



**State Energy Group International  
Assets Holdings Limited**  
**國能集團國際資產控股有限公司**

(Incorporated in Bermuda with limited liability)

Stock Code : 918

**ANNUAL REPORT  
2018/19**



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# CORPORATE INFORMATION

## DIRECTORS

*Executive Director:*

Mr. Zhang Jinbing (*Chairman*)

*Independent Non-executive Directors:*

Mr. Chow Hiu Tung

Mr. Zhao Hangen

Ms. Yang Yanli

## COMPANY SECRETARY

Ms. Ha Cheuk Man

## REGISTERED OFFICE

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

## PRINCIPAL OFFICE

Unit 2307 – 10, 23/F  
Everbright Centre  
108 Gloucester Road Wan Chai  
Hong Kong

## AUDITOR

Cheng & Cheng Limited  
*Certified Public Accountants*  
4th Floor, Allied Kajima Building  
138 Gloucester Road  
Wan Chai Hong Kong

## PRINCIPAL BANKER

DBS Bank (Hong Kong) Limited  
Public Bank (Hong Kong)  
Hang Seng Bank Limited

## SOLICITORS

*Bermuda:*

Conyers Dill & Pearman

*Hong Kong:*

D.S.Cheung & Co., Solicitors

## SHARE REGISTRARS AND TRANSFER OFFICES

*Bermuda:*

MUFG Fund Services (Bermuda) Limited  
26 Burnaby Street  
Hamilton HM 11  
Bermuda

*Hong Kong:*

Tricor Abacus Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## STOCK CODE

0918



On behalf of the board (the "**Board**") of directors (the "**Directors**") of State Energy Group International Assets Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**"), I hereby present the audited annual results of the year ended 31 March 2019 of the Group to our shareholders.

Following the completion of the general offer by Always Profit Development Limited (the "**Always Profit**") in October 2018, Always Profit became the new controlling shareholder of the Company since then. A review of the business operations and financial position of the Group has been conducted for the purpose of developing a sustainable business plan and strategy for the Group.

During the year, the Group is continuing its principal business of sourcing, subcontracting and trading of garments (the "**Garment Business**") and property investment (the "**Property Investment Business**"). The Group has recorded a turnover of approximately HK\$96.4 million, representing an increase of 404.0% as compared to that of approximately HK\$19.1 million in 2018. The turnover of the Garment Business and the Property Investment Business are approximately HK\$90.8 million and HK\$5.7 million respectively, representing an increase of 575.7% and a slight decrease of 0.53% from that of last year. The loss attributable to equity holders of the Company is HK\$28.2 million, compared to the profit of HK\$13.3 million last year. For the detailed overview of business, please refer to "Management Discussion and Analysis" of this annual report.

On behalf of the Board, I would like to express our utmost sincere gratitude towards our respectable business partners, clients and shareholders for their continuous support and trust and to thank our management team and all staff members for their hard work. Moving forward, the Group will be united as one and put our best foot forward in the face of future opportunities and challenges, and endeavor to optimize the return to our shareholders.

**Zhang Jinbing**

*Chairman*

Hong Kong, 28 June 2019



# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## DIRECTORS

### EXECUTIVE DIRECTOR

#### Mr. Zhang Jinbing (“Mr. Zhang”)

Mr. Zhang, aged 47, joined the Group in September 2018, is the chairman of the Board and an executive Director of the Company. Mr. Zhang has substantial experience in project investment and corporate management. Mr. Zhang is the controlling shareholder of the Company and Chong Kin Group Holdings Limited (“**Chong Kin**”) (a company listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), stock code: 1609) and has held directorship in a number of companies listed on the Stock Exchange. From August 2012 to April 2014, Mr. Zhang was an executive director of Synertone Communication Corporation (a company listed on the Stock Exchange, stock code: 1613). From January 2015 to June 2015, Mr. Zhang served as an executive director and the chief executive officer of WE Solutions Limited (“**WE Solutions**”) (a company listed on the Stock Exchange and formerly known as Ming Fung Jewellery Group Limited and O Luxe Holdings Limited, stock code: 860). From June 2015 to November 2017, Mr. Zhang served as an executive director and the chairman of WE Solutions. Currently, Mr. Zhang serves as a non-executive director and the co-chairman of WE Solutions as well as an executive director, chief executive officer and the chairman of the board of directors of Chong Kin. Mr. Zhang obtained his bachelor’s degree in arts from Guangzhou Institute of Foreign Languages in June 1994.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

#### Mr. Chow Hiu Tung (“Mr. Chow”)

Mr. Chow, aged 47, joined the Group in October 2018, is an independent non-executive Director. Mr. Chow has over 20 years of experience in accounting and internal control. From October 2013 to March 2015, Mr. Chow was an independent non-executive director of National United Resources Holdings Limited (a company listed on the Stock Exchange and formerly known as China Outdoor Media Group Limited, stock code: 254). From December 2014 to September 2018, Mr. Chow was an independent non-executive director of Future Bright Mining Holdings Limited (a company listed on the Stock Exchange, stock code: 2212). Mr. Chow obtained his bachelor’s degree in business administration in finance from Hong Kong University of Science and Technology in November 1995 and obtained his master’s degree in international business in December 2001 from the University of Sydney, Australia. Mr. Chow has been a member of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) since January 1999. Mr. Chow has also been a member of the Association of Chartered Certified Accountants since April 2000 and was admitted as its fellow member in April 2005.





## DIRECTORS (CONTINUED)

### INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

#### Mr. Zhao Hangen (“Mr. Zhao”)

Mr. Zhao, aged 52, joined the Group in October 2018, is an independent non-executive Director. Mr. Zhao has substantial professional legal experience. Mr. Zhao is proficient in civil law theory and jurisprudence, good at contract, corporate, finance, construction, real estate, investment, competition, intellectual property, international arbitration, labor law litigation and non-litigation cases. Mr. Zhao was a legal director at Nanyue Law Office of Guangdong and Guangdong Bowen Law Office, management committee member of Guangdong Fazhishengbang Law Office. Mr. Zhao is currently a partner at Kings Law Firm in Guangdong, an arbitrator at China International Economic and Trade Arbitration Commission, Arbitration Centre Across the Straits, China Guangzhou Arbitration Commission, and Shantou Arbitration Commission, and a director of Arbitration Legal Affairs Committee of the Guangzhou Lawyers Association. Mr. Zhao obtained his bachelor’s degree in law majoring in economic law from the Renmin University of China Law School in July 1989. In January 2005, Mr. Zhao obtained his master’s degree in law majoring in economic law from Renmin University of China Law School.

#### Ms. Yang Yanli (“Ms. Yang”)

Ms. Yang, aged 48, joined the Group in October 2018, is an independent non-executive Director. Ms. Yang has substantial experience in media management. Prior to joining the Group, Ms. Yang was the vice general manager of Planning and Publicizing Centre of Guangzhou Government and Guangzhou KAM-YIK Public Relations Agency. Since 2014, Ms. Yang has been a director of Guangzhou Holly’s International Auction Company Limited. Ms. Yang obtained her bachelor’s degree in education management from the Guangzhou University in July 2000.

