL INSTRUMENTS (continued)

### (c) Fair values estimation (continued)

#### Disclosures of level in fair value hierarchy at 31 March 2018

Fair value measurement using:

Description	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Financial assets at fair value through profit or loss				
Listed equity securities	460,724	–	–	460,724
Unlisted equity investments/ exchangeable bond	–	–	835,299	835,299
Unlisted investment funds/limited partnership	–	109,493	10,280	119,773
Unlisted debt investments	–	–	19,500	19,500
Available-for-sale financial assets				
Listed equity securities	8,125	–	–	8,125
Unlisted equity investments	–	–	338,679	338,679
<b>Total</b>	<b>468,849</b>	<b>109,493</b>	<b>1,203,758</b>	<b>1,782,100</b>
Financial liabilities at fair value through profit or loss				
	–	–	(88,282)	(88,282)

#### Reconciliation of assets measured at fair value based on level 3:

Description	Year ended 31 March 2018							
	Financial assets at fair value through profit or loss			Available-for-sale financial assets		Total assets HK\$'000	Financial liabilities at fair value through profit or loss HK\$'000	Total liabilities HK\$'000
	Unlisted equity investments/ exchangeable bond HK\$'000	Unlisted investment funds/limited partnership HK\$'000	Unlisted debt investments HK\$'000	Unlisted equity investments HK\$'000				
At the beginning of the year	223,549	6,863	27,500	313,121	571,033	(25,353)	(25,353)	
Total gains or losses recognized								
– in profit or loss (#)	83,355	(280)	–	–	83,075	37,861	37,861	
– in other comprehensive income	–	–	–	49,696	49,696	–	–	
Purchases/Additions	528,395	6,235	–	–	534,630	(100,790)	(100,790)	
Disposals/Distributions	–	(2,538)	(8,000)	(24,138)	(34,676)	–	–	
At the end of the year	835,299	10,280	19,500	338,679	1,203,758	(88,282)	(88,282)	
(#) Total gains or losses included in profit or loss that is attributable to the change in unrealized gains or losses relating to those assets and liabilities held at the end of reporting period	83,355	(280)	–	–	83,075	37,861	37,861	

# For financial assets at fair value through profit or loss, the total gains or losses recognized, including those for assets held at the end of reporting period, are presented in profit or loss in “net change in unrealized loss/gain on financial assets at fair value through profit or loss”. For available-for-sale financial assets, these amounts are presented in other comprehensive income in “available-for-sale financial assets: fair value changes”.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 5 FINANCIAL INSTRUMENTS (continued)

### (c) Fair values estimation (continued)

The consolidated financial statements include holdings in unlisted financial instruments which are measured at fair value. Fair value is estimated using generally accepted pricing models, which included some assumptions that are not supportable by observable market rates. In determining the fair value, certain unobservable inputs and a risk adjusted discount factor were used.

Description	Fair value at 31 March 2019 HK\$'000	Fair value at 31 March 2018 HK\$'000	Fair value hierarchy	Valuation techniques	Unobservable inputs	31 March 2019 Range	31 March 2018 Range	Relationship of unobservable inputs to fair value
<i>Financial assets at fair value through profit or loss</i>								
Unlisted equity investments	1,143,659	53,507	Level 3	Latest transaction price	N/A	N/A	N/A	N/A
Unlisted partnership interest	-	2,854*	Level 3	Share of net assets	N/A	N/A	N/A	N/A
Unlisted equity investments	27,703	24,769	Level 3	Market comparable companies (2018: latest transaction price)	Earnings multiples (2018: N/A)	1.6x-5.5x	N/A	The higher the multiples, the higher the fair value (2018: N/A)
					Discount rate for lack of marketability (2018: N/A)	40%	N/A	The higher the discount rate, the lower the fair value (2018: N/A)
Unlisted equity investments	43,794	97,232	Level 3	Market comparable companies	Earnings multiples	14.7x-27.9x	12.3x-78.6x	The higher the multiples, the higher the fair value
					Discount rate for lack of marketability	30%	30%	The higher the discount rate, the lower the fair value
Unlisted equity investment	64,090	127,291*	Level 3	Latest transaction price (2018: discounted cash flow)	N/A (2018: discount rate)	N/A	16.61%	N/A (2018: the higher the discount rate, the lower the fair value)
					N/A (2018: forecast oil price)	N/A	US\$62.00 to US\$65.00 per barrel for 2018 to 2022	N/A (2018: the higher the oil price, the higher the fair value)
Unlisted partnership interests	236,786	235,410	Level 3	Share of net assets (2018: latest transaction price)	N/A	N/A	N/A	N/A

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 5 FINANCIAL INSTRUMENTS (continued)

### (c) Fair values estimation (continued)

Description	Fair value at	Fair value at	Fair value hierarchy	Valuation techniques	Unobservable Inputs	31 March 2019	31 March 2018	Relationship of unobservable inputs to fair value
	31 March 2019	31 March 2018				Range	Range	
	HK\$'000	HK\$'000						
Unlisted non-voting preference shares	123,454	257,442	Level 3	Share of net assets	N/A	N/A	N/A	N/A
Unlisted non-voting preference shares	57,909	51,709*	Level 3	Discounted cash flow	Discount rate	12.42%	13.20%	The higher the discount rate, the lower the fair value
					Long term growth rate	3%	3%	The higher the growth rate, the higher the fair value
Unlisted preference shares	156,885	156,825*	Level 3	Latest transaction price	N/A	N/A	N/A	N/A
Unlisted partnership interests	9,947	10,280	Level 3	Share of net assets	N/A	N/A	N/A	N/A
Unlisted partnership interests	37,867	-	Level 3	Share of net assets	N/A	N/A	N/A	N/A
Unlisted promissory notes	13,742	19,500	Level 3	Amortized cost	N/A	N/A	N/A	N/A
Unlisted exchangeable bond	110,876	166,939	Level 3	Market comparable companies (2018: Amortized cost)	Earnings multiples (2018: N/A)	11.8x-22.3x	N/A	The higher the multiples, the higher the fair value (2018: N/A)
					Discount rate for lack of marketability (2018: N/A)	30%	N/A	The higher the discount rate, the lower the fair value (2018: N/A)
	2,026,712	1,203,758						

\* classified as available-for-sale financial assets as at 31 March 2018

The change in valuation disclosed in the above table shows the direction an increase or decrease in the respective input variables would have on the valuation result.

No interrelationships between unobservable inputs used in the Group's valuation of its Level 3 investments have been identified.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 6 TURNOVER AND REVENUE

Turnover represents the aggregate of dividend income, performance premium from co-investment partner, interest income and gross sales proceeds from disposal of equity investments.

Turnover and revenue recognized during the Year are analyzed as follows:

	2019 HK\$'000	2018 HK\$'000
Dividend income	6,483	7,077
Performance premium from co-investment partner	–	15,639
Interest income	221,409	102,721
<b>Revenue</b>	<b>227,892</b>	<b>125,437</b>
Gross sales proceeds from disposal of equity investments	1,556,256	305,307
<b>Turnover</b>	<b>1,784,148</b>	<b>430,744</b>

## 7 SEGMENT INFORMATION

The chief operating decision maker has been identified as the executive directors, subject to requirements of the Listing Rules. The executive directors assess the operating segments using a measure of operating profit. The Group's measurement policies for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements.

On adopting of HKFRS 8, based on the internal financial information reported to the executive directors for decisions about resources allocation to the Group's business components and review of these components' performance, the Group has identified only one operating segment, being investment holding. Accordingly, segment disclosures are not presented.

Geographical information:

	2019 HK\$'000	2018 HK\$'000 (Restated)
<b>Revenue</b>		
Hong Kong	150,554	98,895
Mainland China	73	19,691
United States of America	77,265	6,851
	<b>227,892</b>	<b>125,437</b>

In presenting the geographical information, revenue is based on the location of the investments or the investment partners.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 7 SEGMENT INFORMATION (continued)

### Non-current assets other than financial instruments

	2019 HK\$'000	2018 HK\$'000 (Restated)
Hong Kong	118,095	161,754
Mainland China	1,041,546	857,662

Information about major investments:

During the Year, interest income received from five of the Group's debt investments, which individually accounted for 10% or more of the Group's total revenue amounted to approximately HK\$43,699,000, HK\$29,594,000, HK\$26,667,000, HK\$24,955,000 and HK\$24,308,000 respectively.

During the year ended 31 March 2018, interest income received from one of the Group's debt investments and performance premiums derived from one of the Group's unlisted investments, which individually accounted for 10% or more of the Group's total revenue amounted to approximately HK\$49,233,000 and HK\$15,639,000 respectively.

## 8 FINANCE COSTS

	2019 HK\$'000	2018 HK\$'000
Interest on bank loans and other borrowings	10,478	3,126

The effective interest rate of bank loans and other borrowings was approximately 6.59% (2018: 4.58%) for the Year.

## 9 TAXATION

- (a) On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the flat rate of 16.5%.

The directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

Taxation on overseas profit has been calculated on the estimated assessable profit for the Year at the rates of taxation prevailing in that overseas country.

	2019 HK\$'000	2018 HK\$'000
Hong Kong Profits Tax	25,570	–
Over-provision of Hong Kong Profits Tax for previous year	–	(4,025)
Deferred tax assets recognized	(5,101)	(3,133)
	20,469	(7,158)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 9 TAXATION (continued)

(b) The reconciliation between the income tax and the product of profit before tax multiplied by the domestic tax rates applicable to profits of the consolidated entities is as follows:

	2019 HK\$'000	2018 HK\$'000
Profit before tax	277,159	136,262
Tax calculated at domestic tax rates applicable to profits in the respective countries	45,731	22,483
Tax effect of income that is not taxable	(86,043)	(26,952)
Tax effect of deemed taxable profit	4,780	–
Tax effect of expenses that are not deductible	65,800	4,255
Tax effect of temporary differences not recognized	(5,953)	660
Tax effect of tax losses not recognized	–	122
Tax effect of utilization of tax losses not previously recognized	(3,846)	(3,701)
Over-provision of Hong Kong Profits Tax for previous year	–	(4,025)
<b>Taxation</b>	<b>20,469</b>	<b>(7,158)</b>

## 10 PROFIT FOR THE YEAR

The Group's profit for the Year is stated after charging the following:

	2019 HK\$'000	2018 HK\$'000
Auditor's remuneration		
– Audit	1,846	1,437
– Others	376	365
	2,222	1,802
Depreciation	828	138
Investment management fee (note 30(a))	13,800	55,866
Operating lease payments in respect of office premises	10,760	9,348
Staff costs (including directors' emoluments)		
Salaries and other benefits	59,202	58,447
Mandatory provident fund contributions	641	550
Equity-settled share-based compensation	12,200	7,116
	<b>72,043</b>	<b>66,113</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 11 DIVIDENDS

The Board recommend the payment of a final dividend of HK\$0.046 per share for the Year to the shareholders whose names are registered on the register of members of the Company at the close of business on 30 August 2019. The proposed final dividend will be paid on 11 September 2019 following the approval at the forthcoming annual general meeting of the Company.

