

**IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED**  
(incorporated in Hong Kong with limited liability)

**Directors' Report and  
Financial Statements  
For the year ended 31 March 2018**

## IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

### DIRECTORS' REPORT

The directors present their report and the audited financial statements of IL&FS Global Financial Services (HK) Limited (the "Company") for the year ended 31 March 2018.

#### PRINCIPAL ACTIVITIES

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.

#### FINANCIAL STATEMENTS AND APPROPRIATIONS

The financial performance of the Company for the year ended 31 March 2018 and its financial position as at that date are set out in the financial statements on pages 6 to 28.

The directors do not recommend the payment of any dividend in respect of the financial year ended 31 March 2018.

#### SHARE CAPITAL

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.

#### PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Company during the year are set out in note 10 to the financial statements.

#### DIRECTORS

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

Ramesh Chander Bawa	
Rajesh Kotian	
Kate Kwan	(appointed on 12 May 2017)
Milind Patel	(resigned on 31 March 2018)
Tanmoy Adhikari	(resigned on 12 May 2017)

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

**IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED**

**DIRECTORS' REPORT**

**ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

At no time during the year 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 acquisition of shares in, or debentures of, the Company or any other body corporate.

**DIRECTORS' INTERESTS IN CONTRACTS**

Save as disclosed in note 18 to the financial statements, no transactions, arrangements or contracts of significance in relation to the Company's business to which the Company's holding company or fellow subsidiary was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during or at the end of the financial year.

**PERMITTED INDEMNITY PROVISIONS**

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 associate company.

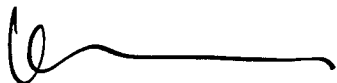
**BUSINESS REVIEW**

The Company is a wholly owned subsidiary of IL&FS Financial Services Limited, another body corporate as defined in Section 357(3) of the Hong Kong Companies Ordinance (the "CO"), and is therefore exempt from preparing a Business Review under Section 388(3) of the CO.

**AUDITOR**

BDO Limited was appointed as new auditor of the Company in place of retiring auditor Messrs. Deloitte Touche Tohmatsu on 7 November 2017. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint the auditor, BDO Limited.

On behalf of the Board of Directors



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Director

Hong Kong, 26 April 2018



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**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 the Financial Statements**

**Opinion**

We have audited the financial statements of IL&FS Global Financial Services (HK) Limited (the "Company") set out on pages 6 to 28, which comprise the statement of financial position as at 31 March 2018, 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 notes 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 2018 and of its financial performance and 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 ("HKSAAs") 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 directors' 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**  
(incorporated in Hong Kong with limited liability)

**Responsibility of Directors and Those Charged with Governance for the Financial Statements**

The directors of the Company 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 of the Company 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 also have a responsibility 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 Responsibility 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. 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.

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.



**INDEPENDENT AUDITOR'S REPORT**  
**TO THE SOLE MEMBER OF IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED**  
(incorporated in Hong Kong with limited liability)

**Auditor's Responsibility for the Audit of the Financial Statements - Continued**

- 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.

**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.

*BDO Limited*

BDO Limited  
Certified Public Accountants  
Jonathan Russell Leong  
Practising Certificate Number P03246

Hong Kong, 26 April 2018

**IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED**

**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 MARCH 2018**

	Notes	2018 HK\$	2017 HK\$
Revenue	6	18,701,007	8,741,639
Foreign exchange loss		(14,318)	(13,703)
Staff costs	8	(7,144,979)	(5,375,617)
Other operating expenses		<u>(9,887,677)</u>	<u>(5,041,507)</u>
Profit/(Loss) before income tax	7	1,654,033	(1,689,188)
Income tax (expense)/credit	9	<u>(6,643)</u>	<u>26,758</u>
Profit/(Loss) for the year		<u>1,647,390</u>	<u>(1,662,430)</u>
Total comprehensive income for the year		<u>1,647,390</u>	<u>(1,662,430)</u>

IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2018

	Notes	2018 HK\$	2017 HK\$
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property and equipment	10	198,190	255,429
Deposits		700,127	700,127
Deferred tax assets	11	233,885	240,528
		<u>1,132,202</u>	<u>1,196,084</u>
<b>Current assets</b>			
Trade receivables	12	6,185,502	2,718,938
Other debtors, deposits and prepayments		156,720	97,648
Bank balance and cash	15	10,382,567	6,020,792
		<u>16,724,789</u>	<u>8,837,378</u>
<b>Current liabilities</b>			
Accrued expenses	13	906,050	1,070,784
Amount due to an immediate holding company	14	35,708	36,649
Amount due to fellow subsidiaries	14	6,341,814	-
		<u>7,283,572</u>	<u>1,107,433</u>
<b>Net current assets</b>		<u>9,441,217</u>	<u>7,729,945</u>
<b>Net assets</b>		<u>10,573,419</u>	<u>8,926,029</u>
<b>EQUITY</b>			
Share capital	16	17,250,000	17,250,000
Reserves		(6,676,581)	(8,323,971)
<b>Total equity</b>		<u>10,573,419</u>	<u>8,926,029</u>