## SENIOR MANAGEMENT

#### Mr. Law Chee Hui (“Mr. Law”)

Mr. Law joined the Group in April 2019, is currently the chief financial officer of the Company. Mr. Law has more than 18 years of experience in accounting, audit and corporate finance and advisory in Hong Kong and Mainland China. Mr. Law has extensive experience in fast moving consumer goods and personal hygiene products industries. Mr. Law obtained his Bachelor degree of Accountancy from the Royal Melbourne Institute of Technology University. He is a Certified Practising Accountant of CPA Australia, as well as a Member of Hong Kong Institute of Certified Public Accountants.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS OVERVIEW

### GARMENT BUSINESS

The Group carries on the business of sourcing, subcontracting and trading of garments and sportswear products in China which are then exported to overseas market. The Group has started export of wax print clothes, which are fabric mostly used for traditional clothing in Africa to Africa since December 2017 (the “**Africa Business**”). During the year, the Group also developed Australian Market and extended its reach to overseas customers such as Oxford Shop Pty Ltd (“**Oxford**”) in Australia, which owns and operates a chain of clothing stores for men and women. Oxford currently has 55 stores and outlets across Australia. It is an iconic Australian brand positioned as a modern, contemporary and stylish collection for both men and women in the mid-range market (the “**Australia Business**”).

Recently, the Group has expanded the garment business to sourcing, subcontracting, designing, selling and distribution of outwear garments and sportswear products in Hong Kong, especially licensed products under the brand of bearing the brand names “ACCAPI”, an Italian brand and distribution of sportswear products under the brand name of “Super X”, a Hong Kong brand respectively (the “**Brand Business**”).

### PROPERTY INVESTMENT

As at 31 March 2019, the Group held six investment properties located in the PRC and six investment properties (including three car parking spaces) located in Hong Kong for generating rental income purposes (the “**Investment Properties**”). As at 31 March 2019, except for the three investment properties located in the PRC has been vacant since February 2019, all the remaining investment properties were fully leased out. The Group continues to seek for tenants of the vacant properties for rental income purpose.

The value of the Investment Properties amounted to approximately HK\$156.2 million based on the independent valuation of the Investment Properties as at 31 March 2019 (31 March 2018: approximately HK\$156.1 million).

## FINANCIAL REVIEW

### TURNOVER

The Group recorded a turnover of approximately HK\$96.4 million for the year ended 31 March 2019, representing a significant increase of approximately 404.0% as compared to that of approximately HK\$19.1 million for the year ended 31 March 2018.

Turnover derived from the Garment Business increased by approximately 575.7% from approximately HK\$13.4 million for the year ended 31 March 2018 to approximately HK\$90.8 million for the year ended 31 March 2019. The increase was due to increase order from Africa Business and addition of order from Australia Business and Brand Business during the year.



## FINANCIAL REVIEW (CONTINUED)

### TURNOVER (CONTINUED)

Turnover derived from property investment remain stable of approximately HK\$5.7 million for the year-ended 31 March 2019 and 31 March 2018.

### GROSS PROFIT AND GROSS PROFIT MARGIN

The Group recorded a gross profit of approximately HK\$9.3 million in respect of the Garment Business for the year ended 31 March 2019, representing an increase of approximately 1,181.5% as compared to approximately HK\$0.7 million for the year ended 31 March 2018. The increase was in line with the increase in revenue.

The gross profit margin of the Garment Business was approximately 10.3% for the year ended 31 March 2019 compared to approximately 5.4% for the year ended 31 March 2018. The increase was due to higher profit margin generated from Australia Business and Brand Business during the year.

The Group recorded a gross profit of approximately HK\$5.7 million in respect of the property investment business for the year ended 31 March 2019 and 31 March 2018.

### SELLING, DISTRIBUTION AND MARKETING EXPENSES

Selling, distribution and marketing expenses increased by approximately 56.5% from approximately HK\$1.9 million for the year ended 31 March 2018 to approximately HK\$3.0 million for the year ended 31 March 2019. The increase was mainly due to the increase in selling staff costs, oversea travelling and consultancy fee for development of Australia Business and Brand Business.

### ADMINISTRATIVE EXPENSES

Administrative expenses decreased by approximately 25.4% from approximately HK\$44.2 million for the year ended 31 March 2018 to approximately HK\$33.0 million for the year ended 31 March 2019. The decrease was mainly due to the decrease in overseas travelling, entertainment and staff cost for several possible acquisition projects in last year.

### GAIN UPON RECLASSIFICATION FROM LEASEHOLD LAND TO INVESTMENT PROPERTIES

In April 2017, certain properties under the classification of the leasehold land, which were previously used as office of the Group, with a carrying amount of approximately HK\$15.0 million as at 31 March 2017 were reclassified as investment properties, as these properties are currently held for rental income purpose. Therefore, the gain of approximately HK\$47.2 million represented a fair value upward adjustment upon reclassification from leasehold land to investment properties in April 2017 based on their open market value as at 31 March 2017 were recognised during the year ended 31 March 2018.



**CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES**

The net gain on fair value change of investment properties of approximately HK\$0.1 million (2018: approximately HK\$6.6 million) represented fair value adjustment of the Group's properties located in Hong Kong and the PRC as at 31 March 2019.

These properties was revalued basis on their open market value as at 31 March 2019 by Ravia Global Appraisal Advisory Limited, an independent qualified professional valuer.

**FINANCE COST**

Finance cost increased by approximately 32.0% from approximately HK\$5.9 million for the year ended 31 March 2018 to approximately HK\$7.8 million for the year ended 31 March 2019. This was mainly due to increase in interest from amount due to a related company and bank borrowings for general working capital.

**PROSPECTS**

In view of the downturn of the garment industry in the North American market, the Group has explored other potential markets and expanded into the African market in December 2017. In May 2018, the Group has also tapped into the Australian market. Recently, the Group has expanded the garment business to sourcing, subcontracting, designing, selling and distribution of outwear garments and sportswear products in Hong Kong and People's Republic of China, especially licensed products under the brand of bearing the brand names "ACCAPI", an Italian brand and distribution of sportswear products under the brand name of "Super X", a Hong Kong brand respectively. The Group will continue to expand the product range, develop and explore products with higher profit margins, extend its distribution channels and customer base and develop worldwide market for its trading business.

The Group will continue to look for new business opportunities to diversify its business in order to generate better returns for the shareholders of the Company. The Board believe that the Group's business will grow gradually and the Company will be able to maintain the listing of the Shares on the Stock Exchange.



## UPDATE ON THE LISTING STATUS

Trading in the shares (the "**Shares**") of the Company on the Stock Exchange has been suspended since 1 February 2019.

The Company has received a letter dated 8 June 2018 from the Stock Exchange (the "**Letter**") pursuant to which the Stock Exchange considers that the Company has failed to maintain a sufficient level of operations or have tangible assets of sufficient value and/or intangible assets for which a sufficient potential value can be demonstrated under Rule 13.24 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") to warrant the continued listing of its shares on the Stock Exchange. The Stock Exchange has therefore decided to suspend trading in the Shares under Rule 6.01(3) of the Listing Rules and place the Company in the first delisting stage pursuant to Practice Note 17 (the "**Decision**").

On 14 June 2018, the Company has submitted a written request to the Listing Committee for reviewing the Decision. On 18 September 2018, the Listing Committee decided to uphold the Decision to suspend trading in the Shares.