The Board recommended the payment of a final dividend of HK\$0.04 per ordinary share for the year ended 31 March 2018 to the shareholders whose names are registered on the register of members of the Company at the close of business on 3 September 2018. The final dividend was approved by the shareholders of the Company at the Annual General Meeting held on 28 August 2018, and was paid on 7 September 2018.

## 12 EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit for the Year by the weighted average number of ordinary shares in issue less treasury shares during the Year.

	2019	2018
Profit for the Year (HK\$'000)	256,690	143,420
Weighted average number of ordinary shares in issue less treasury shares (in thousand)	2,935,413	2,116,958
Basic earnings per share	HK\$0.0874	HK\$0.0677

### (b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the Year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

	2019	2018
Profit for the Year (HK\$'000)	256,690	143,420
Weighted average number of ordinary shares in issue less treasury shares (in thousand)	2,935,413	2,116,958
Adjustments for share options (in thousand)	21,386	18,351
	2,956,799	2,135,309
Diluted earnings per share	HK\$0.0868	HK\$0.0672

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 13 DIRECTORS AND SENIOR MANAGEMENT'S EMOLUMENTS

### (a) Directors' emoluments

The emoluments paid or payable to directors in respect of their services as a director, whether of the Company or its subsidiary undertaking during the Year were as follows:

Name of director	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
<b>Executive directors</b>				
ZHANG Zhi Ping	–	130	7	137
ZHANG Gaobo	–	130	6	136
LIU Zhiwei (resigned on 29 June 2018)	61	–	–	61
ZHANG Weidong	–	5,329	18	5,347
<b>Non-executive director</b>				
Wu Zhong	9,499	–	–	9,499
Chen Yuming (appointed on 29 June 2018)	189	–	–	189
Fu Weigang (appointed on 29 June 2018)	189	–	–	189
<b>Independent non-executive directors</b>				
KWONG Che Keung, Gordon	250	–	–	250
HE Jia	250	–	–	250
WANG Xiaojun	250	–	–	250
	10,688	5,589	31	16,308

The emoluments paid or payable to directors in respect of their services as a director, whether of the Company or its subsidiary undertaking during the year ended 31 March 2018 were as follows:

Name of director	Fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits scheme contributions HK\$'000	Total HK\$'000
<b>Executive directors</b>				
ZHANG Zhi Ping	–	130	7	137
ZHANG Gaobo	–	130	6	136
LIU Zhiwei	250	–	–	250
ZHANG Weidong	–	4,733	18	4,751
<b>Non-executive director</b>				
Wu Zhong	4,160	–	–	4,160
<b>Independent non-executive directors</b>				
KWONG Che Keung, Gordon	250	–	–	250
HE Jia	250	–	–	250
WANG Xiaojun	250	–	–	250
	5,160	4,993	31	10,184

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 13 DIRECTORS AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

### (a) Directors' emoluments (continued)

The executive directors' emoluments disclosed above include their services in connection with the management of the affairs of the Company and the Group.

The fees paid to non-executive and independent non-executive directors shown above were for their services as directors of the Company.

There was no arrangement under which the directors waived or agreed to waive any remuneration during the years.

Certain directors were granted share options, in respect of their services to the Group under the share option scheme of the Company. Details of the share option scheme are set out in note 25.

During the Year, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors, nor any are payable (2018: Nil). No consideration was provided to or receivable by third parties for making available directors' services (2018: Nil). There are no loans, quasi-loans and other dealing arrangements in favour of the directors, their controlled body corporates and connected entities (2018: Nil).

Except as disclosed in "connected transactions" in the Directors' Report and note 30, the directors of the Company had no other material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the Year or at any time during both years.

The emoluments of the directors fell within the following bands:

	2019 Number of directors	2018 Number of directors
HK\$Nil – HK\$1,000,000	8	6
HK\$1,000,001 – HK\$1,500,000	–	–
HK\$1,500,001 – HK\$2,000,000	–	–
HK\$2,000,001 – HK\$2,500,000	–	–
HK\$2,500,001 – HK\$3,000,000	–	–
HK\$3,000,001 – HK\$3,500,000	–	–
HK\$3,500,001 – HK\$4,000,000	–	–
HK\$4,000,001 – HK\$4,500,000	–	1
HK\$4,500,001 – HK\$5,000,000	–	1
HK\$5,000,001 – HK\$5,500,000	1	–
HK\$5,500,001 – HK\$6,000,000	–	–
HK\$6,000,001 – HK\$6,500,000	–	–
HK\$6,500,001 – HK\$7,000,000	–	–
HK\$7,000,001 – HK\$7,500,000	–	–
HK\$7,500,001 – HK\$8,000,000	–	–
HK\$8,000,001 – HK\$8,500,000	–	–
HK\$8,500,001 – HK\$9,000,000	–	–
HK\$9,000,001 – HK\$9,500,000	1	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 13 DIRECTORS AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

### (b) Senior management's emoluments

Of the five individuals whose emoluments were the highest in the Group for the Year, 2 of them (2018: 1) was director. The emoluments of the 5 highest paid individuals are as follows:

	2019 HK\$'000	2018 HK\$'000
Salaries and other benefits (including share-based compensation)	21,271	15,825
Retirement benefits scheme contributions	72	84
Discretionary bonuses	7,630	12,207
	<b>28,973</b>	<b>28,116</b>

During the year ended 31 March 2019 and 31 March 2018, no emoluments were paid by the Group to any of the directors or the highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

The emoluments of the 5 highest paid individuals fell within the following bands:

	2019 Number of individual	2018 Number of individual
HK\$Nil – HK\$1,000,000	–	–
HK\$1,000,001 – HK\$1,500,000	–	–
HK\$1,500,001 – HK\$2,000,000	–	–
HK\$2,000,001 – HK\$2,500,000	–	–
HK\$2,500,001 – HK\$3,000,000	–	–
HK\$3,000,001 – HK\$3,500,000	–	–
HK\$3,500,001 – HK\$4,000,000	1	–
HK\$4,000,001 – HK\$4,500,000	–	2
HK\$4,500,001 – HK\$5,000,000	–	–
HK\$5,000,001 – HK\$5,500,000	2	–
HK\$5,500,001 – HK\$6,000,000	1	1
HK\$6,000,001 – HK\$6,500,000	–	1
HK\$6,500,001 – HK\$7,000,000	–	1
HK\$7,000,001 – HK\$7,500,000	–	–
HK\$7,500,001 – HK\$8,000,000	–	–
HK\$8,000,001 – HK\$8,500,000	–	–
HK\$8,500,001 – HK\$9,000,000	–	–
HK\$9,000,001 – HK\$9,500,000	1	–



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 14 FIXED ASSETS

	Motor Vehicle HK\$'000	Computer equipment HK\$'000	Office equipment HK\$'000	Furniture HK\$'000	Leasehold improvement HK\$'000	Total HK\$'000
<b>Cost</b>						
At 1 April 2017	200	217	11	145	–	573
Additions	–	429	–	9	–	438
At 31 March 2018	200	646	11	154	–	1,011
Additions	777	367	105	424	2,746	4,419
Disposal	(200)	–	–	–	–	(200)
At 31 March 2019	777	1,013	116	578	2,746	5,230
<b>Accumulated depreciation</b>						
At 1 April 2017	61	121	11	86	–	279
Charge for the year	66	53	–	19	–	138
At 31 March 2018	127	174	11	105	–	417
Charge for the Year	243	195	6	51	333	828
Disposal	(133)	–	–	–	–	(133)
At 31 March 2019	237	369	17	156	333	1,112
<b>Carrying amount</b>						
<b>At 31 March 2019</b>	<b>540</b>	<b>644</b>	<b>99</b>	<b>422</b>	<b>2,413</b>	<b>4,118</b>
At 31 March 2018	73	472	–	49	–	594

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 15 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

	2019 HK\$'000	2018 HK\$'000
Associates	990,756	859,434
Joint ventures	156,533	156,255
	<b>1,147,289</b>	<b>1,015,689</b>

Details of the Group's associates and joint ventures at 31 March 2019 are as follows:

Name of entity	Business structure	Place of incorporation and operation	Particular of interest held	Percentage of interest	Principal activity	Cost HK\$'000	Carrying amount HK\$'000	Net assets attributable to the Group HK\$'000
<b>Associates</b>								
CSOP Asset Management Limited ("CSOP")	Corporate	Hong Kong	60,000,000 (2018: 60,000,000) ordinary shares	30% (note 1) (2018: 30%)	Asset management and investment holding	60,000 (2018: 60,000)	98,690 (2018: 150,320)	98,690 (2018: 150,320)
Guotai Junan Fund Management Limited	Corporate	Hong Kong	2,990,000 (2018: 2,990,000) ordinary shares	29.9% (2018: 29.9%)	Asset management and trading in securities	2,990 (2018: 2,990)	6,940 (2018: 6,792)	6,940 (2018: 6,792)
OPIM Holdings Limited	Corporate	British Virgin Islands	3,000 (2018: 3,000) ordinary shares	30% (2018: 30%)	Asset management	1,469 (2018: 1,469)	113 (2018: 915)	113 (2018: 915)
Henan CCOP New Life Service Limited ("CCOP New Life")	Corporate	China	– (2018: RMB15,000,000) contribution	– (note 2) (2018: 30%)	Investment holding	– (2018: 16,954)	– (2018: 11,621)	– (2018: 11,621)
BE Financial Service (Beijing) Investment Holdings Limited ("BEFS")	Corporate	China	RMB40,000,000 (2018: RMB40,000,000) contribution	20% (note 3) (2018: 20%)	Investment holding	46,640 (2018: 46,640)	51,288 (2018: 49,175)	51,288 (2018: 49,175)
Treasure Up Ventures Limited ("TUVL")	Corporate	The Republic of Seychelles	50 (2018: 50) ordinary shares	25% (note 4) (2018: 25%)	Investment holding	351,671 (2018: 351,671)	688,737 (2018: 490,736)	688,737 (2018: 490,736)
South South Green Energy Limited	Corporate	Hong Kong	3 (2018: 3) ordinary shares	30% (2018: 30%)	Dormant	– (2018: –)	– (2018: –)	– (2018: –)
東英騰華融資租賃(深圳)有限公司 ("東英騰華")	Corporate	China	RMB60,000,000 (2018: RMB60,000,000) contribution	30% (note 5) (2018: 30%)	Lease investments	71,160 (2018: 71,160)	73,137 (2018: 74,159)	73,137 (2018: 74,159)
上海赫奇企業管理諮詢有限公司 ("上海赫奇")	Corporate	China	RMB61,172,118 (2018: RMB61,172,118) contribution	23.52% (note 6) (2018: 23.52%)	Investment holding	72,841 (2018: 72,841)	71,297 (2018: 75,716)	71,297 (2018: 75,716)
粵港澳大灣區昆侖投資基金管理有限公司 ("昆侖投資基金")	Corporate	China	HK\$600,000 (2018: –) contribution	30% (note 9) (2018: –)	Dormant	600 (2018: –)	554 (2018: –)	554 (2018: –)
<b>Joint ventures</b>								
Shen Jiang L.P.	Limited partnership	Cayman Islands	US\$1 (2018: US\$1) contribution	50% (2018: 50%)	Investment holding	– (2018: –)	– (2018: –)	– (2018: –)
Magoot Investment L.P.	Limited partnership	British Virgin Islands	US\$1 (2018: US\$1) contribution	50% (note 7) (2018: 50%)	Dormant	– (2018: –)	– (2018: –)	– (2018: –)
OP EBS Fintech Investment L.P. ("OP EBS Fintech")	Limited partnership	Cayman Islands	US\$20,000,000 (2018: US\$20,000,000) contribution	40% (note 8) (2018: 40%)	Investment holding	156,255 (2018: 156,255)	156,533 (2018: 156,255)	156,533 (2018: 156,255)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 15 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Note:

1. On 31 August 2017, the shareholders of CSOP entered into a share repurchase agreement with CSOP. CSOP repurchased an aggregate of 53,333,333 ordinary shares at HK\$1.58 per ordinary share from its shareholders, of which 800,000 ordinary shares from the Company. The Group's effective interest in CSOP changes from 24% to 30%.

