

IL&FS GLOBAL FINANCIAL SERVICES (HK)
LIMITED

Reports and Financial Statements
For the year ended 31 March 2017

IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

<u>CONTENTS</u>	<u>PAGE(S)</u>
DIRECTORS' REPORT	1 & 2
INDEPENDENT AUDITOR'S REPORT	3 - 6
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	7
STATEMENT OF FINANCIAL POSITION	8
STATEMENT OF CHANGES IN EQUITY	9
STATEMENT OF CASH FLOWS	10
NOTES TO THE FINANCIAL STATEMENTS	11 - 26

IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2017.

PRINCIPAL ACTIVITY

The Company is a licensed corporation under the Hong Kong Securities and Futures Ordinance to carry out the following regulated activities:

Type 1: Dealing in securities
Type 4: Advising on securities

The principal activity of the Company is providing financial advisory services.

RESULTS

The results of the Company for the year ended 31 March 2017 are set out in the statement of profit or loss and other comprehensive income on page 7.

SHARE CAPITAL

The liability of the immediate holding company is limited to the equity investment in the Company.

Details of the Company's share capital are set out in note 16 to the financial statements. There was no movement in the Company's share capital during the year.

DIRECTORS

The directors of the Company during the year and up to the date of this report were:

Milind Patel
Ramesh Chander Bawa
Tanmoy Adhikari
Rajesh Kotian
Angel Bacchus (resigned on 11 July 2016)

In accordance with the Company's Articles of Association, all the remaining directors continue in office and, being eligible, offer themselves for re-election.

IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the period was the Company, any of its holding companies or fellow subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance, to which the Company, any of its holding companies or fellow subsidiaries was a party and in which the 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.

PERMITTED INDEMNITY PROVISION

At no time during the financial year and up to the date of this directors' report, there was, or is, any permitted indemnity provision being in force for the benefit of the director or any associated company.

AUDITOR

A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

On behalf of the Board



Milind Patel
DIRECTOR

24 April 2017

INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF
IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED
(incorporated in Hong Kong with limited liability)

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of IL&FS Global Financial Services (HK) Limited ("the Company") set out on pages 7 to 26, which comprise the statement of financial position as at 31 March 2017, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and noted to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 March 2017, and of its financial performance and its 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 Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") and with reference to Practice Note 820 (Revised), "The Audit of Licensed Corporations and Associated Entities of Intermediaries" issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF
IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED - continued
(incorporated in Hong Kong with limited liability)

Report on the Audit of Financial Statements - continued

Responsibilities of Directors and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, the directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

In addition, the directors are required to ensure that the financial statements are in accordance with the records kept under the Hong Kong Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Hong Kong Securities and Futures (Accounts and Audit) Rules.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 solely to you in accordance with section 405 of the Hong Kong Companies Ordinance and section 156(1)(b) of the Hong Kong Securities and Futures 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 financial statements.

In addition, we are required to obtain reasonable assurance about whether the financial statements are in accordance with the records kept under the Hong Kong Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Hong Kong Securities and Futures (Accounts and Audit) Rules.

INDEPENDENT AUDITOR'S REPORT

TO THE SOLE MEMBER OF
IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED - continued
(incorporated in Hong Kong with limited liability)

Report on the Audit of Financial Statements - continued

Auditor's Responsibilities for the Audit of the Financial Statements - continued

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

- Identify and assess the risks of material misstatement of the 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 Company'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

TO THE SOLE MEMBER OF
IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED - continued
(incorporated in Hong Kong with limited liability)

Report on matters under the Hong Kong Securities and Futures (Keeping of Records) Rules and Hong Kong Securities and Futures (Accounts and Audit) Rules of the Hong Kong Securities and Futures Ordinance

In our opinion, the financial statements are in accordance with the records kept under the Hong Kong Securities and Futures (Keeping of Records) Rules and satisfy the requirements of the Hong Kong Securities and Futures (Accounts and Audit) Rules.



Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
24 April 2017

IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

	<u>NOTES</u>	<u>2017</u> HK\$	<u>2016</u> HK\$
Revenue	7	8,741,639	5,252,170
Foreign exchange (loss) gain		(13,703)	1,977
Staff costs	8	(5,375,617)	(5,275,124)
Other operating expenses		<u>(5,041,507)</u>	<u>(4,031,871)</u>
Loss before taxation	9	(1,689,188)	(4,052,848)
Taxation	10	<u>26,758</u>	<u>83,892</u>
Loss for the year and total comprehensive expense for the year		<u><u>(1,662,430)</u></u>	<u><u>(3,968,956)</u></u>

IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

STATEMENT OF FINANCIAL POSITION
AT 31 MARCH 2017

	<u>NOTES</u>	<u>2017</u> HK\$	<u>2016</u> HK\$
Non-current assets			
Property and equipment	11	255,429	336,122
Deposits		700,127	700,127
Deferred tax asset	15	240,528	213,770
		<u>1,196,084</u>	<u>1,250,019</u>
Current assets			
Trade receivables	17	2,718,938	4,115,444
Other debtors, deposits and prepayments		97,648	342,714
Bank balances and cash	13	6,020,792	5,732,501
		<u>8,837,378</u>	<u>10,190,659</u>
Current liabilities			
Accrued expenses	14	1,070,784	818,740
Amount due to immediate holding company	12	36,649	33,479
		<u>1,107,433</u>	<u>852,219</u>
Net current assets		<u>7,729,945</u>	<u>9,338,440</u>
Net assets		<u>8,926,029</u>	<u>10,588,459</u>
Capital and reserve			
Share capital	16	17,250,000	17,250,000
Accumulated losses		(8,323,971)	(6,661,541)
Total equity		<u>8,926,029</u>	<u>10,588,459</u>

The financial statements on pages 7 to 26 were approved and authorised for issue by the Board of Directors on 24 April 2017 and are signed on its behalf by:



Milind Patel
DIRECTOR



Tanmoy Adhikari
DIRECTOR

IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2017

	Share capital HK\$	Accumulated losses HK\$	Total HK\$
At 1 April 2015	17,250,000	(2,692,585)	14,557,415
Loss and total comprehensive expense for the year	-	(3,968,956)	(3,968,956)
At 31 March 2016	17,250,000	(6,661,541)	10,588,459
Loss and total comprehensive expense for the year	-	(1,662,430)	(1,662,430)
At 31 March 2017	<u>17,250,000</u>	<u>(8,323,971)</u>	<u>8,926,029</u>

IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	<u>2017</u> HK\$	<u>2016</u> HK\$
OPERATING ACTIVITIES		
Loss before taxation	(1,689,188)	(4,052,848)
Adjustments for:		
Depreciation	83,913	331,427
Impairment loss recognised on trade receivables	71,888	290,629
Amounts written off	(1,162,517)	-
Operating cash flow before movements in working capital	(1,895,904)	(3,430,792)
Decrease in trade receivables	1,687,135	989,135
Decrease in other debtors, deposits and prepayments	245,066	37,323
Increase (decrease) in amount due to immediate holding company	3,170	(74,252)
Decrease in amounts due to fellow subsidiaries	-	(123,762)
Increase in accrued expenses	252,044	181,957
Cash from (used in) operations	<u>291,511</u>	<u>(2,420,391)</u>
NET CASH FROM (USED IN) OPERATING ACTIVITIES	<u>291,511</u>	<u>(2,420,391)</u>
CASH USED IN INVESTING ACTIVITY		
Purchase of property and equipment	<u>(3,220)</u>	<u>(6,818)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	288,291	(2,427,209)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>5,732,501</u>	<u>8,159,710</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	<u><u>6,020,792</u></u>	<u><u>5,732,501</u></u>

IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1. GENERAL

IL&FS Global Financial Services (HK) Limited ("the Company") is a private limited company incorporated in Hong Kong. Its immediate holding company is IL&FS Financial Services Limited, a company incorporated in India and its ultimate holding company is Infrastructure Leasing and Financial Services Limited, a company incorporated in India. The address of registered office and principal place of business of the Company is Suites 706-707, 7/F, Champion Tower, 3 Garden Road, Central, Hong Kong.

The principal activity of the Company is providing financial advisory services.

The Company is a licensed corporation under the Hong Kong Securities and Futures Ordinance to carry out the following regulated activities:

Type 1: Dealing in securities
Type 4: Advising on securities

The financial statements are presented in Hong Kong dollars, which is also the functional currency of the Company.

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

Application of new and revised HKFRSs

In the current year, the Company has applied a number of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are mandatorily effective for the 2016 financial year end.

The application of the amendments to HKFRSs in the current year has had no material impact on the Company's financial performance and position for the current year and prior period and/or on the disclosures set out in these financial statements.

New and revised HKFRSs issued but not yet effective

The Company has not early applied the following new or revised HKFRSs that have been issued but are not yet effective.