On 27 September 2018, the Company has submitted a written request to the Listing (Review) Committee applying for a review of the decision of the Listing Committee. On 21 January 2019, the Listing (Review) Committee conducted a review hearing to review the decision of the Listing Committee set out in its letter dated 18 September 2018 (the "**LC Decision**"). On 31 January 2019, the Company received a letter from the Listing (Review) Committee setting out its decision to uphold the LC Decision to suspend trading in the Shares under Rule 6.01(3) of the Listing Rules and place the Company in the first delisting stage under Practice Note 17 of the Listing Rules.

The Company is required to submit a viable resumption proposal to demonstrate that it has a sufficient level of operations or assets as required by Rule 13.24 of the Listing Rules at least 10 business days before the expiry of a period of six months from the date of the letter setting out the Decision (i.e. 18 July 2019). At the end of the six-month period (i.e. 1 August 2019), the Stock Exchange will determine whether to place the Company in the second delisting stage under Practice Note 17 of the Listing Rules.

At the request of the Company, trading in the Shares has been suspended with effect from 9:00 a.m. on 1 February 2019. For details, please refer to the announcements of the Company dated 11 June 2018, 15 June 2018, 18 September 2018, 19 September 2018, 1 February 2019, 12 February 2019 and 30 April 2019.

**LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL RATIO**

During the year ended 31 March 2019, the Group financed its operations and investments mainly by internally generated funds and debt financing.

**CASH POSITION**

The Group had total cash and bank balances (excluding pledged bank deposits) of approximately HK\$4.5 million as of 31 March 2019 (2018: approximately HK\$22.3 million).

**BANK AND OTHER BORROWINGS**

As of 31 March 2019, bank and other borrowings of the Group amounted to approximately HK\$198.6 million, including bank loans of approximately HK\$33.0 million, obligations under finance leases of approximately HK\$Nil, shareholder's loans of approximately HK\$96.0 million and loans from a related company of approximately HK\$69.6 million. All bank and other borrowings of approximately HK\$198.6 million are repayable within one year or on demand.

As of 31 March 2018, bank and other borrowings of the Group amounted to approximately HK\$131.5 million, including bank loans of approximately HK\$8.2 million, obligations under finance leases of approximately HK\$0.4 million and shareholder's loans of approximately HK\$122.9 million. Among the bank and other borrowings, approximately HK\$73.7 million are repayable within one year or on demand, approximately HK\$45.1 million are repayable over one year but not exceeding two years, approximately HK\$12.7 million are repayable over two years but not exceeding five years.

**LEVERAGE**

The ratio of current assets to current liabilities of the Group was approximately 0.40 as at 31 March 2019 compared to approximately 0.46 as at 31 March 2018. The deterioration in current ratio was due to the increase in amount due to a shareholder, amount due to a related company and bank borrowing. The Group's gearing ratio as at 31 March 2019 was approximately 680.0% (31 March 2018: approximately 243.4%), which is calculated based on the Group's bank and other borrowings of approximately HK\$198.6 million (31 March 2018: approximately HK\$131.5 million) and the Group's total equity approximately HK\$29.2 million (31 March 2018: approximately HK\$54.0 million). The increase in gearing ratio was due to the increase in bank and other borrowings.

The cash and bank balances together with shareholder's loans and the available banking facilities can provide adequate liquidity and capital resources for the ongoing operation needs of the Group.

**RISK MANAGEMENT**

Our principal financial instruments include trade receivables, deposits, prepayments and other receivables, pledged bank deposits, bank borrowings and obligations under finance leases and cash and cash equivalents. We also have various financial assets and financial liabilities arising from our business operations. Our financial instruments are mainly subject to foreign currency risk, credit risk and liquidity risk. We aim to minimise these risks and hence maximise investment returns.



## FOREIGN CURRENCY RISK

The monetary assets and liabilities and business transaction of the Group are mainly based on Hong Kong dollars, Renminbi and United States dollars (“USD”). In view of the stability of the exchange rate between these currencies, the directors of the Company did not consider that the Group was significantly exposed to foreign exchange risk for the year. The Group manages its foreign exchange risk by performing regular reviews of the Group’s net foreign exchange exposures and to mitigate the impact on exchange rate fluctuations by entering into currency hedge arrangement, if necessary. During the years ended 31 March 2019 and 2018, no forward foreign exchange or hedging contracts had been entered into by the Group. The Group will continue to evaluate the Group’s foreign currency exposure and take actions as appropriate.

## CREDIT RISK

The Group’s credit exposure generally arises from counterparty risk in the course of engaging in the Garment Business and the Property Investment Business. As at 31 March 2019, trade receivables and trade payables of the Group were approximately HK\$39.4 million and approximately HK\$1.8 million (31 March 2018: approximately HK\$6.3 million and approximately HK\$4.7 million), respectively. The Group has a policy in financial risk management to ensure settlement of all receivables and payables during the credit period.

## LIQUIDITY RISK

Liquidity risk is the risk that funds will not meet liabilities as they fall due. This may arise from mismatches in amounts or time with regard to the maturity of financial assets and liabilities. The objectives of the Group’s liquidity risk management are: (1) maintaining the stability of the Group’s principal business, timely monitoring cash and bank balance position; (2) projecting cash flows; and (3) evaluating the level of current assets to maintain sufficient liquidity of the Group.

## TREASURY POLICIES

As at 31 March 2019, bank and other borrowings of approximately HK\$198.6 million and approximately HK\$Nil million (31 March 2018: approximately HK\$123.3 million and approximately HK\$8.2 million) were denominated in Hong Kong dollars and USD, respectively. The Group’s bank loans are subject to floating interest rates while obligations under finance leases and loans from related company are subject to fixed interest rates.

Cash and cash equivalents held by the Group were mainly denominated in USD, Renminbi and Hong Kong dollars. The Group currently does not have foreign currency and interest rate hedging policies. However, the management of the Group monitors the foreign exchange and interest rate exposure from time to time and will consider hedging significant foreign exchange and interest rate exposure if needed.

## CHARGE OF ASSETS

As at 31 March 2019, the Investment Properties and leasehold land and buildings in Hong Kong and the PRC held by the Group with an aggregate carrying value of approximately HK\$76.5 million (31 March 2018: approximately HK\$28.5 million) and a fixed deposit of approximately HK\$0.5 million (31 March 2018: approximately HK\$0.6 million) were pledged as first legal charges for the Group's banking facilities.

## SIGNIFICANT INVESTMENT

The Group had no significant investment during the year ended 31 March 2019.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

On 30 November 2018, First Equity Global Limited ("**First Equity**"), a wholly-owned subsidiary of the Company (being the vendor), Takson Garment Manufacturing Co., Limited, an indirect wholly-owned subsidiary of the Company, and China Corporate United Investment Holding Co., Ltd (中聯投控股股份有限公司) (the "**Purchaser**"), a company established under the laws of the PRC with limited liability, entered into a legally binding letter of intent (the "**LOI**") (which has been amended and supplemented by a legally binding supplemental letter of Intent dated 7 December 2018), pursuant to which First Equity has conditionally agreed to sell, and the Purchaser or its nominee has conditionally agreed to purchase the entire issued capital of Takson Logistics Limited, an indirect wholly-owned subsidiary of the Company at a cash consideration of RMB7,408,100 (equivalent to approximately HK\$8,741,000) (the "**Disposal**"). The Disposal was completed on 16 May 2019. For details, please refer to the announcements of the Company dated 7 December 2018 and 16 May 2019.

Save as disclosed elsewhere in this annual report, the Group had no material acquisition and disposal of subsidiaries or associated companies during the year ended 31 March 2019.