During the Year, CSOP declared dividends and the Company was entitled to HK\$65,400,000 cash dividend. The payment date has yet decided by CSOP and it is recorded as dividend receivable (note 19) as at 31 March 2019.

During the year ended 31 March 2018, CSOP declared 2016 dividends and the Company was entitled to HK\$31,440,000 cash dividend. It was received in November 2017.

2. The Company through a subsidiary, OP New Life Limited ("OP New Life"), entered into an equity transfer agreement in relation to the acquisition of equity interests in CCOP New Life, a sino-foreign equity joint venture enterprise in the People's Republic of China.

In May 2018, OP New Life further contributed RMB15,000,000 (equivalent to approximately HK\$18,398,000) to CCOP New Life to finance its operation.

On 15 March 2019, the Group disposed the entire equity interests of OP New Life for net proceeds of HK\$8,500,000 and exited from this investment.

3. On 21 August 2017, the Company entered into a shareholders' agreement with Beijing Enterprises Water Group and Shanghai Hengshi Wealth Investment Limited to establish BEFS for the purpose of providing fund investment and management services for Beijing Enterprises Water Group.

4. The Company, through a subsidiary, Prosper Gain Holdings Limited, holds 25% ordinary share capital of TUVL for the purpose of financing TUVL's acquisition of a minority interest in a trust company registered in PRC – Beijing International Trust Co., Ltd. ("BITIC").

The fair value of BITIC at 31 March 2019 and 2018 was determined by the directors by reference to the valuation carried out by an external independent valuer by using the market comparison approach. Determination of fair value is based on the best information available in the circumstances and includes appropriate risk adjustments for lack of marketability. Factors considered in determining the fair value of these investments include multiples of comparable companies listed on stock exchanges and discount rates based on market information.

5. The Company entered into an investment agreement with four investment partners to establish 東英騰華 for leasing and financing new energy vehicles in the People's Republic of China. Pursuant to the investment agreement, the Company committed to contribute RMB150,000,000 and has injected RMB60,000,000 to 東英騰華 in November 2017.

6. At 31 March 2018, the Company has restructured its position in 上海赫奇 by disposing of 76.48% of its shareholding while increasing its investment in 上海赫奇 by RMB61,172,000. The directors determined that the Group has a significant influence on decision making process of 上海赫奇 and thus reclassified its interest in 上海赫奇 from a subsidiary to an associate of the Group.

7. The Company, through its wholly-owned subsidiary, Snowball Plan Limited ("Snowball Plan"), formed a limited partnership namely Magopt Investment L.P. with a third party, for the purpose of pursuing investment opportunities. Snowball Plan contributed 50% of funding and acts as the initial limited partner of the partnership.

8. On 28 August 2017, the Company, through a subsidiary, OP Fintech Holdings Limited, signed a limited partnership agreement in which the Company acted as general partner and sub-ordinated limited partner of OP EBS Fintech and contributed US\$20,000,000, or approximately HK\$156,255,000 to the limited partnership. OP EBS Fintech is established for the purpose of investing into PRC companies in Fin-tech industry.

The fair value of the PRC investee was arrived at by reference to the basis of valuation carried out by an external independent valuer by using discounted cash flow projections under income approach. Determination of fair value is based on the best information available in the circumstances and includes appropriate risk adjustments for lack of marketability and lack of control.

9. During the Year, the Company, through its wholly-owned subsidiary, Great Wonderful Limited ("Great Wonderful"), entered into investment agreements with third party investors to establish 昆侖投資基金 for the purpose of pursuing investment opportunities. The Group contributed HK\$600,000 as an initial operating funds.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 15 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Summarized financial information in respect of the Group's associates (based on the management accounts of the associates) at 31 March 2019 is set out below:

	CSOP HK\$'000	TUVL HK\$'000	BEFS HK\$'000	東英騰華 HK\$'000	上海赫奇 HK\$'000	Others HK\$'000	Total HK\$'000
At 31 March 2019							
Total current assets	679,418	2,754,946	40,367	100,560	72,172	27,983	3,675,446
Total non-current assets	1,991	–	235,626	169,465	–	2,529	409,611
Total current liabilities	(352,442)	–	(19,530)	(2,888)	(9)	(5,076)	(379,945)
Total non-current liabilities	–	–	–	–	–	–	–
<b>Net assets</b>	<b>328,967</b>	<b>2,754,946</b>	<b>256,463</b>	<b>267,137</b>	<b>72,163</b>	<b>25,436</b>	<b>3,705,112</b>
Group's share of investments' net assets	98,690	688,737	51,288	73,137	71,297	7,607	990,756
Year ended 31 March 2019							
Total revenue	271,112	–	24,677	21,483	–	82,630	399,902
Total profit/(loss) for the Year	51,134	1,346,671	19,213	10,690	(8,796)	(27,699)	1,391,213
Other comprehensive income for the Year	(1,383)	–	23	547	–	–	(813)
Total comprehensive income for the Year	49,751	1,346,671	19,236	11,237	(8,796)	(27,699)	1,390,400
Group's share of investments' profit/(loss) for the Year	14,185	208,087	4,888	3,053	(2,983)	(20,807)	206,423
Group's share of investments' other comprehensive income for the Year	(415)	–	5	160	–	–	(250)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 15 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Summarized financial information in respect of the Group's associates (based on the management accounts of the associates) at 31 March 2018 is set out below:

	CSOP HK\$'000	TUVL HK\$'000	BEFS HK\$'000	東英騰華 HK\$'000	上海赫奇 HK\$'000	Others HK\$'000	Total HK\$'000
At 31 March 2018							
Total current assets (restated)	782,016	1,962,943	23,635	191,037	76,566	75,893	3,112,090
Total non-current assets (restated)	2,696	–	244,546	57,650	–	63,978	368,870
Total current liabilities	(282,415)	–	(22,307)	(1,491)	(5)	(75,369)	(381,587)
Total non-current liabilities	–	–	–	–	–	–	–
<b>Net assets</b>	<b>502,297</b>	<b>1,962,943</b>	<b>245,874</b>	<b>247,196</b>	<b>76,561</b>	<b>64,502</b>	<b>3,099,373</b>
Group's share of investments' net assets	150,320	490,736	49,175	74,159	75,716	19,328	859,434
Year ended 31 March 2018							
Total revenue	456,237	–	6,364	9,982	–	53,729	526,312
Total profit/(loss) for the year	136,854	(56,707)	(1,816)	(494)	2,373	(22,394)	57,816
Other comprehensive income for the year	(2,807)	–	–	31	–	–	(2,776)
Total comprehensive income for the year	134,047	(56,707)	(1,816)	(463)	2,373	(22,394)	55,040
Group's share of investments' profit/(loss) for the year	49,920	4,203	(363)	(161)	2,875	(6,053)	50,421
Group's share of investments' other comprehensive income for the year	(675)	–	–	9	–	–	(666)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 15 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Summarized financial information in respect of the Group's joint ventures (based on the management accounts of the joint venture) at 31 March 2019 is set out below:

	OP EBS Fintech HK\$'000
At 31 March 2019	
Total current assets	–
Total non-current assets	418,405
Total current liabilities	(39)
Total non-current liabilities	–
Net assets	418,366
Group's share of investments' net assets	156,533
Year ended 31 March 2019	
Total revenue	–
Total profit for the Year	27,768
Other comprehensive income for the Year	–
Total comprehensive income for the Year	27,768
Group's share of investments' loss for the Year	(465)
Group's share of investments' other comprehensive income for the Year	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 15 INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD (continued)

Summarized financial information in respect of the Group's joint ventures (based on the management accounts of the joint venture) at 31 March 2018 is set out below:

	OP EBS Fintech HK\$'000
<hr/>	
At 31 March 2018	
Total current assets	–
Total non-current assets	390,638
Total current liabilities	(39)
Total non-current liabilities	–
<hr/>	
Net assets	390,599
<hr/>	
Group's share of investments' net assets	156,255
<hr/>	
Year ended 31 March 2018	
Total revenue	–
<hr/>	
Total loss for the year	(39)
<hr/>	
Other comprehensive income for the year	–
<hr/>	
Total comprehensive income for the year	(39)
<hr/>	
Group's share of investments' profit for the year	–
<hr/>	
Group's share of investments' other comprehensive income for the year	–
<hr/>	



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Upon application of HKFRS 9 on 1 April 2018, the Group has reclassified all available-for-sale financial assets to financial assets at fair value through profit or loss.

## 17 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK\$'000	2018 HK\$'000
Listed equity securities	189,607	460,724
Unlisted equity investments/exchangeable bond	1,965,156	835,299
Unlisted investment funds/limited partnership	89,685	119,773
Unlisted debt investments	13,742	19,500
	<b>2,258,190</b>	<b>1,435,296</b>
Analyzed as:		
Current assets	653,869	1,082,874
Non-current assets	1,604,321	352,422
	<b>2,258,190</b>	<b>1,435,296</b>

The investments in listed equity securities, certain unlisted investment funds are classified as held for trading; whereas the investments in other unlisted investment funds/limited partnerships, unlisted debt investments and unlisted equity investments/exchangeable bond are designated as financial assets at fair value through profit or loss on initial recognition. They are managed and their performances are evaluated on fair value basis in accordance with the Group's risk management and investment strategy, and information about the investment is provided internally on that basis to the Group's key management personnel.

The fair values of the listed equity securities are determined based on the quoted prices available on the relevant stock exchanges at the end of the reporting period.

The Group invested in unlisted equity investments which are not quoted in an active market. Transactions in such investments do not occur on a regular basis. The Company uses prices of recent arm's length market transactions or fair value determined at year end date using valuation technique.

At 31 March 2019, the unlisted debt investments are debentures carrying interest rates ranging from 5% simple flat rate to 22% compounded rate (2018: from 5% simple flat rate to 20% internal rate of return).