On behalf of the Board of Directors

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Director

  
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Director



IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2018

	Share capital HK\$	Accumulated losses HK\$	Total HK\$
At 1 April 2016	17,250,000	(6,661,541)	10,588,459
Loss and total comprehensive income for the year	-	(1,662,430)	(1,662,430)
At 31 March 2017	17,250,000	(8,323,971)	8,926,029
Profit and total comprehensive income for the year	-	1,647,390	1,647,390
At 31 March 2018	<u>17,250,000</u>	<u>(6,676,581)</u>	<u>10,573,419</u>

IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 MARCH 2018

	2018 HK\$	2017 HK\$
<b>Cash flows from operating activities</b>		
Profit/(Loss) before income tax	1,654,033	(1,689,188)
Adjustments for :		
Depreciation	57,239	83,913
Impairment loss recognised on trade receivables	-	871,888
Amounts written off	-	(1,162,517)
Operating profit before working capital changes	1,711,272	(1,895,904)
(Increase)/Decrease in trade and other receivables	(3,466,564)	1,687,135
(Increase)/Decrease in other debtors, deposits and prepayment	(59,072)	245,066
(Decrease)/Increase in accrued expenses	(164,734)	252,044
(Decrease)/Increase in amount due to ultimate holding company	(941)	3,170
Increase in amount due to fellow subsidiaries	6,341,814	-
<i>Net cash from operating activities</i>	<u>4,361,775</u>	<u>291,511</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment	-	(3,220)
<i>Net cash used in investing activities</i>	<u>-</u>	<u>(3,220)</u>
<b>Net increase in cash and cash equivalents</b>	4,361,775	288,291
Cash and cash equivalents at 1 April	6,020,792	5,732,501
Cash and cash equivalents at 31 March	<u>10,382,567</u>	<u>6,020,792</u>

IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

1. GENERAL INFORMATION

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 registered 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 for the year ended 31 March 2018 were approved for issue by the board of directors on 26 April 2018.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

(a) Adoption of new/revised HKFRSs - effective 1 April 2017

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 12, Disclosure of Interests in Other Entities

Amendments to HKAS 7 - Disclosure Initiative

The amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments to HKAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses

The amendments relate to the recognition of deferred tax assets and clarify some of the necessary considerations, including how to account for deferred tax assets related to debt instruments measured of fair value.

Annual Improvements to HKFRSs 2014-2016 Cycle - Amendments to HKFRS 12, Disclosure of Interests in Other Entities

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 12, Disclosure of Interests in Other Entities, to clarify that the disclosure requirements of HKFRS 12, other than the requirements to disclose summarised financial information, also apply to an entity’s interests in other entities classified as held for sale or discontinued operations in accordance with HKFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

The adoption of the above amendments has no material impact on these financial statements.

IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) - Continued

(b) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Company’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Company. The Company’s current intention is to apply these changes on the date they become effective.

HKFRS 9	Financial Instruments <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>2</sup>
HKFRS 15	Revenue from Contracts with Customers <sup>1</sup>
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15) <sup>1</sup>
HKFRS 16	Leases <sup>2</sup>
HK(IFRIC) - Int 23	Uncertainty over Income Tax Treatments <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019

*HKFRS 9 - Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at fair value through profit or loss (“FVTPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

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.

IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) - Continued

(b) New/revised HKFRSs that have been issued but are not yet effective - Continued

HKFRS 15 - Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework 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 and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5 steps 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 each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRS. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

Amendments HKFRS 15 - Revenue from Contracts with Customers (Clarifications to HKFRS 15)

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

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.

HKFRS 16 - Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 “ Leases “ and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) - Continued

(b) New/revised HKFRSs that have been issued but are not yet effective - Continued

*HKFRS 16 - Leases - Continued*

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Company is not yet in a position to state whether these new pronouncements will result in substantial changes to the Company’s accounting policies and financial statements.

*HK(IFRIC)-Int 23 - Uncertainty over Income Tax Treatments*

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the “most likely amount” or the “expected value” approach, whichever better predicts the resolution of the uncertainty.