HKFRS 9	Financial instruments ¹
HKFRS 15	Revenue from contracts with customers and the related amendments ¹
HKFRS 16	Leases ²
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ³
Amendments to HKAS 7	Disclosure initiative ⁴
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses ⁴
Amendments to HKFRSs	Annual improvements to HKFRSs 2014 - 2016 cycle ⁵

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

New and revised HKFRSs issued but not yet effective - continued

- ¹ Effective for annual periods beginning on or after 1 January 2018
- ² Effective for annual periods beginning on or after 1 January 2019
- ³ Effective for annual periods beginning on or after a date to be determined
- ⁴ Effective for annual periods beginning on or after 1 January 2017
- ⁵ Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate

The directors of the Company anticipate that the application of the new and revised standards and amendments will have no material impact on the financial statements of the Company.

HKFRS 9 - Financial Instruments

HKFRS 9 introduced new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

2. APPLICATION OF NEW AND AMENDED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") - continued

HKFRS 9 - Financial Instruments - continued

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The application of HKFRS 9 may affect the measurement of the Company's financial assets and liabilities. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 9 until the Company undertakes a detailed review.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue" and the related Interpretations when it becomes effective. The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

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

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied i.e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Company's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Company performs a detailed review.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the financial statements include applicable disclosures required by the Hong Kong Companies Ordinance.

The financial statements have been prepared under the historical cost basis, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The principal accounting policies are set out below.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amount receivable for services provided in the normal course of business.

Advisory fee income are recognised on completion of services as enumerated in the milestones specified in the relevant mandate letters.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can be measured reliably. Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

The Company's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade-date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

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

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Financial assets - continued

Interest income is recognised on an effective interest basis.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, other debtors, deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Company's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. Subsequent recoveries of amounts previously written off are credited to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Impairment of financial assets - continued

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

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

Equity instruments

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

Other financial liabilities

Other financial liabilities including amount due to immediate holding company is subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense is recognised on an effective interest basis.

Derecognition

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

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Financial instruments - continued

Derecognition - continued

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Company allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit/loss before tax as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Taxation - continued

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively.

Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the functional currency of the Company (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

Property and equipment

Property and equipment are stated in the statement of financial position at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefit from the leased asset are consumed.

3. SIGNIFICANT ACCOUNTING POLICIES - continued

Retirement benefits costs

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

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The following is the key source of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amount of assets within the next financial year.

Impairment of trade receivables

The Company periodically reviews its trade receivables to assess whether impairment losses exist. In determining whether impairment losses should be recorded in profit or loss, the Company has evaluated its trade receivables for impairment after taking into account the latest financial position of those debtors in default of settlement to determine the net present value of expected future cash inflows. If the financial conditions of the debtors of the Company were to deteriorate, resulting in an impairment of their ability to make repayments, additional impairment losses may be required. As at 31 March 2017, the carrying amount of trade receivables is HK\$2,718,938 (provision for impairment loss: nil and amounts written off: HK\$1,162,517) (2016: carrying amount of trade receivables is HK\$4,115,444, provision for impairment loss: HK\$290,629 and amounts written off: nil).

5. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to its shareholder. The capital structure of the Company consists of share capital less accumulated losses. The directors of the Company reviews the capital structure by considering the cost of capital and the risks associated. The Company's overall strategy remains unchanged throughout the period.

The Company is regulated by the Hong Kong Securities and Futures Commission and is required to comply with certain minimum capital requirements. Management monitors, on a daily basis, the Company's liquid capital to ensure it meets the minimum liquid capital requirements under the Hong Kong Securities and Futures (Financial Resources) Rules (the "SF(FR)R"). Under the SF(FR)R, the Company must maintain its liquid capital (assets and liabilities adjusted as determined by the SF(FR)R in excess of HK\$3 million or 5% of its total adjusted liabilities, whichever is higher). The Company has complied with the capital requirements imposed by the SF(FR)R during the year.

6. FINANCIAL INSTRUMENTS

Categories of financial instruments

	<u>2017</u> HK\$	<u>2016</u> HK\$
Financial assets		
Loans and receivables (including cash and cash equivalents)	<u>8,739,730</u>	<u>9,847,945</u>
Financial liabilities		
At amortised cost	<u>36,649</u>	<u>33,479</u>

Financial risk management objectives and policies

The Company's major financial instruments include trade receivables, amount due to immediate holding company, other debtors, deposits and bank balances and cash. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

Market risk

The Company's exposures to market risk include currency risk and interest rate risk.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company holds both monetary and non-monetary assets and liabilities denominated in United States dollars and Hong Kong dollars for the year ended 31 March 2017 (2016: United States dollars, Indian rupee and Hong Kong dollars). The management considers there is minimal currency risk in United States dollars as the United States dollars are pegged against the Hong Kong dollars, which is the functional currency of the Company for the year ended 31 March 2017. For the year ended 31 March 2016, for currency risk of Indian rupee, if there is 5% increase and decrease in Indian rupee against Hong Kong dollars, the loss would decrease and increase for HK\$160,504.