During the Year, net change in unrealized loss of approximately HK\$158,439,000 (2018: net change in unrealized gain of approximately HK\$40,367,000) arising from changes in fair value of these financial assets was recognized in profit or loss.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 18 DEBT INVESTMENTS

	Carrying amount at	
	2019 HK\$'000	2018 HK\$'000
Unlisted debt investments	2,088,840	1,456,000
Provision for ECL	(63,361)	–
<b>Total unlisted debt investments, net</b>	<b>2,025,479</b>	<b>1,456,000</b>
Analyzed as:		
Current assets	601,805	1,456,000
Non-current assets	1,423,674	–
	<b>2,025,479</b>	<b>1,456,000</b>

The fair value of the debt investments approximates its carrying value.

The tenure of the debt investments ranged from 1 year to 2 years (2018: 3 months to 1 year). The applied interest rates ranged from 6% to 15% (2018: 8% to 24%) per annum. They are expected to be settled on maturity date.

In order to minimize the credit risk, the Group has assessed the creditworthiness of the investees and closely monitors the repayment ability of the investees.

At 31 March 2019 and 2018, debt investments were neither past due nor impaired.

Provision for ECL was recognized in the consolidated statement of profit or loss and other comprehensive income as follows:

	Carrying amount HK\$'000
At 31 March 2018	–
At 1 April 2018 (restated, charged to retained profits)	40,449
Charged during the Year	22,912
<b>At 31 March 2019</b>	<b>63,361</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 19 ACCOUNTS AND LOANS RECEIVABLE

	Note	2019 HK\$'000	2018 HK\$'000
Unsecured loan to a potential investee	(a)	20,195	74,307
Consideration receivables	(b)	59,778	–
Accounts receivable	(c)	136	7,878
Amounts due from associates, joint ventures and related companies	(d)	26,893	1,052
Dividend receivable	(e)	65,400	–
		<b>172,402</b>	<b>83,237</b>
<i>Analyzed as:</i>			
Current assets		<b>172,402</b>	<b>83,237</b>

(a)	2019 HK\$'000	2018 HK\$'000
Unsecured loan	70,041	74,307
Impairment loss	(49,846)	–
	<b>20,195</b>	<b>74,307</b>

Unsecured loan of RMB60,000,000, approximately HK\$70,041,000 (2018: HK\$74,307,000), is provided to a potential investee established in the PRC. The Group assesses the feasibility of the potential investment from time to time. Impairment loss of RMB42,700,000, approximately HK\$49,846,000 (2018: Nil) is recognized against unsecured loan at 31 March 2019 based on estimated recoverable amount determined by reference to an analysis of the counterparty's current financial position.

Impairment loss of RMB42,700,000, approximately HK\$49,775,000 by average exchange rate, is recognized in profit or loss.

The Group does not hold any collateral or other credit enhancement over the balance.

- (b) Consideration receivables included balances of HK\$51,278,000 and HK\$8,500,000 in respect of the disposal of a listed equity investment and an unlisted equity investment respectively.

None of the above assets are either past due or impaired. The financial assets included in the above balances related to the receivables for which there were no recent history of default.

- (c) The Group does not hold any collateral or other credit enhancements over the accounts receivable from co-investment partners. The aging analysis of accounts receivable based on the invoice date is as follows:

	2019 HK\$'000	2018 HK\$'000
Unbilled	136	3,954
< 3 months	–	3,924
	<b>136</b>	<b>7,878</b>

At 31 March 2019 and 2018, the accounts receivable were neither past due nor impaired.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 19 ACCOUNTS AND LOANS RECEIVABLE (continued)

- (d) Amounts due from associates, joint ventures and related companies arise mainly from advance money provided for a potential investment project and administrative expenses paid by the Group on behalf of its associates, joint ventures and related companies. The amounts are unsecured, interest-free and repayable on demand.
- (e) Dividend receivable represents dividend declared by CSOP during the Year.

## 20 ACCOUNTS PAYABLE

	2019 HK\$'000	2018 HK\$'000
Consideration payable	11,000	69,353

At 15 March 2019, the Company entered into a share subscription agreement, in relation to the subscription of 339,000 new shares of Central China New Life Limited at a consideration of HK\$11,000,000. Upon the completion of the subscription, the newly acquired shares represented approximately 0.8842% (2018: Nil) of the entire issued share capital in Central China New Life Limited.

At 31 March 2018, consideration payable represents RMB56 million, equivalent to HK\$69.35 million, conditional investment considerations of the investment in Sinagri Yingtai AMP Limited ("Sinagri Yingtai"). The timing of actual payment depends on certain conditions including completion of some administrative tasks and successfully obtain drug license approval from Ministry of Agriculture of Mainland China. The conditions for payments were not fulfilled since the initial investment. Pursuant to the investment agreement, the Board resolved to cease any further investment payments to Sinagri Yingtai during the year ended 31 March 2019.

## 21 LOAN PAYABLE

	2019 HK\$'000	2018 HK\$'000
Other borrowing (note a)	71,558	75,917
Bank borrowing (note b)	–	52,058
	<b>71,558</b>	<b>127,975</b>

Notes:

- (a) Other borrowing represents RMB61,300,000 (equivalent to approximately HK\$71,558,000) (2018: HK\$75,917,000) loan due to 上海赫奇 for a potential investment opportunity in the PRC. The borrowings are unsecured, non-interest bearing and repayable on demand.
- (b) All bank borrowings were settled during the Year.
- (c) The carrying amounts of the Group's and the Company's loan payable approximate to their fair values.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 22 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK\$'000	2018 HK\$'000
Current liabilities		
Payable to investment partners (note a)	–	57,450
Payable to investment partners (note c)	36,920	–
Staff participation interest payable (note d)	375	860
	<b>37,295</b>	<b>58,310</b>
Non-current liabilities		
Accrued consultancy fee (note b)	55,859	20,042
Staff participation interest payable (note d)	8,837	9,930
	<b>64,696</b>	<b>29,972</b>

- (a) The Group entered into financial participation arrangements with two investment partners. Pursuant to the arrangements, the investment partners agreed to pay an aggregate amount of HK\$90,000,000 to the Group and in return, shared a portion of the Group's future realized trading result (in the form of dividends, interest, or other distributions or proceeds from realization) of two listed investments that is proportional to the amount provided by the investment partners to the Group as a percentage of the Group's total investment in the listed investments. In general, the financial participation arrangements would be terminated upon the complete exit of the Group's investment in the listed securities.

As at 31 March 2019, one of the financial participation arrangements had been terminated upon the realization of the Group's listed investment. The participant received a portion of the return from the listed investment that is proportional to the amount provided by the participant to the Group as a percentage of the total Group's listed investment.

During the Year, an unrealized gain of HK\$45,470,000 (2018: HK\$32,550,000), representing the participant's share of unrealized loss of these two listed investments, was recognized in profit or loss as the payable to investment partner's interests were reduced.

All the above-mentioned listed investments by the Group are classified as financial assets at fair value through profit or loss categorized in Level 1 fair value hierarchy. The classification and fair value of the financial participation arrangements are associated directly with these underlying investments and their valuation details and sensitivity analysis are set out in note 5. As at 31 March 2019 and 2018, the financial liabilities at fair value through profit or loss are classified as current liabilities in accordance with the intention of investments and presented in the consolidated statement of financial position.

- (b) Pursuant to the investment agreement in TUVL, the Group agreed to pay consultancy fee to the shareholder of TUVL upon the exit of investment in TUVL. The amount of consultancy fee will be determined based on the net disposal proceeds received. At 31 March 2019, the accrued consultancy fee to be paid to the shareholder of TUVL was increased to HK\$55,859,000 (2018: HK\$20,042,000), an unrealized loss of HK\$35,817,000 (2018: unrealized gain of HK\$5,311,000) was recognized in profit or loss in the Year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 22 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

- (c) During the Year, the Group entered into a new financial participation arrangement with investment partners. Pursuant to the arrangement, the investment partners paid US\$1,950,000 (equivalent to approximately HK\$15,267,000) to the Group and in return, shared a portion of the Group's future realized trading result of one of the equity investments on a back-to-back basis.

During the Year, an unrealized loss of HK\$21,613,000, representing the investment partners' share of unrealized gain of the project, was recognized in profit or loss as the payable to investment partners' interests were increased.

- (d) As an incentive program to align risk and performance of the Group's investments with interests of the employees, the Group set up staff participation plan. At the inception of a qualified investment, the Group will allocate not more than 10% of its own interest in that investment for staff participation. Pursuant to terms of the staff participation plan, the eligible employees will subscribe for the interest of the investment at the same price as the Group's investment cost and share potential profit or loss in proportion to its participation upon the Group's exit of such investment. The classification of current liabilities and non-current liabilities was determined based on the classification of the underlying investments.

During the Year, an unrealized loss of HK\$1,026,000, representing the staff participation's share of unrealized gain of the qualified investments, was recognized in profit or loss as the payable to staff participation interests were increased.

## 23 DEFERRED TAX ASSETS

The following is the deferred tax assets recognized by the Group and movements thereon during the current and prior years:

	Tax losses HK\$'000	Unrealized fair value loss/(gain) on investments and related liabilities HK\$'000	Taxable temporary differences HK\$'000	Total HK\$'000
Balance at 1 April 2017	–	–	–	–
Charged to profit or loss for the year	3,846	(700)	(13)	3,133
Balance at 31 March 2018	3,846	(700)	(13)	3,133
Charged to profit or loss for the Year	(687)	6,011	(223)	5,101
<b>Balance at 31 March 2019</b>	<b>3,159</b>	<b>5,311</b>	<b>(236)</b>	<b>8,234</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 23 DEFERRED TAX ASSETS (continued)

At 31 March 2019, deferred tax has not been recognized in respect of the following items:

	2019 HK\$'000	2018 HK\$'000
Unused tax losses	–	24,621
Taxable temporary differences	–	(390)
	–	24,231
Deferred tax assets not recognized	–	3,998

All deferred tax assets in respect of unused tax losses are recognized at 31 March 2019.

At 31 March 2018, the Group has not recognized deferred tax assets in respect of unused tax losses of approximately HK\$24,621,000 due to the unpredictability of future profit streams. These balances will not expire until utilized.

All deferred tax liabilities in respect of taxable temporary differences are recognized at 31 March 2019.

At 31 March 2018, the Group has not recognized deferred tax liabilities in respect of excess of accounting depreciation over tax depreciation of approximately HK\$390,000.

## 24 SHARE CAPITAL

	Number of shares			
	2019 Thousand shares	2018 Thousand shares	2019 HK\$'000	2018 HK\$'000
<i>Authorized</i>				
Ordinary shares of HK\$0.10 each	4,000,000	4,000,000	400,000	400,000
At 1 April, issued and fully paid	2,937,396	1,897,396	293,740	189,740
Placement of shares (note a)	–	1,040,000	–	104,000
Issue of shares by way of exercise of share options (note b)	300	–	30	–
Share repurchased and cancelled (note c)	(21,068)	–	(2,107)	–
At 31 March, issued and fully paid	2,916,628	2,937,396	291,663	293,740
Share repurchased but not yet cancelled (note c)	(15,688)	–	(1,569)	–
At 31 March, outstanding and fully paid	2,900,940	2,937,396	290,094	293,740



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 24 SHARE CAPITAL (continued)

Note:

(a) On 16 November 2017, the Company entered into four subscription agreements with four subscribers pursuant to which the subscribers agreed to subscribe for and the Company agreed to allot and issue an aggregate of 740,000,000 new shares at the subscription price of HK\$2.10 per subscription share. The net proceeds from the subscription, net of professional fees and out-of-pocket expenses, were used for investments such as listed securities, preference shares and debentures, and general working capital of the Group. The allotment and issuance of new shares under the subscription agreements was passed by an ordinary resolution of the shareholders at the extraordinary general meeting of the Company held on 15 December 2017 and the subscription was completed on 21 December 2017. All the new ordinary shares issued during the period rank pari passu with the then existing shares in all aspects.