## OPERATING SEGMENT INFORMATION

Details of the operating segment information of the Group in the year ended 31 March 2019 are set out in note 5 to the consolidated financial statements attached to this annual report.

## CAPITAL COMMITMENTS

The Group did not have any material capital commitment as at 31 March 2019.



## CONTINGENT LIABILITIES AND LITIGATION

The Company has executed guarantees for the banking facilities made by its subsidiaries. As at 31 March 2019, the utilised facilities amounted to approximately HK\$33.0 million (31 March 2018: approximately HK\$8.2 million).

Except for the foregoing, as at 31 March 2019, the Group had no other significant contingent liabilities or pending litigation.

## SUBSEQUENT EVENTS

As at 31 March 2019, details of the subsequent events of the Group are set out in note 35 to the consolidated financial statements attached to this annual report.

## STAFF AND REMUNERATION POLICIES

As of 31 March 2019, the Group had a total of 26 employees (31 March 2018: 38 employees). Total staff costs (including directors' emoluments) for the year ended 31 March 2019 amounted to approximately HK\$16.3 million (31 March 2018: approximately HK\$21.0 million). Primary means of remuneration include contributory provident funds, insurance and standard medical benefits. The emoluments of the directors are decided by the remuneration committee of the Company (the "**Remuneration Committee**") based on the Company's operating results, individual performance and comparable market statistics. The Group has also adopted an annual discretionary bonus scheme for management and staff subject to the performance of the Group and individual employees. As of 31 March 2019, the Group has no outstanding share options issued to the Directors and employees for the purpose of providing incentives or rewards to the eligible employees for their contribution to the Group.

## AUDIT COMMITTEE

The principal responsibilities of the audit committee of the Company (the "**Audit Committee**") include reviewing and supervising of the Group's financial reporting process, risk management and internal control. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2019 and decided that such statements were properly prepared in accordance with the statutory requirements and applicable accounting standards.

The Audit Committee currently comprises of three INEDs, namely Mr. Chow, Mr. Zhao and Ms. Yang.



## REPORT OF THE DIRECTORS

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 March 2019.

### PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The subsidiaries are principally engaged in the sourcing, subcontracting, marketing and selling of outerwear garments and sportswear products, and property investment.

An analysis of the Group's results, assets and liabilities by business and geographical segments is set out in note 5 to the consolidated financial statements.

### MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year ended 31 March 2019 attributable to the Group's major customers and suppliers are as follows:

	2019 %	2018 %
Sales		
— The largest customer	55	68
— Five largest customers combined	94	97
Purchases		
— The largest supplier	45	52
— Five largest suppliers combined	100	100

None of the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's issued share capital) had an interest in the major customers or suppliers as mentioned above.

### ANALYSIS OF THE GROUP'S PERFORMANCE

An analysis of the Group's performance is shown in the Management Discussions and Analysis on pages 6 to 13.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 43.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 March 2019 (2018: HK\$Nil).



## DIVIDEND POLICY

The Company aims to provide a set of standard procedures/guidelines to be followed by the Board in deciding/recommending the amount of dividend (interim or final) per share. The objective of the dividend policy of the Company is to reward its shareholders by sharing a portion of the profits/earnings, while also ensuring that enough funds are retained for future prospects of the Company. In proposing any dividend payout, the Company would consider various factors including but not limited to the Group's overall results of operation, financial condition, working capital requirements, capital expenditure requirements, liquidity position, future expansion plans, general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group. Any declaration and payment as well as the amount of the dividends will be subject to any restrictions under the applicable laws and regulations and the Company's constitutional documents. The Company does not have any predetermined dividend distribution proportion or distribution ratio. Any future declarations of dividends may or may not reflect the Company's historical declarations of dividends and will be at the absolute discretion of the Directors.

The Board will continually review the dividend policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the dividend policy at any time, and the dividend policy shall in no way constitute a legally binding commitment by the Company that dividends will be paid in any particular amount and/or in no way obligate the Company to declare a dividend at any time or from time to time.

## CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM of the Company to be held on Wednesday, 28 August 2019, the register of members of the Company will be closed from Thursday, 22 August 2019 to Wednesday, 28 August 2019, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on Wednesday, 21 August 2019.

## RESERVES

Movements in the reserves of the Group and those of the Company during the year ended 31 March 2019 are set out in page 46 and notes 32 to the consolidated financial statements respectively.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The consolidated statement of changes in equity of the Group during the year ended 31 March 2019 is shown on page 46.

**DONATIONS**

The Group did not make any donations during the year ended 31 March 2019 (2018: HK\$Nil).

**PROPERTY, PLANT AND EQUIPMENT**

Details of the movements in property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

**INVESTMENT PROPERTIES**

Details of the investment properties held by the Group are set out in note 17 to the consolidated financial statements.

**SHARE CAPITAL**

Details of the movements in the share capital of the Company are set out in note 24 to the consolidated financial statements.

**DISTRIBUTABLE RESERVES**

The Company had no distributable reserves as at 31 March 2019 (2018: HK\$Nil).

**FIVE-YEAR FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the last five years ended 31 March 2019 is set out on page 125.

**PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year ended 31 March 2019.

**PRINCIPAL SUBSIDIARIES**

Particulars of the Company's principal subsidiaries as at 31 March 2019 are set out in note 33 to the consolidated financial statements.



## ANALYSIS OF BANK LOANS AND OTHER BORROWINGS

The Group's bank loans and other borrowings including loans from a shareholder and a related company (disregarding the effect of any repayment on demand clause) as at 31 March 2019 were repayable over the following periods:

	Bank borrowings HK\$'000	Other borrowings HK\$'000
Within one year or on demand	17,309	165,637
In the second year	2,381	—
In the third to fifth year, inclusive	7,591	—
After the fifth year	5,691	—
	<b>32,972</b>	<b>165,637</b>

## DIRECTORS

The Directors during the year ended 31 March 2019 and up to the date of this report are as follows:

### Executive Directors

Mr. Zhang Jinbing ( <i>Chairman</i> )	(appointed as an executive Director on 12 September 2018 and appointed as chairman of the Board on 25 October 2018)
Mr. Chau Tien Hsiang	(appointed on 12 September 2018 and resigned on 28 April 2019)
Mr. Zhou Xinyu ( <i>Chairman &amp; Chief executive officer</i> )	(resigned on 25 October 2018)
Ms. Niu Fang	(vacated on 20 November 2018)

### Independent non-Executive Directors

Mr. Chow Hiu Tung	(appointed on 25 October 2018)
Mr. Zhao Hangen	(appointed on 25 October 2018)
Ms. Yang Yanli	(appointed on 25 October 2018)
Ms. Ni Lijun	(resigned on 25 October 2018)
Mr. Shen Guoquan	(resigned on 25 October 2018)
Mr. Chen Jianjun	(appointed on 29 May 2018 and resigned on 25 October 2018)
Ms. Meng Rongfang	(resigned on 23 April 2018)

All the Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with Bye-law 86(2) of the Company's bye-laws (the "**Bye-laws**"). Mr. Zhang, Mr. Chow, Mr. Zhao and Ms. Yang will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

## DIRECTORS (CONTINUED)

On 23 April 2018, Ms. Meng Rongfang (“Ms. Meng”) resigned as INED and chairman of the Audit Committee. Following the resignation of Ms. Meng, the Company had not complied with rules 3.10 and 3.21 of the Listing Rules which were explained below:

- (i) The number of the INEDs falls below the minimum number required under Rules 3.10(1) of the Listing Rules; and
- (ii) the number of members of the Audit Committee falls below the minimum number required under rule 3.21 of the Listing Rules.