Interest rate risk

The Company does not have any interest bearing assets and liabilities as at 31 March 2017 and 2016. Management considers the Company's exposure to interest rate risk is minimal.

Credit risk

As at 31 March 2017, the Company's maximum exposure to credit risk which will cause a financial loss to the Company due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

6. FINANCIAL INSTRUMENTS - continued

Financial risk management objectives and policies - continued

Credit risk - continued

In order to minimise the credit risk, the Company has monitoring procedures to ensure that follow-up action is taken up to recover overdue debts. The Company reviews the recoverable amount of each individual debtor at the end of reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that credit risk is significantly reduced.

Bank balances are placed in authorised institutions arising from bank balances with high credit rating. Accordingly, the directors of the Company consider the credit risk is low.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting any obligations associated with financial instruments.

To manage the liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations and mitigate the effects of fluctuations in cash flows.

The financial liabilities of the Company are non-interest bearing and all payable within one year, accordingly, the undiscounted cash flows approximate to the carrying amounts.

Fair values

The fair value of financial assets and financial liabilities is determined with reference to generally accepted pricing models based on discounted cash flow analysis, using prices or rates from observable current market transactions as inputs.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

7. REVENUE

	<u>2017</u> HK\$	<u>2016</u> HK\$
Advisory fee income		
- from fellow subsidiaries	8,341,639	4,464,670
- from third parties	400,000	787,500
	<u>8,741,639</u>	<u>5,252,170</u>

IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

8. STAFF COSTS

	<u>2017</u> HK\$	<u>2016</u> HK\$
Directors' emoluments (Note)		
- remuneration	1,925,787	2,819,597
- other emoluments	54,954	61,799
- contribution to retirement contribution scheme	18,000	36,000
Other staff costs:		
- salaries and other costs	3,320,868	2,318,839
- contribution to retirement contribution scheme	56,008	38,889
	<u>5,375,617</u>	<u>5,275,124</u>

Note: The directors' emoluments is disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation under Cap. 622G.

9. LOSS BEFORE TAXATION

	<u>2017</u> HK\$	<u>2016</u> HK\$
Loss before taxation has been arrived at after charging:		
Auditor's remuneration	<u>166,900</u>	<u>96,514</u>

10. TAXATION

	<u>2017</u> HK\$	<u>2016</u> HK\$
Deferred tax credit (note 15)	<u>(26,758)</u>	<u>(83,892)</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for both years.

The taxation for the year can be reconciled to the loss before taxation per the statement of profit or loss and other comprehensive income as follows:

	<u>2017</u> HK\$	<u>2016</u> HK\$
Loss before taxation	<u>(1,689,188)</u>	<u>(4,052,848)</u>
Taxation at income tax rate of 16.5%	(278,716)	(668,720)
Tax effect of tax losses not recognised	<u>251,958</u>	<u>584,828</u>
Taxation for the year	<u>(26,758)</u>	<u>(83,892)</u>

IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

10. TAXATION- continued

At the end of the reporting period, the Company had estimated unused tax losses of HK\$6,944,000 (2016: HK\$5,417,000) available for offset against future profits. The tax losses will not expire under current tax regulation. No deferred tax asset has been recognised in respect of the estimated losses in previous years due to the unpredictability of future profit streams.

11. PROPERTY AND EQUIPMENT

	<u>Leasehold improvement</u> HK\$	<u>Furniture and fixtures</u> HK\$	<u>Office equipment</u> HK\$	<u>Computer equipment</u> HK\$	<u>Licensed software</u> HK\$	<u>Total</u> HK\$
COST						
At 1 April 2015	1,019,551	269,124	200,073	136,769	101,980	1,727,497
Additions	-	-	528	6,290	-	6,818
At 31 March 2016	1,019,551	269,124	200,601	143,059	101,980	1,734,315
Additions	-	-	1,880	1,340	-	3,220
At 31 March 2017	1,019,551	269,124	202,481	144,399	101,980	1,737,535
DEPRECIATION						
At 1 April 2015	792,284	96,510	64,405	81,939	31,628	1,066,766
Charge for the period	227,265	30,109	18,889	34,768	20,396	331,427
At 31 March 2016	1,019,549	126,619	83,294	116,707	52,024	1,398,193
Charge for the period	-	24,818	16,466	22,233	20,396	83,913
At 31 March 2017	1,019,549	151,437	99,760	138,940	72,420	1,482,106
CARRYING VALUES						
At 31 March 2017	2	117,687	102,721	5,459	29,560	255,429
At 31 March 2016	2	142,505	117,307	26,352	49,956	336,122