3. BASIS OF PREPARATION

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the provisions of the Hong Kong Companies Ordinance which concern the preparation of financial statements.

The significant accounting policies that have been used in the preparation of these financial statements are summarised in note 4. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impact on the Company’s financial statements, if any, are disclosed in note 2.

The financial statements have been prepared on the historical cost basis. The measurement bases are fully described in the accounting policies below.

The financial statements are presented in Hong Kong dollars (“HK\$”), which is also the functional currency of the Company.

It should be noted that accounting estimates and assumptions are used in preparation of the financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 5.

**IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**4.1 Foreign currency translation**

Foreign currency transactions are translated into the functional currency of the Company using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

**4.2 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the provision of services. Provided it is probable that economic benefits will flow to the Company and the income and costs, if applicable, can be measured reliably, revenue is recognised as follows:

- Advisory fee income is recognised when the agreed services are provided and in accordance with the terms of contracts entered into.
- Interest income is recognised on a time-proportion basis using the effective interest method.

**4.3 Property and equipment**

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of property and equipment includes its purchase price and the costs directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4.3 Property and equipment - Continued

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

Leasehold improvements	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%

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

The gain or loss arising on retirement or disposal is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss.

4.4 Impairment of non-financial assets

Property and equipment are subject to impairment testing. Property and equipment are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating units). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.



IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4.5 Operating leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

*The Group as lessee*

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.

4.6 Financial assets

Financial assets are classified into loans and receivables. Management determines the classification of financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at the end of each reporting date.

All financial assets are recognised when, and only when, the Company becomes a party to the contractual provisions of the instrument. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the financial assets expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial asset.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4.6 Financial assets - Continued

*Impairment of financial assets*

At the end of each reporting date, financial assets are reviewed to determine whether there is any objective evidence of impairment. Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Company about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but is not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised 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 (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4.7 Income taxes

Income tax comprises current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 Investment Property. Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the end of the reporting period. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

4.8 Cash and cash equivalents

Cash and cash equivalents represent cash at bank.

IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4.9 Equity instruments

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

The Hong Kong Companies Ordinance, Cap. 622, came into operation on 3 March 2014. Under the Ordinance shares of the Company do not have a nominal value. Consideration received or receivable for the issue of shares on or after 3 March 2014 is credited to share capital. Commissions and expenses are allowed to be deducted from share capital under s. 148 and s. 149 of the Ordinance.

4.10 Employee benefits

*Short term employee benefits*

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

*Defined contribution retirement plan*

Contributions to defined contribution retirement plans are recognized as an expense in profit or loss when the services are rendered by the employees.

*Termination benefits*

Termination benefits are recognised on the earlier of when the Company can no longer withdraw the offer of those benefits and when the Company recognises restructuring costs involving the payment of termination benefits.

4.11 Financial liabilities

The Company classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost including other payables are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

4.12 Related parties

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

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

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Company's accounting policies, 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 differ from these estimates.

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

*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 factors such as the latest financial position of those debtors and whether any were 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.

6. REVENUE

The Company's principal activity is the provision of financial advisory services. Revenue from the Company's principal activity recognised during the year is as follows:

	2018 HK\$	2017 HK\$
Advisory fee income		
- from fellow subsidiaries	18,701,007	8,341,639
- third parties	-	400,000
	<u>18,701,007</u>	<u>8,741,639</u>

IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

7. PROFIT/(LOSS) BEFORE INCOME TAX

	2018 HK\$	2017 HK\$
Profit/(Loss) before income tax is arrived at after charging/ (crediting):		
Auditor's remuneration	100,000	166,900
Operating lease charges in respect of office premises	1,799,928	1,799,928
Depreciation	57,239	83,913
Foreign exchange loss, net	14,318	13,703
Impairment loss recognised on trade receivables	-	871,888
	<u>                    </u>	<u>                    </u>

8. STAFF COSTS

	2018 HK\$	2017 HK\$
Directors' emoluments (Note)		
- salaries	2,340,241	1,756,900
- bonus	121,415	168,887
- other emoluments	-	54,954
- contribution to retirement contribution scheme	18,968	18,000
Other staff costs		
- salaries and other costs	4,442,238	3,157,805
- bonus	151,769	163,063
- contribution to retirement contribution scheme	70,348	56,008
	<u>7,144,979</u>	<u>5,375,617</u>

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

9. INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year.

	2018 HK\$	2017 HK\$
Deferred tax expense/(credit) (note 11)	<u>6,643</u>	<u>(26,758)</u>
Income tax expense/(credit)	<u>6,643</u>	<u>(26,758)</u>

IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

9. INCOME TAX EXPENSE/(CREDIT) - Contined

The income tax expense/(credit) for the year can be reconciled to the profit/(loss) before income tax in the statement of profit or loss and comprehensive income as follow:

	2018 HK\$	2017 HK\$
Profit/(Loss) before income tax	<u>1,654,033</u>	<u>(1,689,188)</u>
Tax at the statutory rate of 16.5% (2017: 16.5%)	272,915	(278,716)
Utilisation of tax losses previously not recognised	(266,272)	-
Tax effect of tax losses not recognised	<u>-</u>	<u>251,958</u>
Income tax expense/(credit) for the year	<u>6,643</u>	<u>(26,758)</u>

The Company has unrecognised tax losses of approximately HK\$5,337,000 (2017: HK\$6,951,000) to carry forward against future taxable income. The tax losses do not expire under current legislation. The tax losses have not been recognised due to unpredictability of future profit streams against which the tax losses can be utilised.

10. PROPERTY AND EQUIPMENT

	Leasehold improvements HK\$	Furniture and fixtures HK\$	Office equipment HK\$	Computer equipment HK\$	Licensed software HK\$	Total HK\$
<b>COST</b>						
At 1 April 2016	1,019,551	269,124	200,601	143,059	101,980	1,734,315
Addition	-	-	1,880	1,340	-	3,220
At 31 March 2017 and 2018	<u>1,019,551</u>	<u>269,124</u>	<u>202,481</u>	<u>144,399</u>	<u>101,980</u>	<u>1,737,535</u>
<b>ACCUMULATED DEPRECIATION</b>						
At 1 April 2016	1,019,549	126,619	83,294	116,707	52,024	1,398,193
Charge for the year	-	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
Charge for the year	-	20,461	14,288	2,095	20,395	57,239
At 31 March 2018	<u>1,019,549</u>	<u>171,898</u>	<u>114,048</u>	<u>141,035</u>	<u>92,815</u>	<u>1,539,345</u>
<b>CARRYING VALUE</b>						
At 31 March 2018	<u>2</u>	<u>97,226</u>	<u>88,433</u>	<u>3,364</u>	<u>9,165</u>	<u>198,190</u>
At 31 March 2017	<u>2</u>	<u>117,687</u>	<u>102,721</u>	<u>5,459</u>	<u>29,560</u>	<u>255,429</u>



IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

11. DEFERRED TAX ASSETS

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

	Property and equipment HK\$	Provision for annual leave HK\$	Total HK\$
At 1 April 2016	98,580	115,190	213,770
Credit to profit or loss	5,215	21,543	26,758
At 31 March 2017 and 1 April 2017	<u>103,795</u>	<u>136,733</u>	<u>240,528</u>
Credit/(Charge) to profit or loss	659	(7,302)	(6,643)
At 31 March 2018	<u>104,454</u>	<u>129,431</u>	<u>233,885</u>

12. TRADE RECEIVABLES

	2018 HK\$	2017 HK\$
Trade receivables from fellow subsidiaries	6,185,502	2,318,938
Trade receivables from third party	-	400,000
	<u>6,185,502</u>	<u>2,718,938</u>

The Company does not provide any credit term to its clients, including fellow subsidiaries.

Included in trade receivables are trade debtors (net of impairment losses) with balance of HK\$6,185,502 (2017: HK\$2,718,938) which are past due for less than 60 days. The Company does not hold any collateral over these balances.

The below table shows the movement in the impairment loss provision against trade receivables for the year:

	2018 HK\$	2017 HK\$
At 1 April	-	290,629
Impairment loss recognised	-	871,888
Amounts written off	-	(1,162,517)
At 31 March	<u>-</u>	<u>-</u>

During the year ended 31 March 2017, the Company assessed that a trade receivable from a third party could not be recovered and the full amount outstanding was written off. The related impairment loss provision was accordingly also written back.

IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

13. ACCRUED EXPENSES

	2018 HK\$	2017 HK\$
Accrued expenses	<u>906,050</u>	<u>1,070,784</u>

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

14. AMOUNT DUE TO AN IMMEDIATE HOLDING COMPANY/FELLOW SUBSIDIARIES

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

15. BANK BALANCE AND CASH

Bank balances comprise current accounts with banks.