On 29 May 2018, Mr. Chen Jianjun (“Mr. Chen”) was appointed as an independent non-executive Director and a chairman of the Audit Committee. Following the appointment of Mr. Chen, the Company has fulfilled the requirements under Rules 3.10(1), 3.11, 3.21 and 3.23 of the Listing Rules.

Since 25 April 2018, the Board has been unable to get into contact with Ms. Niu Fang, an executive director of the Company. Ms. Niu Fang has been absent from the meetings of the Board for more than six consecutive months since April 2018, without special leave of absence from the Board, and no alternate director has attended in her place. On 20 November 2018, the office of Ms. Niu Fang as an executive Director has been vacated by resolution of the Board according to Article 89(3) of the Bye-laws.

## DIRECTORS’ SERVICE CONTRACTS

Mr. Zhang has entered into a service agreement with the Company on 12 September 2018, pursuant to which he has been appointed for a term of two years as an executive Director with effect from 12 September 2018 and renewable automatically for successive terms of one year, subject to rotation, removal, vacation and termination in accordance with the Bye-laws. Each of the independent non-executive Directors, Mr. Chow, Mr. Zhao and Ms. Yang, has entered into a service agreement with the Company on 25 October 2018, pursuant to which each of the independent non-executive Directors has been appointed for a term of two years as an independent non-executive Director with effect from 25 October 2018, and renewable automatically for successive terms of one year, subject to rotation, removal, vacation and termination in accordance with the Bye-laws. Apart from the aforesaid, none of the existing Directors, including the Directors proposed for re-election at the forthcoming annual general meeting of the Company, has entered into any service contract with the Company.

Details of the Directors’ emoluments are set out in note 10(A) to the consolidated financial statements.



## CONTRACT OF SIGNIFICANCE

No contract of significance to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year nor had there been any contract of significance which had been entered into between the Company or any of its subsidiaries and a controlling shareholder of the Company during the year.

## DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Except for the Directors' service contracts as mentioned above, no contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its holding companies or its fellow subsidiaries, was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at any time during the year ended 31 March 2019.

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31 March 2019, the interests and short positions of each Director, chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO (Chapter 571 of the Laws of Hong Kong)) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to section 352 of Part XV of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

### (I) LONG POSITIONS IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY

Name of Director or chief executive	Nature of interest	Number of issued shares held	Percentage of the issued share capital
Mr. Zhang	Interest in controlled corporation ( <i>Note</i> )	547,042,493 ( <i>Note</i> )	70.55%

*Note:*

These shares were held by Always Profit Development Limited ("Always Profit"). Always Profit was wholly owned by Mr. Zhang. Hence Mr. Zhang was deemed to be interested in the 547,042,493 shares in the Company held by Always Profit pursuant to the SFO.



## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS (CONTINUED)

### (II) LONG POSITIONS IN THE SHARES OF THE COMPANY'S ASSOCIATED CORPORATIONS

Name of Director or chief executive	Name of associated corporation	Nature of interest	Number of issued shares held	Approximate percentage of the issued share capital of the associated corporation
Mr. Zhang	Always Profit	Beneficial owner <i>(Note)</i>	1	100%

*Note:*

Always Profit is a company incorporated in British Virgin Islands with limited liability which owned 547,042,493 shares of the Company (representing 70.55% of the issued share capital of the Company), and thus was the direct holding company of the Company.

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 March 2019.

Save as disclosed above, as at 31 March 2019, none of the Directors or chief executives was a director or employee of a company which had an interest or short position in the shares or underlying shares of the Company in which disclosure to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO is required.

### ARRANGEMENTS FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or chief executives of the Company to acquire benefits by means of an acquisition of Shares, or debentures of the Company or any other body corporate, and neither the Directors nor the chief executives of the Company, nor any of their spouses or children under the age of 18, had any right to subscribe for securities of the Company or had exercised such right during the year ended 31 March 2019.



## SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to the Directors and the chief executives of the Company, as at 31 March 2019, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

## LONG POSITIONS IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY

Name of shareholder	Nature of interest	Number of issued shares of the Company held	Approximate percentage of the issued share capital of the Company
Always Profit	Beneficial owner	547,042,493	70.55%

Save as disclosed above, no other person (other than a Director or chief executive of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 31 March 2019.

## REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 10(A) and note 10(B) to the consolidated financial statements attached to this annual report.

## SHARE OPTION SCHEME

Particulars of the Company's share option scheme are set out in note 24(C) to the consolidated financial statements.

No options under the above scheme were granted nor exercised during the year ended 31 March 2019 and no options were outstanding as at 31 March 2019.

At no time during the year ended 31 March 2019 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and chief executive of the Company or their spouse or children under 18 years of age to acquire benefits by means of an acquisition of shares in, or debentures of, the Company or any other body corporate.



**AUDIT COMMITTEE**

The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee provides an important link between the Directors and the Company's auditor in matters coming within the scope of the audit of the Group. It also reviews the effectiveness of the external audit, the internal controls and risk evaluation.

The Audit Committee currently comprises of three INEDs, namely Mr. Chow, Mr. Zhao and Ms. Yang. Two meetings were held during the year ended 31 March 2019.

**PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Bye-laws and the laws of Bermuda which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

**MANAGEMENT CONTRACTS**

No contracts, other than contracts of service with person engaged in the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2019.

**CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

The Company has received from each of the independent non-executive Directors, namely Mr. Chow, Mr. Zhao and Ms. Yang, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent.

**SUFFICIENCY OF PUBLIC FLOAT**

The Company has maintained a sufficient public float throughout the year ended 31 March 2019.



## AUDITOR

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

For and on behalf of the Board

**Zhang Jinbing**

*Chairman & Executive Director*

Hong Kong, 28 June 2019



## CORPORATE GOVERNANCE CODE

The Company is committed to maintaining a high standard of corporate governance. It believes that a high standard of corporate governance provides a framework and solid foundation for the Group to manage business risks, enhance transparency, maintain a high standard of accountability and protect interests of the shareholders and other stakeholders.

The Company has applied the principles and complied with the Corporate Governance Code (“**CG Code**”) as contained in Appendix 14 of the Listing Rules during the year ended 31 March 2019 except for the following deviation:

Under the Code Provision A.2.1, the roles of chairman and chief executive officer should be separated. The positions of chairman and chief executive officer of the Company were held by Mr. Zhou Xinyu from 1 February 2018 to 25 October 2018. The Board believed that holding of both positions of chairman and chief executive officer by the same person allows more effective planning and execution of business strategies. Following the resignation of Mr. Zhou Xinyu, the Company do not has chief executive officer since then.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 stipulates that the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual.

The positions of chairman and chief executive officer of the Company were held by Mr. Zhou Xinyu from 1 February 2018 to 25 October 2018. The Board believes that holding of both positions of chairman and chief executive officer by the same person allows more effective planning and execution of business strategies. Following the resignation of Mr. Zhou Xinyu, the Company do not has chief executive officer since then. The Board will consider appointing a suitable candidate to fill the vacancy of chief executive officer if necessary.

The key role of chairman of the Board is to provide leadership to the Board. In performing his duties, chairman of the Board shall ensure that the Board functions effectively when discharging its responsibilities. Chairman of the Board also has the responsibility of taking the lead to ensure that the Board acts in the best interests of the Group.