On 7 March 2018, the Company entered into two subscription agreements with two subscribers pursuant to which the subscribers agreed to subscribe for and the Company agreed to allot and issue an aggregate of 300,000,000 new shares at the subscription price of HK\$3.33 per subscription share. The net proceeds from the subscription, net of professional fees and out-of-pocket expenses, were used for investments in unlisted debentures and general working capital of the Group. The subscription shares under the subscription agreements was allotted and issued under the general mandate granted to the directors at the annual general meeting held on 24 August 2017 and the subscription was completed on 14 March 2018. All the new ordinary shares issued during the period rank pari passu with the then existing shares in all aspects.

(b) 300,000 new shares had been issued by way of exercise of share options at a subscription price of HK\$1.65 per share for a total cash consideration of HK\$495,000 on 9 May 2018.

(c) During the Year, the Company repurchased its own ordinary shares of 36,756,000 (2018: nil) on the Stock Exchange at an aggregate consideration of approximately HK\$78,100,000 (2018: nil), of which 21,068,000 (2018: nil) ordinary shares were then cancelled by the Company by 31 March 2019. Upon the cancellation of shares, the issued share capital of the Company was reduced by approximately HK\$2,107,000 (2018: nil) and the premium paid on the repurchase of these cancelled shares of approximately HK\$43,416,000 (2018: nil), including transaction costs, was deducted from share premium of the Company. As at 31 March 2019, there were 15,688,000 ordinary shares repurchased but not yet cancelled by the Company and recognized as treasury shares. Premium paid on the repurchase of these treasury shares of approximately HK\$31,008,000 (2018: nil), including transaction costs, was deducted from share premium of the Company.

### Capital Management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Directors regard total equity as capital, for capital management purposes.

The Group manages its capital structure and makes adjustments to it, in light of change in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the Years ended 31 March 2019 and 2018. Neither the Company nor its subsidiaries is subject to externally imposed requirements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 25 SHARE OPTION SCHEME

Under the Share Option Scheme adopted on 19 March 2003, refreshed on 21 January 2008 and 17 May 2016, the Board may at any time following the date of adoption and before the tenth anniversary thereof, offer to grant to certain selected classes of participants (including, among others, directors, employees and consultants) of the Company, an option to subscribe for shares as incentives or rewards for their contribution to the Company. The subscription price will be determined by the Board (subject to adjustment), and will not be less than the highest of (a) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (b) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of grant; and (c) the nominal value of the shares of the Company. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under this scheme and any other share option schemes adopted by the Company may not exceed 10% of the share capital of the Company in issue.

An option may be accepted by a participant within 21 days from the date of the offer for grant of the option. An option may be exercised in accordance with the terms of the share option scheme at any time not later than 10 years from the date on which the offer for grant of the option is made. Subject to the terms of the share options determined by the Board, the participant may have to meet certain vesting conditions before becoming unconditionally entitled to the share options. For the share options that existed during the years ended 31 March 2019 and 2018, vesting conditions includes performance conditions such as complete or successful exit of specified investment projects and market conditions such as the Company's market capitalization. Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

Movement of the Company's share options during the Year:

Grantee	Date of grant	Outstanding at beginning of the Year	Granted during the Year	Forfeited during the Year	Exercised during the Year	Outstanding at end of the Year	Exercise price HK\$	Exercise period
Director	20.5.2016	1,750,000	-	-	-	1,750,000	1.65	20.5.2017 to 19.5.2021
Director	20.5.2016	1,750,000	-	-	-	1,750,000	1.65	20.5.2018 to 19.5.2021
Director	20.5.2016	1,750,000	-	-	-	1,750,000	1.65	20.5.2019 to 19.5.2021
Director	20.5.2016	1,750,000	-	-	-	1,750,000	1.65	20.5.2020 to 19.5.2021
Directors of group companies	20.5.2016	4,500,000	-	-	-	4,500,000	1.65	20.5.2017 to 19.5.2021
Directors of group companies	20.5.2016	4,500,000	-	-	-	4,500,000	1.65	20.5.2018 to 19.5.2021
Directors of group companies	20.5.2016	4,500,000	-	-	-	4,500,000	1.65	20.5.2019 to 19.5.2021
Directors of group companies	20.5.2016	4,500,000	-	-	-	4,500,000	1.65	20.5.2020 to 19.5.2021
Employees	20.5.2016	5,000,000	-	-	(300,000)	4,700,000	1.65	20.5.2017 to 19.5.2021

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

**25 SHARE OPTION SCHEME** (continued)

Grantee	Date of grant	Outstanding at beginning of the Year	Granted during the Year	Forfeited during the Year	Exercised during the Year	Outstanding at end of the Year	Exercise price HK\$	Exercise period
Employees	20.5.2016	5,000,000	-	-	-	5,000,000	1.65	20.5.2018 to 19.5.2021
Employees	20.5.2016	5,000,000	-	-	-	5,000,000	1.65	20.5.2019 to 19.5.2021
Employees	20.5.2016	5,000,000	-	-	-	5,000,000	1.65	20.5.2020 to 19.5.2021
Consultants	20.5.2016	1,500,000	-	-	-	1,500,000	1.65	20.5.2017 to 19.5.2021
Consultants	20.5.2016	1,500,000	-	-	-	1,500,000	1.65	20.5.2018 to 19.5.2021
Consultants	20.5.2016	1,500,000	-	-	-	1,500,000	1.65	20.5.2019 to 19.5.2021
Consultants	20.5.2016	1,500,000	-	-	-	1,500,000	1.65	20.5.2020 to 19.5.2021
Director	1.2.2018	2,500,000	-	-	-	2,500,000	2.60	1.2.2019 to 31.1.2023
Director	1.2.2018	2,500,000	-	-	-	2,500,000	2.60	1.2.2020 to 31.1.2023
Director	1.2.2018	2,500,000	-	-	-	2,500,000	2.60	1.2.2021 to 31.1.2023
Director	1.2.2018	2,500,000	-	-	-	2,500,000	2.60	1.2.2022 to 31.1.2023
Employees	1.2.2018	3,000,000	-	-	-	3,000,000	2.60	1.2.2019 to 31.1.2023
Employees	1.2.2018	3,000,000	-	-	-	3,000,000	2.60	1.2.2020 to 31.1.2023
Employees	1.2.2018	3,000,000	-	-	-	3,000,000	2.60	1.2.2021 to 31.1.2023
Employees	1.2.2018	3,000,000	-	-	-	3,000,000	2.60	1.2.2022 to 31.1.2023
		73,000,000	-	-	(300,000)	72,700,000		

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

**25 SHARE OPTION SCHEME** (continued)

Movement of the Company's share options during the year ended 31 March 2018:

Grantee	Date of grant	Outstanding at beginning of the year	Granted during the year	Forfeited during the year	Exercised during the year	Outstanding at end of the year	Exercise price HK\$	Exercise period
Director	20.5.2016	1,750,000	-	-	-	1,750,000	1.65	20.5.2017 to 19.5.2021
Director	20.5.2016	1,750,000	-	-	-	1,750,000	1.65	20.5.2018 to 19.5.2021
Director	20.5.2016	1,750,000	-	-	-	1,750,000	1.65	20.5.2019 to 19.5.2021
Director	20.5.2016	1,750,000	-	-	-	1,750,000	1.65	20.5.2020 to 19.5.2021
Directors of group companies	20.5.2016	4,500,000	-	-	-	4,500,000	1.65	20.5.2017 to 19.5.2021
Directors of group companies	20.5.2016	4,500,000	-	-	-	4,500,000	1.65	20.5.2018 to 19.5.2021
Directors of group companies	20.5.2016	4,500,000	-	-	-	4,500,000	1.65	20.5.2019 to 19.5.2021
Directors of group companies	20.5.2016	4,500,000	-	-	-	4,500,000	1.65	20.5.2020 to 19.5.2021
Employees	20.5.2016	5,000,000	-	-	-	5,000,000	1.65	20.5.2017 to 19.5.2021
Employees	20.5.2016	5,000,000	-	-	-	5,000,000	1.65	20.5.2018 to 19.5.2021
Employees	20.5.2016	5,000,000	-	-	-	5,000,000	1.65	20.5.2019 to 19.5.2021
Employees	20.5.2016	5,000,000	-	-	-	5,000,000	1.65	20.5.2020 to 19.5.2021
Consultants	20.5.2016	1,500,000	-	-	-	1,500,000	1.65	20.5.2017 to 19.5.2021
Consultants	20.5.2016	1,500,000	-	-	-	1,500,000	1.65	20.5.2018 to 19.5.2021
Consultants	20.5.2016	1,500,000	-	-	-	1,500,000	1.65	20.5.2019 to 19.5.2021

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 25 SHARE OPTION SCHEME (continued)

Grantee	Date of grant	Outstanding at beginning of the year	Granted during the year	Forfeited during the year	Exercised during the year	Outstanding at end of the year	Exercise price HK\$	Exercise period
Consultants	20.5.2016	1,500,000	-	-	-	1,500,000	1.65	20.5.2020 to 19.5.2021
Director	1.2.2018	-	2,500,000	-	-	2,500,000	2.60	1.2.2019 to 31.1.2023
Director	1.2.2018	-	2,500,000	-	-	2,500,000	2.60	1.2.2020 to 31.1.2023
Director	1.2.2018	-	2,500,000	-	-	2,500,000	2.60	1.2.2021 to 31.1.2023
Director	1.2.2018	-	2,500,000	-	-	2,500,000	2.60	1.2.2022 to 31.1.2023
Employees	1.2.2018	-	3,000,000	-	-	3,000,000	2.60	1.2.2019 to 31.1.2023
Employees	1.2.2018	-	3,000,000	-	-	3,000,000	2.60	1.2.2020 to 31.1.2023
Employees	1.2.2018	-	3,000,000	-	-	3,000,000	2.60	1.2.2021 to 31.1.2023
Employees	1.2.2018	-	3,000,000	-	-	3,000,000	2.60	1.2.2022 to 31.1.2023
		51,000,000	22,000,000	-	-	73,000,000		

Notes:

- (a) The closing prices of the ordinary shares of the Company immediately before the date on option grant date were HK\$1.45 and HK\$2.57 on 20 May 2016 and 1 February 2018 respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 25 SHARE OPTION SCHEME (continued)

Notes: (continued)

- (b) On 1 February 2018, the Company granted 22,000,000 new share options ("Options") to certain eligible grantees of the Company and its subsidiaries ("Grantees") under the share option scheme of the Company adopted on 17 May 2016, subject to the acceptance of the offer by the Grantees. The Options shall entitle the Grantees to subscribe for a total of 22,000,000 new ordinary shares of HK\$0.1 each in the share capital of the Company. The exercise price was set at HK\$2.60 per share.
- (c) The Binomial Option Pricing Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

Details of the share options granted on 20 May 2016 was as follows:

Theoretical aggregate value:	HK\$32,822,000
Fair value recognized in profit or loss during the Year:	HK\$2,394,000(2018: HK\$5,340,000)
Risk free interest rate:	1.079%
Expected volatility:	62.58%
Expected life of the options:	5 years from the date of grant
Expected dividend yield:	4.58%

Details of the share options granted on 1 February 2018 was as follows:

Theoretical aggregate value:	HK\$20,539,000
Fair value recognized in profit or loss during the Year:	HK\$9,806,000(2018: HK\$1,776,000)
Risk free interest rate:	1.828%
Expected volatility:	43.30%
Expected life of the options:	5 years from the date of grant
Expected dividend yield:	0.93%

The measurement dates of the share options were 20 May 2016 and 1 February 2018, being the dates of grant of the share options. Where the grantees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest or lapse.