Depreciation is charged on a straight-line basis at the following rates per annum, for the following items of property and equipment:

Leasehold improvement	Shorter of lease terms or expected useful life
Computer equipment	25%
Licensed software	20%

Depreciation is charged on a reducing balance basis at the following rates per annum, for the following items of property and equipment:

Furniture and fixtures	14% - 18%
Office equipment	14%

12. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount due is non-interest bearing, unsecured and repayable on demand.

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13. BANK BALANCES AND CASH

Bank balances comprise current accounts with a bank.

14. ACCRUED EXPENSES

	<u>2017</u> HK\$	<u>2016</u> HK\$
Accrued expenses	1,070,784	818,740

The amounts are non-interest bearing, unsecured and due within one year.

15. DEFERRED TAX ASSET

The following is the deferred tax asset recognised by the Company and movements thereon during the current year:

	<u>Property and equipment</u> HK\$	<u>Provision for annual leave</u> HK\$	<u>Total</u> HK\$
At 31 March 2015	54,897	74,981	129,878
Credit to profit or loss	43,683	40,209	83,892
At 31 March 2016	98,580	115,190	213,770
Credit to profit or loss	5,215	21,543	26,758
At 31 March 2017	103,795	136,733	240,528

16. SHARE CAPITAL

	<u>Number of shares</u>		<u>Share capital</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
			HK\$	HK\$
<u>Issued and fully paid:</u>				
At the beginning and end of year	1,725,000	1,725,000	17,250,000	17,250,000

The liability of the immediate holding company in the Company is limited to the extent of its share capital held by it.

17. TRADE RECEIVABLES

	<u>2017</u> HK\$	<u>2016</u> HK\$
Trade receivables		
- from fellow subsidiaries	2,718,938	4,406,073
Less: Provision for impairment	-	(290,629)
	2,718,938	4,115,444

The Company does not provide any credit term to its clients.

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17. TRADE RECEIVABLES - continued

Included in the Company's trade receivables balance with an aggregate carrying amount of HK\$2,718,938 (2016: HK\$3,243,556), HK\$nil (2016: HK\$nil) and HK\$nil (2016: HK\$871,888) which are past due for less than 30 days, more than 30 days but less than 90 days, and more than 180 days respectively. The Company does not hold any collateral over these balances.

Movement on the provision for impairment of trade receivables are as follows:

	<u>2017</u> HK\$	<u>2016</u> HK\$
At 1 April	290,629	-
Provision for impairment	871,888	290,629
Amounts written off	<u>(1,162,517)</u>	<u>-</u>
At 31 March	<u>-</u>	<u>290,629</u>

During the year end 31 March 2017, the Company assessed that a trade receivable from a third party could not be recovered and full amount was written off.

18. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Company had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<u>2017</u> HK\$	<u>2016</u> HK\$
Within one year	1,799,928	1,799,928
In the second to fifth year inclusive	<u>824,967</u>	<u>2,624,895</u>
	<u>2,624,895</u>	<u>4,424,823</u>

Operating lease payments represent rental payable by the Company for its office premises.

19. RELATED PARTY TRANSACTIONS

During the year, the Company entered into the following transactions with related parties:

	<u>2017</u> HK\$	<u>2016</u> HK\$
Advisory fee income from fellow subsidiaries	8,341,639	4,464,670
Service charge to immediate holding company	(146,201)	(145,498)
Service charge to fellow subsidiaries	(76,909)	(69,455)
Board meeting expense charge to immediate holding company/a fellow subsidiary	(51,840)	(56,731)
Travelling expense to immediate holding company	(16,687)	-
Reimbursement expense to immediate holding company	<u>(7,752)</u>	<u>-</u>

19. RELATED PARTY TRANSACTIONS - continued

Compensation of key management personnel

The remuneration of directors and key management is the same as the directors' emoluments disclosed in note 8 to the financial statements.

Details of balances with related parties are set out in the statement of financial position and in notes 12 and 17.