The key role of chief executive officer includes the day-to-day management and operations of the Company and the business of the Group. The main duties of chief executive officer are as follows:

- providing leadership and supervising the effective management of the Group and fully presiding the daily operation of the Group;
- monitoring and controlling the financial and operational performance of various divisions;
- implementing the strategy and policies adopted by the Group, setting and implementing objectives and development plans;
- signing the relevant agreement, contract and handling relevant matters according to the authorisation of the Board; and
- other matters authorised by the Board.



## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all Directors regarding any non-compliance with the Model Code during the year ended 31 March 2019, they have all confirmed their full compliance with the required standards as set out in the Model Code throughout the year ended 31 March 2019.

The Company has also established written guidelines for senior management and employees in certain functions in respect of their dealings in the securities of the Company for their strict compliance. The Company issued notices to all Directors, senior management and relevant employees reminding them to comply with the restriction on dealing of securities of the Company under the above code and guidelines 60 days prior to the publication of the annual results and 30 days prior to the publication of the interim results.

## BOARD OF DIRECTORS

The Board currently consists of a total of four Directors, comprising one executive Director and three INEDs. The composition of the Board during the year and up to the date of this report are:

### EXECUTIVE DIRECTORS

Mr. Zhang Jinbing ( <i>Chairman</i> )	(appointed on 12 September 2018)
Mr. Chau Tien Hsiang	(appointed on 12 September 2018 and resigned on 28 April 2019)
Mr. Zhou Xinyu ( <i>Chairman &amp; Chief executive officer</i> )	(resigned on 25 October 2018)
Ms. Niu Fang	(vacated on 20 November 2018)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Hiu Tung	(appointed on 25 October 2018)
Mr. Zhao Hangen	(appointed on 25 October 2018)
Ms. Yang Yanli	(appointed on 25 October 2018)
Ms. Ni Lijun	(resigned on 25 October 2018)
Mr. Shen Guoquan	(resigned on 25 October 2018)
Mr. Chen Jianjun	(appointed on 29 May 2018 and resigned on 25 October 2018)
Ms. Meng Rongfang	(resigned on 23 April 2018)

None of the existing Directors has any personal relationship (including financial, business, family or other material/relevant relationship), with any other existing Director.





## BOARD OF DIRECTORS (CONTINUED)

### INDEPENDENT NON-EXECUTIVE DIRECTORS (CONTINUED)

All the existing INEDs have entered into a service contract with the Company on 25 October 2018, pursuant to which each of the INEDs has been appointed for a term of two years as an INED with effect from 25 October 2018, and renewable automatically for successive term of one year, subject to rotation, removal, vacation and termination in accordance with the Bye-laws.

On 23 April 2018, Ms. Meng resigned as INED and chairman of the Audit Committee. Following the resignation of Ms. Meng, the Company had not complied with rules 3.10 and 3.21 of the Listing Rules which were explained below:

- (i) The number of the INEDs falls below the minimum number required under rule 3.10(1) of the Listing Rules; and
- (ii) the number of members of the Audit Committee falls below the minimum number required under rule 3.21 of the Listing Rules.

On 29 May 2018, Mr. Chen has been appointed as INED and chairman of the Audit Committee. Following the appointment of Mr. Chen, the Company has fulfilled the requirements under Rules 3.10(1), 3.11, 3.21 and 3.23 of the Listing Rules.

### DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

The Company encourages the Directors to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. All the Directors have confirmed with the Company that they have participated in appropriate continuous professional development activities, which relate to financial and general management or regulatory and corporate governance, either by attending seminars or by reading materials relevant to the Group's business or to Directors' duties and responsibilities during the year.



**DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT (CONTINUED)**

The individual training records of each existing Director for the year ended 31 March 2019 are set out below:

Name of Directors	Attending seminars/ conferences/ forums	Reading newspapers, journals and updates relating to the economy, general business, accounting, laws, rules and regulations, etc.
<b>Executive Directors</b>		
Mr. Zhang Jinbing ( <i>Chairman</i> )	√	√
<b>INEDs</b>		
Mr. Chow Hiu Tung	√	√
Mr. Zhao Hangen	√	√
Ms. Yang Yanli	√	√

**INEDS**

On 23 April 2018, Ms. Meng resigned as INED and chairman of the Audit Committee. Following the resignation of Ms. Meng, the Company had not complied with rules 3.10 and 3.21 of the Listing Rules which were explained below:

- (i) The number of the independent non-executive Directors falls below the minimum number required under Rules 3.10(1) of the Listing Rules; and
- (ii) the number of members of the Audit Committee falls below the minimum number required under rule 3.21 of the Listing Rules.

On 29 May 2018, Mr. Chen has been appointed as INED and chairman of the Audit Committee. Following the appointment of Mr. Chen, the Company has fulfilled the requirements under Rules 3.10(1), 3.11, 3.21 and 3.23 of the Listing Rules.

Save as disclosed above, throughout the year ended 31 March 2019, the Company has complied with the requirements under Rules 3.10A, 3.10(1) and (2) of the Listing Rules that require every board of directors of a listed issuer to include at least three INEDs and at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise. One of the INEDs are qualified accountants and one of the INEDs is a practising lawyer.

The INEDs actively participated in board meetings of the Company. The Audit Committee, the Remuneration Committee, nomination committee (the "**Nomination Committee**") of the Company comprise a majority of INEDs.

## INEDS (CONTINUED)

For a Director to be considered independent, the Board must determine that the Director does not have any direct or indirect material relationship with the Group. The Board follows the requirements set out in the Listing Rules to determine the independence of Directors. The Company has received from each of its INEDs an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers all INEDs are independent.

## RESPONSIBILITIES OF DIRECTORS AND MANAGEMENT

The Board is responsible for ensuring continuity of leadership, development of sound business strategies, availability of adequate capital and managerial resources to implement the adopted business strategies, adequacy of systems of financial and internal controls and conduct of business in conformity with applicable laws and regulations. All Directors have made full and active contribution to the affairs of the Board and the Board has always acted in the best interests of the Group.

All newly appointed Directors will receive a formal and tailored induction on the first occasion of their appointment in order to ensure that they will have a proper understanding of the operations and business of the Company and that they will be fully aware of their responsibilities under statute and common law, the Listing Rules, applicable legal and other regulatory requirements, and the Company's business and governance policies.

The executive Directors and the senior management are delegated with respective levels of authorities with regard to key corporate strategies and policy and contractual commitments. Senior management is responsible for the day-to-day operations of the Group with divisional heads responsible for different aspects of the Group's business.

The Board is also responsible for the preparation of the consolidated financial statements. The Company has adopted the generally accepted accounting standards in Hong Kong in preparing the consolidated financial statements, appropriate accounting policies have been adopted and applied consistently, and reasonable and prudent judgment and estimates have been made.



## CORPORATE GOVERNANCE FUNCTION

According to Code Provision D.3 of the CG Code, the Board is responsible for performing the corporate governance duties of the Company. The Board has the following duties and responsibilities for performing the corporate governance duties of the Company:

1. to develop and review the Group's policies and practices on corporate governance;
2. to review and monitor the training and continuous professional development of the Directors and senior management of the Group;
3. to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;
4. to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and the Directors; and
5. to review the Group's compliance with the Code and disclosure in the corporate governance report and in annual report of the Company.