Options forfeited, if any, before the expiry of the options will be treated as lapsed options which will be added back to the number of ordinary shares available to be issued under the Share Option Scheme.

The expected volatility of the underlying security of the options was determined based on the historical volatility of the share prices of the Company, as extracted from Bloomberg and Reuters.

- (d) 300,000 new shares had been issued by way of exercise of share options at a subscription price of HK\$1.65 per share for a total cash consideration of HK\$495,000 on 9 May 2018. The closing share price of the Company on 9 May 2018 was HK\$3.09.

## 26 NET ASSET VALUE PER SHARE

The net asset value per share is calculated by dividing the net asset value of the Group at 31 March 2019 of approximately HK\$5,630,463,000 (2018: HK\$5,594,858,000) by the number of ordinary shares in issue less treasury shares at that date, being 2,900,940,000 (2018: 2,937,396,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 27 ISSUE OF UNLISTED WARRANTS

On 13 January 2017, the Company entered into a consultancy agreement (“Consultancy Agreement”) with Magopt Ltd (the “Consultant”), a limited company incorporated in the British Virgin Islands. Pursuant to the Consultancy Agreement (as supplemented by a supplemental agreement dated 13 March 2017), in consideration of and in exchange for the services to be provided by the Consultant, the Company has conditionally agreed to issue to the Consultant a total of 202,553,560 warrants (“Warrants”) at zero issue price, carrying the right to subscribe for an aggregate of 202,553,560 shares of the Company at a subscription price of HK\$2.20 per share. The Warrants will rank pari passu in all respects among themselves.

Pursuant to the consultancy agreement, the Consultant will assist the Company in acquiring and capturing investment opportunities (“Target Investments”), in the negotiation for achieving better investment terms and gains on the Target Investments.

The Consultant may exercise the subscription rights attaching to the Warrants from the date of issue of the Warrants to the date falling on the 5th anniversary of the date of issue of the Warrants (“Exercise Period”). The exercising of the subscription rights attaching to the Warrants is conditional and subject to the performance results of the consultant’s services, details as below:

- (a) 20% of the total Warrants may be exercised if the internal rate of return for the Target Investments for that financial year shall be not less than 38%, and the return on investment of the Target Investments for that financial year shall be not less than RMB200 million, or HK\$226 million equivalent;
- (b) all outstanding Warrants may be exercised by the Consultant during the Exercise Period if the aggregate return on investment of the Target Investments during the exercise period has reached RMB1,000 million, or HK\$1,130 million equivalent;
- (c) all outstanding Warrants will be nullified and ceased to have effect if the Company fails to achieve and complete any Target Investment with the Consultant’s assistance before 31 March 2018, or on the expiry of the Exercise Period.

Assuming the full exercise of the subscription rights attaching to the Warrants at the subscription price, it is expected that an additional gross amount of HK\$446 million will be raised. The net proceeds (after deduction of all related expenses) will be used as the general working capital of the Company and for future investment pursuant to the investment objectives of the Company.

The Consultancy Agreement was approved by the shareholders of the Company in an extraordinary general meeting of the Company held on 30 March 2017.

The fair value of the Warrants is determined by the Directors by reference to the valuation calculated by the share option Binomial Model, which best represents the value of the consultation service received.

The conditions have not been met during the Year and hence, no Warrant was issued to the Consultant.

## 28 MAJOR NON-CASH TRANSACTIONS

Except for the issue of unlisted warrants as disclosed in note 27, no other non-cash transactions were recorded in both years.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 29 COMMITMENTS

### (a) Capital commitment

Capital commitment contracted for at the end of the reporting period but not yet incurred is as follows:

	Note	Group	
		2019 HK\$'000	2018 HK\$'000
Capital contribution to BEFS	i	186,776	198,152
Capital contribution to 東英騰華	ii	105,062	111,461
Capital contribution to Jin Dou Development Fund L.P. ("Jin Dou")	iii	–	105,935
Capital contribution to CCOP New Life	iv	–	55,730
Capital contribution to Zhong Wei Capital L.P. ("Zhong Wei")	v	6,280	6,278
Capital contribution to OP Fine Billion L.P.	vi	5,000	5,000
Capital contribution to 昆侖投資基金	vii	2,400	–

Note:

- (i) According to "Shareholders' Agreement" signed between the Group, Beijing Enterprises Water Group and Shanghai Hengshi Wealth Investment Limited, the Group has committed to a further capital contribution of RMB160,000,000 (equivalent to HK\$186,776,000) to BEFS. The capital will be drawn down on as-needed basis.
- (ii) According to "Investment agreement" of 東英騰華, The Group has committed to a capital contribution of RMB90,000,000 (equivalent to approximately HK\$105,062,000) to 東英騰華. The capital will be drawn down on as-needed basis.
- (iii) According to the "Supplementary to Limited Partnership Agreement" signed between the Group and the limited partner of Jin Dou during the year ended 31 March 2012, the Group has committed to a further capital contribution of US\$13.5 million (equivalent to approximately HK\$105,935,000) to Jin Dou. The calling of the further capital contribution lies upon the future funding needs of Jin Dou.
- Upon mutual consent with the limited partner, Jin Dou ceased development and completed clearance during the Year
- (iv) According to the "sales and purchases agreement" signed by OP New Life, a wholly-owned subsidiary of the Group, the Group has committed to a capital contribution of RMB60,000,000 (equivalent to approximately HK\$70,041,000) to CCOP New Life. The Group has injected RMB15,000,000 during the year ended 31 March 2018 and the remaining capital of RMB45,000,000 (equivalent to approximately HK\$55,730,000) will be drawn down on as-needed basis.
- In May 2018, the Group has further injected RMB15,000,000 to finance its operation.
- The remaining capital of RMB30,000,000 (equivalent to approximately HK\$35,021,000) will not be drawn down since the Company disposed OP New Life on 15 March 2019.
- (v) According to the "Second Amended and Restated Limited Partnership Agreement" signed by Profit Raider Investments Limited, a wholly owned subsidiary of the Group on 18 September 2015, the Group has committed to a capital contribution of US\$2 million (equivalent to approximately HK\$15,700,000) to Zhong Wei. Contributions will be made when capital call is issued by the general partner of the limited partnership. As at 31 March 2019, US\$1,200,000 (2018: US\$1,200,000) was called. The calling of the further capital contribution lies upon the future funding needs of the investment.
- (vi) According to the "Exempted Limited Partnership Agreement" signed between OPFI GP(2) Limited, as the general partner, and the limited partner on 24 November 2015, the Group has committed to a capital contribution of HK\$5 million. The capital will be drawn down on as-needed basis.
- (vii) According to "Shareholders' Agreement" and "Supplementary to Shareholders' Agreement" signed by the Company and Great Wonderful, a wholly-owned subsidiary of the Group, the Group has committed to a capital contribution of HK\$3,000,000 to 昆侖投資基金. As at 31 March 2019, HK\$600,000 was called. The capital will be drawn down on as-needed basis.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 29 COMMITMENTS (continued)

### (b) Operating lease commitments

At 31 March 2019 and 31 March 2018, the total future minimum lease payments under non-cancellable operating leases for office premises are payable as follows:

	Group	
	2019 HK\$'000	2018 HK\$'000
Within one year	34,007	9,082
In the second to fifth years inclusive	77,697	9,210
	<b>111,704</b>	<b>18,292</b>

## 30 RELATED PARTY TRANSACTIONS

During the Year, the Group had entered into the following significant related party transactions:

### Transactions and balances with related parties

Name of related party	Nature of transactions	2019 HK\$'000	2018 HK\$'000
Oriental Patron Asia Limited ("OPAL") (note a)	No investment management fee payable (2018: approximately HK\$7,115,000) was included in other payables	13,800	53,866
Oriental Patron Management Services Limited ("OPMSL") (note b)	Rental paid	9,078	8,958
Oriental Patron Securities Limited ("OPSL") (note c)	Securities brokerage fee	758	1,362
Financial Center For South-South Cooperation Limited ("FCSSCL") (note d)	Interest income	475	475

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 30 RELATED PARTY TRANSACTIONS (continued)

Notes:

- (a) OPAL is the investment manager of the Company and is a wholly-owned subsidiary of Oriental Patron Financial Services Group Limited ("OPFSGL"). OPAL is considered as a related company of the Group as the directors, Mr. ZHANG Zhi Ping and Mr. ZHANG Gaobo have significant influence in OPFSGL.

Pursuant to an investment management agreement ("New Investment Management Agreement") dated 18 July 2018 entered into between the Company and OPAL, OPAL agreed to provide the Company with investment and management services for a term from the first calendar day of the month immediately following the month upon the New Investment Management Agreement becoming effective until 31 March 2021. Pursuant to its terms, the investment management fee is HK\$1,150,000 per month.

As at 31 March 2018, investment management fees were charged in accordance with the agreement with OPAL for investment management services. The investment management fee was calculated at 1.5% per annum on the Net Asset Value of the Group at each preceding month end as defined in the agreement.

On 10 March 2018, the Company agreed with OPAL to adjust the performance fee to zero.

- (b) The Company, through a wholly-owned subsidiary, entered into a license agreement with OPMSL on 31 March 2011 in respect of the provision of the principal place of business of the Company. The agreement was renewed at monthly rental of HK\$746,535, HK\$756,520 and HK\$767,504 for the years ending 31 March 2018, 2019 and 2020.

OPMSL is a related company as the directors, Mr. ZHANG Zhi Ping and Mr. ZHANG Gaobo have significant influence in OPMSL.

- (c) OPSL is a related company as one of the directors, Mr. ZHANG Gaobo has significant influence in OPSL.

Securities brokerage fee is charged at 0.25% and 1% of the transaction proceeds.

- (d) On 20 June 2016, the Company subscribed a HK\$9,500,000 promissory note issued by FCSSCL. FCSSCL is considered a related company of the Group as it is owned 50% by one of the directors, Mr. ZHANG Zhi Ping.

The promissory note carries interest at the rate of 5% per annum and payable annually on 22 June in each year in arrears.