16. SHARE CAPITAL

	2018 Number	2018 HK\$	2017 Number	2017 HK\$
<b>Issued and fully paid :</b>				
Ordinary shares				
At beginning and end of year	<u>1,725,000</u>	<u>17,250,000</u>	<u>1,725,000</u>	<u>17,250,000</u>

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

17. COMMITMENTS

*Operating lease commitments - as lessee*

The Company leases its office premises under operating lease arrangement for a term of 3 years (2017: 3 years). The lease does not include any contingent rental. At 31 March 2018, the Company had total future minimum lease payments under non-cancellable operating lease falling due as follows:

	2018 HK\$	2017 HK\$
Within one year	824,967	1,799,928
In the second to fifth years	-	824,967
	<u>824,967</u>	<u>2,624,895</u>

IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018

18. RELATED PARTY TRANSACTIONS

During the year, the Company had the following related party transactions:

	2018 HK\$	2017 HK\$
Advisory fee income received from fellow subsidiaries	18,701,007	8,341,639
Advisory fee paid to a fellow subsidiary	(6,236,700)	-
Service charge paid to immediate holding company	(149,509)	(146,201)
Service charge paid to a fellow subsidiary	(105,114)	(76,909)
Board Meeting expenses paid to immediate holding company	-	(51,840)
Travelling expense paid to immediate holding company	-	(16,687)
Reimbursement expenses paid to immediate holding company	<u>(14,775)</u>	<u>(7,752)</u>

Remuneration for key management personnel represents amounts paid to the Company's directors as disclosed in note 8.

Details of balances with related parties are set out in the statement of financial position and in notes 12 and 14.

19. SUMMARY OF FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The carrying amounts of the Company's financial assets and liabilities as recognised at the reporting date are also analysed into the following categories. See notes 4.6 and 4.11 for explanations about how the category of financial instruments affects their subsequent measurement.

	2018 HK\$	2017 HK\$
<b>Financial assets</b>		
Loans and receivables		
- Deposit	700,127	700,127
- Trade receivables	6,185,502	2,718,938
- Bank balance and cash	10,382,567	6,020,792
	<u>17,268,196</u>	<u>9,439,857</u>
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost:		
- Accrued expenses	906,050	1,070,784
- Amount due to an immediate holding company	35,708	36,649
- Amount due to a fellow subsidiary	6,341,814	-
	<u>7,283,572</u>	<u>1,107,433</u>

**IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**20. FINANCIAL RISK MANAGEMENT**

The Company does not have written risk management policies and guidelines. However, the board of directors meets periodically to analyse and formulate measures to manage the Company's exposure to market risk (including currency risk and interest rate risk), credit risk and liquidity risk. Generally, the Company employs a conservative strategy regarding its risk management. As the directors of the Company consider that the Company's exposure to market risk is kept at a minimum level, the Company has not used any derivatives or other instruments for hedging purposes. The Company does not hold or issue derivative financial instruments for trading purposes.

**20. FINANCIAL RISK MANAGEMENT - Continued**

**(a) 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 2018 and 2017. The management considers there is minimal currency risk in financial assets denominated in United States dollars as the United States dollar is pegged against the Hong Kong dollar, which is the functional currency of the Company for the year ended 31 March 2018 and 2017.

**(b) Interest rate risk**

As the Company has no significant interest-bearing assets and liabilities, the Company's income and operating cash flow are substantially independent of changes in market interest rates. Management considers the Company's exposure to interest rate risk is minimal.

**(c) Credit risk**

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfil its obligation which results in the Company suffering from financial loss. The carrying amounts of trade and other receivables included in the statement of financial position represent the Company's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the Company has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Company reviews the recoverable amount of each individual debtor at the end of reporting period to ensure the 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.

**IL&FS GLOBAL FINANCIAL SERVICES (HK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2018**

**20. FINANCIAL RISK MANAGEMENT - Continued**

**(d) 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 of these liabilities approximate to their carrying amounts.

**(e) Fair value**

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.

**21. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are:

- (i) to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for equity holders;
- (ii) to support the Company's sustainable growth;
- (iii) to provide capital for the purpose of strengthening the Company's risk management capability; and
- (iv) to comply with the required liquid capital requirement of Hong Kong Securities and Futures (Financial Resources) Rules.

The Company actively and regularly reviews and manages its capital structure to ensure its capital structure and equity holder returns are satisfactory, taking into consideration the future capital requirements of the Company and prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Company currently has not adopted any formal dividend policy. Management regards total equity as capital and its reserves, for capital management purpose.

The Company files its Financial Resources Rules Return on a semi-annual basis. Management monitors the liquid capital to ensure they meet the minimum liquid capital requirement of the Securities and Futures (Financial Resources) Rules. As at 31 March 2018, the Company met its regulatory liquid capital requirement.