## BOARD DIVERSITY POLICY

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve diversity on the Board. A summary of this policy together with the measurable objectives set for implementing the Board Diversity Policy, and the progress made towards achieving those objectives are disclosed below.

## SUMMARY OF THE BOARD DIVERSITY POLICY

The Company recognizes and embraces the benefits of having a diversity to enhance the quality of its performance. When determining the composition of the Board, the Company will consider board diversity in terms of, among other things, age, experience, cultural and educational background, expertise, skills and know-how. All Board appointments will be based on merits, and candidates will be considered against objective criteria, having due regard for the benefits of diversity of the Board.

## MEASURABLE OBJECTIVES

Selection of candidates for Board membership will be based on a range of diversity perspectives, including but not limited to age, experience, cultural and educational background, expertise, skills and know-how.

## MONITORING AND REPORTING

The Nomination Committee will review, as appropriate, to ensure the effectiveness of the Board Diversity Policy and monitor the implementation of this policy. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval. The Nomination Committee considers that the current Board composition has provided the Company with a good balance and diversity of skill and experience appropriate for the business of the Company.

## BOARD MEETING

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, in addition to the meetings for reviewing and approving the Group's annual and interim results. During the year ended 31 March 2019, 15 meetings have been held by the Board and the attendance of each of the Directors is as follows:

Name of Directors	Attendance/number of meetings held during the year ended 31 March 2019 (during appointment period)				
	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meeting	AGM
<b>Executive Directors</b>					
Mr. Zhang Jinbing ( <i>Chairman</i> ) ( <i>Note 1</i> )	7/7	n/a	0/0	0/0	0/1
Mr. Chau Tien Hsiang ( <i>Note 2</i> )	7/7	n/a	n/a	0/0	1/1
Mr. Zhou Xinyu ( <i>Chairman</i> ) ( <i>Note 3</i> )	10/10	n/a	n/a	5/5	1/1
Ms. Niu Fang ( <i>Note 4</i> )	0/10	n/a	0/5	n/a	0/1
<b>INEDs</b>					
Mr. Chow Hiu Tung ( <i>Note 5</i> )	5/5	1/1	0/0	n/a	0/0
Mr. Zhao Hangen ( <i>Note 5</i> )	5/5	1/1	n/a	0/0	0/0
Ms. Yang Yanli ( <i>Note 5</i> )	5/5	1/1	0/0	0/0	0/0
Ms. Ni Lijun ( <i>Note 6</i> )	10/10	1/1	5/5	5/5	1/1
Mr. Shen Guoquan ( <i>Note 6</i> )	10/10	1/1	5/5	5/5	1/1
Mr. Chen Jianjun ( <i>Note 7</i> )	7/7	1/1	n/a	n/a	1/1
Ms. Meng Rongfang ( <i>Note 8</i> )	0/0	0/0	n/a	n/a	0/0



## BOARD MEETING (CONTINUED)

### Notes:

1. Mr. Zhang was appointed as an executive Director on 12 September 2018 and appointed as the chairman of Remuneration Committee and Nomination Committee on 25 October 2018 and 28 April 2019 respectively.
2. Mr. Chau Tien Hsiang was appointed as an executive Director on 12 September 2018, appointed as the chairman of Nomination Committee on 25 October 2018 and resigned on 28 April 2019.
3. Mr. Zhou was resigned on 25 October 2018.
4. The Board has been unable to get into contact with Ms. Niu Fang, an executive director of the Company, since 25 April 2018. She has been absent from the meetings of the Board for more than six consecutive months since April 2018, without special leave of absence from the Board, and no alternate director has attended in her place. According to Article 89(3) of the By-laws, the office of Ms. Niu Fang as an executive Director of the Company has been vacated on 20 November 2018 by resolution of the Board.
5. Mr. Chow, Mr. Zhao and Ms. Yang were appointed on 25 October 2018.
6. Ms. Ni Lijun and Mr. Shen Guoquan were resigned on 25 October 2018.
7. Mr. Chen was appointed on 29 May 2018 and resigned on 25 October 2018.
8. Ms. Meng was resigned on 23 April 2018.

## AUDIT COMMITTEE

The Audit Committee currently comprises three INEDs:

Mr. Chow Hiu Tung ( <i>Chairman</i> )	(appointed on 25 October 2018)
Mr. Zhao Hangen	(appointed on 25 October 2018)
Ms. Yang Yanli	(appointed on 25 October 2018)
Ms. Ni Lijun	(resigned on 25 October 2018)
Mr. Shen Guoquan	(resigned on 25 October 2018)
Mr. Chen Jianjun ( <i>Chairman</i> )	(appointed on 29 May 2018 and resigned on 25 October 2018)
Ms. Meng Rongfang ( <i>Chairman</i> )	(resigned on 23 April 2018)

The Audit Committee was responsible for, amongst other things, overseeing the relationship with the external auditors, to review the Group's interim and annual results, to review the scope, extent and effectiveness of the system of internal control and risk management of the Group, to review accounting policies and practices adopted by the Group, to engage independent legal or other advisers as it determines is necessary and to perform investigations. The terms of reference of the Audit Committee, which described its authority and duties, are available on the Company's website.

During the year ended 31 March 2019, there was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor. The Audit Committee is mandated to monitor the independence of the external auditor to ensure true objectivity in the financial statements.

## AUDIT COMMITTEE (CONTINUED)

During the year ended 31 March 2019, the Audit Committee held two meetings. Matters considered at the meetings included review of the Group's interim results for the six months ended 30 September 2018 and the annual results for the year ended 31 March 2019 the fees for engaging the external auditors to provide the audit for the relevant years, the independence of the external auditors, the Company's financial control, internal control and risk management system. The attendance of each member at the Audit Committee meetings held during the year had been disclosed earlier in this report.

## REMUNERATION COMMITTEE

The Remuneration Committee comprises two INEDs and one executive Director:

Mr. Zhang Jinbing ( <i>Chairman</i> )	(appointed on 25 October 2018)
Mr. Chow Hiu Tung	(appointed on 25 October 2018)
Ms. Yang Yanli	(appointed on 25 October 2018)
Mr. Shen Guoquan ( <i>Chairman</i> )	(resigned on 25 October 2018)
Ms. Ni Lijun	(resigned on 25 October 2018)
Ms. Niu Fang	(vacated on 20 November 2018)

The objectives of the Remuneration Committee are to determine and maintain an appropriate and competitive level of remuneration to attract, retain and motivate Directors and key executives to operate the Company successfully. The Remuneration Committee also ensures that the remuneration policies and systems of the Group support the Group's objectives and strategies. The Remuneration Committee is provided with other resources to enable it to fully discharge its duties. The terms of reference of the Remuneration Committee, which describe its authority and duties, are available on the Company's website.

During the year ended 31 March 2019, five Remuneration Committee meetings were held and the attendance of each of the members of the Remuneration Committee has been disclosed earlier in this report. The Remuneration Committee has considered the remuneration of the executive Directors and senior management and made recommendations to the Board. The Board has no disagreement with the Remuneration Committee on remuneration or compensation arrangements with regard to executive Directors and senior management.

Directors' emoluments comprise payments to the Directors by the Group in connection with the management of the affairs of the Group and other benefits. Further particulars regarding directors' remuneration and the five highest paid employees are shown in note 10 to the consolidated financial statements.