The Group recognized HK\$475,000 interest income in the profit or loss for the Year (2018: HK\$475,000) and received last year's interest portion of HK\$475,000 (2018: HK\$475,000) in June 2018.

Please refer to notes 19 and 21 for other related party balances and transactions.

### Compensation of key management personnel

The key management personnel of the Company comprises all directors, details of their remuneration are disclosed in note 13 to the consolidated financial statements.

## 31 RETIREMENT BENEFITS SCHEME

The Group makes contributions to a defined contribution Mandatory Provident Fund Scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance which is available for all eligible employees in Hong Kong. The assets of the Scheme are held separately from those of the Group, in funds under the control of trustee. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

During the Year, the Group's contributions charged to profit or loss amounted to approximately HK\$641,000 (2018: approximately HK\$550,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 32 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	2019 HK\$'000	2018 HK\$'000 (Restated)
<b>Non-current assets</b>		
Fixed assets	3,187	149
Deferred tax assets	5,188	3,133
Investments in subsidiaries	100,291	100,290
Amounts due from subsidiaries	2,253,264	1,350,458
Investments accounted for using equity method	183,845	183,845
Financial assets at fair value through profit or loss	–	9,500
Debt investments	1,423,674	–
	<b>3,969,449</b>	<b>1,647,375</b>
<b>Current assets</b>		
Financial assets at fair value through profit or loss	369,427	728,166
Debt investments	601,805	1,456,000
Accounts and loans receivable	119,112	933
Prepaid tax	12,837	12,837
Interest receivables	29,640	12,944
Prepayments and other receivables	4,984	9,576
Bank and cash balances	183,324	1,735,742
	<b>1,321,129</b>	<b>3,956,198</b>
<b>Total assets</b>	<b>5,290,578</b>	<b>5,603,573</b>
<b>Capital and reserves</b>		
Share capital	290,094	293,740
Reserves	4,915,902	4,935,893
<b>Total equity</b>	<b>5,205,996</b>	<b>5,229,633</b>
<b>Current liabilities</b>		
Accounts payable	11,000	–
Other payables	6,485	13,642
Deposit received	–	240,000
Loan payable	–	52,058
Financial liabilities at fair value through profit or loss	37,295	58,310
Tax payables	20,965	–
	<b>75,745</b>	<b>364,010</b>
<b>Non-current liabilities</b>		
Financial liabilities at fair value through profit or loss	8,837	9,930
<b>Total liabilities</b>	<b>84,582</b>	<b>373,940</b>
<b>Total equity and liabilities</b>	<b>5,290,578</b>	<b>5,603,573</b>
<b>Net assets</b>	<b>5,205,996</b>	<b>5,229,633</b>

Approved by the Board of Directors on 25 June 2019.

**ZHANG Gaobo**  
Director

**LIU Zhiwei**  
Director

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 32 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued) Reserve movement of the Company

	Share premium HK\$'000	Share-based Payment reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 April 2017	2,299,971	24,808	168,886	2,493,665
Vesting of share options	–	7,116	–	7,116
Issue of new shares	2,448,599	–	–	2,448,599
Dividend paid	–	–	(75,896)	(75,896)
Total comprehensive income for the year	–	–	62,409	62,409
At 31 March 2018 and 1 April 2018	4,748,570	31,924	155,399	4,935,893
Adjustment on adoption of HKFRS9	–	–	(40,449)	(40,449)
At 31 March 2018 and 1 April 2018 (restated)	4,748,570	31,924	114,950	4,895,444
Vesting of share options	–	12,200	–	12,200
Issue of new shares due to exercise of share options	658	(193)	–	465
Dividend paid	–	–	(117,508)	(117,508)
Repurchase of shares	(74,424)	–	–	(74,424)
Total comprehensive income for the Year	–	–	199,725	199,725
<b>At 31 March 2019</b>	<b>4,674,804</b>	<b>43,931</b>	<b>197,167</b>	<b>4,915,902</b>

The Board recommend the payment of a final dividend of HK\$0.046 per share for the Year to the shareholders whose names are registered on the register of members of the Company at the close of business on 30 August 2019. The proposed final dividend will be paid on 11 September 2019 following approval at the forthcoming annual general meeting of the Company.

The Board recommended the payment of a final dividend of HK\$0.04 per ordinary share for the year ended 31 March 2018.

The Company's reserves available for distribution comprise share premium, share-based payment reserve and retained earnings. In the opinion of the directors, the Company's reserves available for distribution to the shareholders at 31 March 2019 were approximately HK\$4,915,902,000 (2018: HK\$4,935,893,000).

### Share premium account

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company subject to the provisions of the Memorandum and Articles of Association and provided that the Company is able to pay its debts as they fall due in the ordinary course of business immediately following the distribution of dividends.

### Share-based payment reserve

The share-based payment reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and other eligible participants of the Group recognized in accordance with the accounting policy adopted for equity-settled share-based payments in note 3 to the consolidated financial statements.

### Investment revaluation reserve

The investment revaluation reserve comprises the cumulative net change in fair value of available-for-sale financial assets held at the reporting date and is dealt with in accordance with the accounting policy in note 3 to the consolidated financial statements.

### Surplus reserve

According to the PRC Company Law, the PRC subsidiaries of the Group (excluding foreign investment enterprises) are required to transfer 10% of their profit after taxation, as determined under the PRC Accounting Regulations, to the statutory surplus reserve until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 33 INVESTMENTS IN SUBSIDIARIES

Details of the principal subsidiaries at 31 March 2019 are as follows:

Name of subsidiary	Place of incorporation and operation	Kind of legal entity	Issued and paid up capital	Effective interest held	Principal activity
Golden Investor Investments Limited	British Virgin Islands	Limited liability company	US\$2	100%	Investment holding
Great Wonderful Limited	British Virgin Islands	Limited liability company	US\$1	100%	Investment holding
OP Capital Investments Limited	Hong Kong	Limited liability company	HK\$1	100%	Investment holding
OP Digital Life (GP) Ltd	Cayman Islands	Limited liability company	US\$1	100%	Investment holding
OP Digital Me Ltd	British Virgin Islands	Limited liability company	US\$1	100%	Investment holding
OP Felicity Limited	Hong Kong	Limited liability company	HK\$1	100%	Investment holding
OPFI GP(2) Limited	Cayman Islands	Limited liability company	HK\$0.1	100%	Investment holding
OP Fintech Holdings Limited	Cayman Islands	Limited liability company	US\$1	100%	Investment holding
OP Furnishings (1) Limited	British Virgin Islands	Limited liability company	US\$1	100%	Dormant
OP Healthcare Ltd	Cayman Islands	Limited liability company	US\$1	100%	Dormant
OP Investment Service Limited	Hong Kong	Limited liability company	HK\$1	100%	Management service
Power Creation Global Limited	British Virgin Islands	Limited liability company	US\$100	100%	Investment holding
Prestige Power Global Limited	British Virgin Islands	Limited liability company	US\$1	100%	Dormant
Profit Raider Investments Limited	British Virgin Islands	Limited liability company	US\$1	100%	Investment holding
Prosper Gain Holdings Limited	British Virgin Islands	Limited liability company	US\$1	100%	Investment holding
River King Investments Limited	British Virgin Islands	Limited liability company	US\$1	100%	Investment holding
Silver Path Ventures Limited	British Virgin Islands	Limited liability company	US\$1	100%	Dormant
Snowball Plan Limited	British Virgin Islands	Limited liability company	US\$1	100%	Investment holding
South South Financial Investment Group Limited	British Virgin Islands	Limited liability company	US\$1	100%	Investment holding

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 33 INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and operation	Kind of legal entity	Issued and paid up capital	Effective interest held	Principal activity
Spring Inside Limited	British Virgin Islands	Limited liability company	–	100%	Investment holding
Spring Kirin Limited	British Virgin Islands	Limited liability company	US\$1	100%	Dormant
Suremind Investments Limited	British Virgin Islands	Limited liability company	US\$1	100%	Investment holding
東英(平潭)投資有限公司	China	Limited liability company	US\$30,000,000 <sup>#</sup>	100%	Dormant
英奇投資(杭州)有限公司	China	Limited liability company	RMB83,159,818	100%	Investment holding
深圳東英管理諮詢有限公司	China	Limited liability company	HK\$8,000,000 <sup>#</sup>	100%	Management service
Apex Ridge Limited	British Virgin Islands	Limited liability company	US\$1	100%*	Investment holding
Digital Life L.P.	Cayman Islands	Exempted limited partnership	–	100%*	Investment holding
Keynew Investments Limited	British Virgin Islands	Limited liability company	US\$1	100%*	Investment holding
OP Digital Me Investment Ltd	British Virgin Islands	Limited liability company	US\$1	100%*	Investment holding
OP Fine Billion Limited	Hong Kong	Limited liability company	HK\$1	100%*	Dormant
OP New Health Limited	Hong Kong	Limited liability company	HK\$1	100%*	Investment holding
Peak Achiever Holdings Limited	British Virgin Islands	Limited liability company	US\$1	100%*	Dormant
South South Financial Investment Group (HK) Limited	Hong Kong	Limited liability company	HK\$1	100%*	Dormant
South South Green Energy Investments Limited	Hong Kong	Limited liability company	HK\$1	100%*	Dormant
Wisland Investments Limited	British Virgin Islands	Limited liability company	US\$1	100%*	Investment holding
World Master Global Limited	British Virgin Islands	Limited liability company	US\$1	100%*	Investment holding
上海鑫途信息科技有限公司	China	Limited liability company	RMB15,000,000 <sup>#</sup>	100%*	Management service
橫琴英奇股權投資企業(有限合伙)	China	Limited partnership	RMB50,000	100%*	Dormant

\* Shares held indirectly by the Company

# Capital registered but not paid up



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 33 INVESTMENTS IN SUBSIDIARIES (continued)

Details of the principal subsidiaries at 31 March 2018 are as follows:

Name of subsidiary	Place of incorporation and operation	Kind of legal entity	Issued and paid up capital	Effective interest held	Principal activity
Golden Investor Investments Limited	British Virgin Islands	Limited liability company	US\$2	100%	Investment holding
Great Wonderful Limited	British Virgin Islands	Limited liability company	US\$1	100%	Dormant
OP Capital Investments Limited	Hong Kong	Limited liability company	HK\$1	100%	Investment holding
OP Felicity Limited	Hong Kong	Limited liability company	HK\$1	100%	Investment holding
OPFI (GP1) Limited	Cayman Islands	Limited liability company	US\$1	100%	Investment holding
OPFI GP(2) Limited	Cayman Islands	Limited liability company	HK\$0.1	100%	Investment holding
OP Fintech Holdings Limited	Cayman Islands	Limited liability company	US\$1	100%	Investment holding
OP Furnishings (1) Limited	British Virgin Islands	Limited liability company	US\$1	100%	Dormant
OP Furnishings (3) Limited	British Virgin Islands	Limited liability company	US\$1	100%	Dormant
OP Investment Service Limited	Hong Kong	Limited liability company	HK\$1	100%	Management service
Prestige Power Global Limited	British Virgin Islands	Limited liability company	US\$1	100%	Dormant
Profit Raider Investments Limited	British Virgin Islands	Limited liability company	US\$1	100%	Investment holding
Prosper Gain Holdings Limited	British Virgin Islands	Limited liability company	US\$1	100%	Investment holding
River King Investments Limited	British Virgin Islands	Limited liability company	US\$1	100%	Investment holding
Silver Path Ventures Limited	British Virgin Islands	Limited liability company	US\$1	100%	Investment holding
Snowball Plan Limited	British Virgin Islands	Limited liability company	US\$1	100%	Investment holding
South South Financial Investment Group Limited	British Virgin Islands	Limited liability company	US\$1	100%	Investment holding

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 33 INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place of incorporation and operation	Kind of legal entity	Issued and paid up capital	Effective interest held	Principal activity
Spring Inside Limited	British Virgin Islands	Limited liability company	–	100%	Investment holding
Spring Kirin Limited	British Virgin Islands	Limited liability company	US\$1	100%	Dormant
Suremind Investments Limited	British Virgin Islands	Limited liability company	US\$1	100%	Investment holding
東英(平潭)投資有限公司	China	Limited liability company	US\$30,000,000*	100%	Dormant
英奇投資(杭州)有限公司	China	Limited liability company	RMB83,159,818	100%	Investment holding
Apex Ridge Limited	British Virgin Islands	Limited liability company	US\$1	100%*	Investment holding
Keynew Investments Limited	British Virgin Islands	Limited liability company	US\$1	100%*	Investment holding
OP New Health Limited	Hong Kong	Limited liability company	HK\$1	100%*	Investment holding
OP New Life Limited	Hong Kong	Limited liability company	HK\$1	100%*	Investment holding
OP Vision Investments Limited	British Virgin Islands	Limited liability company	US\$30	100%*	Investment holding
Peak Achiever Holdings Limited	British Virgin Islands	Limited liability company	US\$1	100%*	Dormant
South South Financial Investment Group (HK) Limited	Hong Kong	Limited liability company	HK\$1	100%*	Dormant
South South Green Energy Investments Limited	Hong Kong	Limited liability company	HK\$1	100%*	Dormant
Wisland Investments Limited	British Virgin Islands	Limited liability company	US\$1	100%*	Investment holding
World Master Global Limited	British Virgin Islands	Limited liability company	US\$1	100%*	Investment holding
上海鑫途信息科技有限公司	China	Limited liability company	RMB15,000,000*	100%*	Management service
福州馬尾區隆鼎祥商貿有限公司	China	Limited liability company	RMB30,000,000*	100%*	Dormant

\* Shares held indirectly by the Company

# Capital registered but not paid up

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 34 PARTICULARS OF MAJOR INVESTMENTS HELD BY THE GROUP

Particulars of investments held by the Group as at 31 March 2019 disclosed pursuant to Chapter 21 of the Listing Rules are as follows:

Name of equity securities	Nature of business	Proportion of investee's capital owned (%)	Cost HK\$'000	Carrying amount HK\$'000	Net asset attributable to the Group HK\$'000	Dividend received/receivable HK\$'000	Percentage of the Group's total assets (%)
<b>Investments accounted for using equity method</b>							
TUVL – ordinary shares	Asset Management	25%	351,671	688,737	688,737	14,304	*11.72%
CSOP – ordinary shares	Asset Management	30%	60,000	98,690	98,690	65,400	1.68%
OP EBS Fintech – contribution	Internet finance	40%	156,255	156,533	156,533	–	*2.66%
BEFS – contribution	Investment holding	20%	46,640	51,288	51,288	–	0.87%
<b>Financial assets at fair value through profit or loss</b>							
OPIM/OPIMC – non-voting preference shares	Asset management	100%	52,123	57,909	57,909	–	0.99%
Xiaoju Kuaizhi Inc. – preference shares	Mobile transportation platform	<1%	116,445	156,885	156,885	–	*2.67%
Victorian Investment Limited Partnership – contribution	Pharmaceutical and healthcare	46.15%	234,795	236,786	236,786	–	*4.03%
iCarbonX Group Limited – ordinary shares	Medical and healthcare	<5%	1,098,790	1,099,000	1,099,000	–	*18.70%

Reference code	Principal activity of borrower	Borrower's purpose of loan	Cost HK\$'000	Carrying amount HK\$'000	Net asset attributable to the Group HK\$'000	Total interest for the year HK\$'000	Percentage of the Group's total assets (%)
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### Debt investments\*

Debenture A	Unlisted debt investments, financing arrangement	Unlisted debt investments	284,000	273,321	273,321	22,716	*4.65%
Debenture C	Private equity investments	Private equity investments	370,000	369,348	369,348	29,594	*6.29%
Debenture D	Private equity investments	Private equity investments	312,000	300,263	300,263	24,955	*5.11%
Debenture F	Private equity, listed and unlisted debt investments	Debt investments, financing arrangement	500,000	480,742	480,742	43,699	*8.18%
Debenture G	Real estate - related investments	Real estate - related investments	289,000	284,646	284,646	24,308	*4.84%

# Represents ten largest investments as at 31 March 2019

\* Debenture B and debenture E were fully repaid during the Year

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 34 PARTICULARS OF MAJOR INVESTMENTS HELD BY THE GROUP (continued)

Particulars of investments held by the Group as at 31 March 2018 disclosed pursuant to Chapter 21 of the Listing Rules are as follows:

Name of equity securities	Nature of business	Proportion of investee's capital owned (%)	Cost HK\$'000	Carrying amount HK\$'000	Net asset attributable to the Group HK\$'000	Dividend received/receivable HK\$'000	Percentage of the Group's total assets (%)
<b>Investments accounted for using equity method</b>							
TUVL – ordinary shares	Asset Management	25%	351,671	490,736	490,736	18,379	*7.98%
CSOP – ordinary shares	Asset Management	30%	60,000	150,320	150,320	31,440	2.44%
OP EBS Fintech – contribution	Internet finance	40%	156,255	156,255	156,255	–	2.54%
<b>Available-for-sale financial assets</b>							
OPIM/OPIMC – non-voting preference shares	Asset management	100%	52,123	51,709	51,709	–	0.84%
Xiaoju Kuaizhi Inc. – preference shares	Mobile transportation platform	<1%	116,445	156,825	156,825	–	2.55%
<b>Financial assets at fair value through profit or loss</b>							
Victorian Investment Limited Partnership – contribution	Pharmaceutical and healthcare	46.15%	234,795	235,410	235,410	–	*3.83%
Telling Telecommunication Holding Co., Ltd. – listed securities	Tele-communication	1.55%	206,032	191,502	191,502	–	*3.11%
Guardforce Holdings (HK) Limited – exchangeable bond	Security solutions provider	Not applicable	116,370	166,939	166,939	–	*2.71%
Sino Stature Investments Limited – non-voting preference shares	Heavy equipment manufacturing	100%	218,821	257,442	257,442	–	*4.19%
Reference code	Principal activity of borrower	Borrower's purpose of loan	Cost HK\$'000	Carrying amount HK\$'000	Net asset attributable to the Group HK\$'000	Total interest for the year HK\$'000	Percentage of the Group's total assets (%)

### Debt investments

Debenture A	Unlisted debt investments, financing arrangement	Unlisted debt investments	284,000	284,000	284,000	1,965	*4.62%
Debenture B	Private equity and debt investments	Private equity investments	250,000	250,000	250,000	3,333	*4.07%
Debenture C	Private equity investments	Private equity investments	370,000	370,000	370,000	2,608	*6.02%
Debenture D	Private equity investments	Private equity investments	312,000	312,000	312,000	2,278	*5.07%
Debenture E	Fund, private equity, debt and real estate - related investments	Real estate - related investments	240,000	240,000	240,000	4,857	*3.90%

\* Represents ten largest investments as at 31 March 2018

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 35 CONTINGENT LIABILITIES

At 31 March 2019, the Group had given guarantees in respect of the settlement of RMB20,000,000 (equivalent to HK\$23,347,000) (2018: HK\$24,769,000) loan provided by 博石資產管理股份有限公司 to 上海幸福九號網絡科技有限公司, a potential investee of the Company. In the opinion of the directors of the Company, the fair values of the financial guarantee contract of the Group are insignificant at initial recognition and the directors of the Company consider that the possibility of default of the parties involved is remote, accordingly, no value has been recognized at the inception of the guarantee contracts and at the end of the Year.

## 36 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Loan payables HK\$'000	Interest payable HK\$'000	Dividend payable HK\$'000	Total liabilities from financing activities HK\$'000
At 1 April 2017				
Proceeds from loans	125,066	–	–	125,066
Interest paid	–	(3,126)	–	(3,126)
Dividend paid	–	–	(75,896)	(75,896)
<b>Total changes from financing cash flows</b>	<b>125,066</b>	<b>(3,126)</b>	<b>(75,896)</b>	<b>46,044</b>
Other changes:				
Dividend declared	–	–	75,896	75,896
Interest accrued	–	5,458	–	5,458
Exchange difference	2,909	–	–	2,909
<b>Total other changes</b>	<b>2,909</b>	<b>5,458</b>	<b>75,896</b>	<b>84,263</b>
At 31 March 2018 and 1 April 2018	127,975	2,332	–	130,307
Proceeds from loans	734,800	–	–	734,800
Repayment of loans	(786,856)	–	–	(786,856)
Interest paid	–	(12,810)	–	(12,810)
Dividend paid	–	–	(117,508)	(117,508)
<b>Total changes from financing cash flows</b>	<b>75,919</b>	<b>(10,478)</b>	<b>(117,508)</b>	<b>(52,067)</b>
Other changes:				
Dividend declared	–	–	117,508	117,508
Interest accrued	–	10,478	–	10,478
Exchange difference	(4,361)	–	–	(4,361)
<b>Total other changes</b>	<b>(4,361)</b>	<b>10,478</b>	<b>117,508</b>	<b>123,625</b>
At 31 March 2019	71,558	–	–	71,558

## 37 COMPARATIVE FIGURES

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

## 38 APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorized for issue by the Board on 25 June 2019.

# FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out below. This summary does not form part of the audited financial statements.

	<b>Year ended 31 March</b>				
	<b>2019</b> HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
<b>RESULTS</b>					
Turnover	1,784,148	430,744	428,550	437,942	282,647
Revenue	227,892	125,437	101,607	29,492	31,805
Profit before tax	277,159	136,262	201,270	44,137	1,763
Taxation	(20,469)	7,158	(13,210)	20	(4,714)
Profit/(loss) for the year	256,690	143,420	188,060	44,157	(2,951)
Other comprehensive income	(249)	52,730	17,060	(4,503)	(10,898)
Total comprehensive income	256,441	196,150	205,120	39,654	(13,849)

	<b>At 31 March</b>				
	<b>2019</b> HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000	2015 HK\$'000
<b>ASSETS AND LIABILITIES</b>					
Total assets	5,875,752	6,149,840	3,036,148	2,657,712	1,292,577
Total liabilities	(245,289)	(554,982)	(121,648)	(19,369)	(25,721)
Net assets	5,630,463	5,594,858	2,914,500	2,638,343	1,266,856