**REMUNERATION COMMITTEE (CONTINUED)**

Remuneration payable to three senior managements who are not Directors for the year ended 31 March 2019 is set out below:

	Number of employees
HK\$1,000,001 to HK\$1,500,000	2
Below HK\$1,000,001	1
	<u>3</u>

**NOMINATION COMMITTEE**

The Nomination Committee comprises two INEDs and one executive director:

Mr. Zhang Jinbing ( <i>Chairman</i> )	(appointed on 28 April 2019)
Mr. Zhao Hangen	(appointed on 25 October 2018)
Ms. Yang Yanli	(appointed on 25 October 2018)
Mr. Chau Tien Hsiang ( <i>Chairman</i> )	(appointed on 25 October 2018 and resigned on 28 April 2019)
Mr. Zhou Xinyu ( <i>Chairman</i> )	(resigned on 25 October 2018)
Mr. Shen Guoquan	(resigned on 25 October 2018)
Ms. Ni Lijun	(resigned on 25 October 2018)

The objectives of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and make recommendations to the Board regarding any proposed changes. The Nomination Committee should identify individuals suitably qualified to become board members and select or make recommendations to the Board on the selection of individuals eligible for nomination of directorships, assess the independence of the INEDs, and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The Board has adopted the following policies for the nomination of directors.



## NOMINATION COMMITTEE (CONTINUED)

### Nomination Policy

In determining the suitability of a candidate, the Nomination Committee and the Board shall consider the potential contributions that a candidate can bring to the Board and/or the Group.

The Nomination Committee would consider a candidate in terms of qualifications, skills, experience, independence and other factors. The following shows a non-exhaustive list of selection criteria:

- the candidate's race, reputation, character and integrity;
- the candidate's qualifications, skills, knowledge, business judgment and experience which are relevant to the operations of the Group; and
- the relevant factors set out in the Board Diversity Policy (as amended from time to time).

### Nomination Procedures

The evaluation, recommendation, nomination, selection and appointment or re-appointment of each proposed Director shall be assessed and considered by the Nomination Committee and the Board against the selection criteria and the Board Diversity Policy.

In the context of appointment of any proposed candidate to the Board:

- the Nomination Committee may take such measures that it considers appropriate in connection with its identification and evaluation of candidates, including referrals from the Directors, shareholders, management, advisers of the Company;
- the Nomination Committee shall identify and ascertain the character, qualification, knowledge and experience of the candidate and perform adequate due diligence in respect of such candidate; and
- the Nomination Committee shall make recommendations by submitting the candidate's personal profile to the Board for its consideration.

A new Director will be informed of the role of the Board and his/her duties and obligation of being a director of a listed company. The terms of reference of the Nomination Committee, which describe its authority and duties, are available on the Company's website.

During the year ended 31 March 2019, the Nomination Committee held five meetings to consider the revision of the structure, size and composition of the Board, qualifications for all Directors and senior management of the Group and independence of the INEDs. The attendance of each of the members of the Nomination Committee has been disclosed earlier in this report.



## COMPANY SECRETARY

Ms. Ha Cheuk Man (“**Ms. Ha**”) was appointed as the Company Secretary to replace Mr. Au Yeung Ho Yin on 1 February 2019. Ms. Ha is a full time employee of the Company. The role of the Company Secretary is to ensure that the Directors have access to all necessary information and that all Board procedures are followed. She also advises the Board on corporate governance matters and facilitates induction and professional development of the Directors. Ms. Ha reports directly to the chairman and the senior management of the Company, and all Directors have access to the advice and services of the Company Secretary at any time in relation to their duties and operation of the Board. Ms. Ha has confirmed that she has fulfilled the requirement of taking no less than 15 hours of relevant professional training during the year ended 31 March 2019.

## AUDITOR'S REMUNERATION

The fees paid to the external auditor of the Company, for audit and non-audit services including taxation services for the year ended 31 March 2019 amounted to approximately HK\$870,000 and approximately HK\$240,000. The fees payables to the external auditor for non-audit services for the year are listed below:

1) Review of financial statements	HK\$150,000
2) Other Professional Services	HK\$90,000

In considering the re-appointment of the external auditor, the Audit Committee has taken into consideration their relationship with the Company and their independence in the provision of non-audit services. Based on the results of the review and after taking into account the opinion of the management of the Group, the Audit Committee recommended the Board to re-appoint Cheng & Cheng Limited as the external auditor of the Company for the year ending 31 March 2020, subject to approval by the shareholders of the Company at the forthcoming annual general meeting to be held on 28 August 2019. There is no external auditors of the Company acting as a member of the Audit Committee within one year commencing on the date of his ceasing to be a partner of the firm. In addition, the Audit Committee is of the view that the auditor's independence is not affected by the non-audit services rendered.

## ACCOUNTABILITY

Being accountable for the proper stewardship of the Group's affairs, the Directors acknowledge their responsibility for ensuring that proper accounting records are kept and relevant consolidated financial statements, as in the annual report and the interim report of the Company, are prepared to give a true and fair view of the state of affairs of the Group for each of the financial periods.

## ACCOUNTABILITY (CONTINUED)

In preparing the consolidated financial statements for the year ended 31 March 2019, the Directors have:

- approved the adoption of all applicable Hong Kong Financial Reporting Standards which are issued by the Hong Kong Institute of Certified Public Accountants
- selected and applied consistently the appropriate accounting policies
- made judgments and estimates that are prudent and reasonable
- prepared the consolidated financial statements on the going concern basis

The management provides the Board with such information and explanations necessary to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The statement by the auditor of the Company about their reporting responsibilities are set out on pages 38 to 42 of this report.

## INTERNAL CONTROL AND RISK MANAGEMENT

The Board has, through the Audit Committee, conducted interim and annual reviews of the adequacy and effectiveness of the Group's internal control system covering the financial, operational, compliance and risk management functions. The Group's internal control system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operational system and achievements of the Group's objectives.

While the Audit Committee conducts continuous review on the adequacy and effectiveness of existing internal controls and risk management systems of the Company on behalf of the Board, the day-to-day responsibility for the conduct of these control procedures, the on-going monitoring of risks and the effectiveness of the corresponding internal controls rest with the management of each business units.

The Company has engaged Zhonghui Anda Risk Services Limited ("**Zhonghui Anda**") to perform a review of the procedures, systems, controls and potential risk area for the Group. Zhonghui Anda has submitted its internal control review and risk assessment reports for the Group to the Audit Committee and the Board in June 2019. Findings and recommendations concerning improvements to the Group's internal controls have been reviewed by the Audit Committee and the Board. The Board considered the Group's internal control system to be effective and adequate, and to further enhance the effectiveness of the internal control and risk management, the Company has implemented an ongoing internal control and risk management review measure suggested by Zhonghui Anda.



## COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Board has established a shareholders' communication policy to maintain an on-going dialogue with its shareholders and investors in a timely and transparent manner. The Board reviews the policy on a regular basis to ensure effective communication between the Company, its shareholders and investors.

The Board communicates with its shareholders and investors through various channels. The Board members meet and communicate with shareholders and investors at AGMs and other general meetings. Corporate communications (such as interim and annual reports, notices, circulars and announcements) are sent to shareholders in a timely manner and are available on the websites of the Company and the Stock Exchange.

## SHAREHOLDERS' RIGHTS

### PROCEDURES FOR NOMINATION OF A DIRECTOR

A notice in writing of the intention to propose a person for election as a director of the Company and a notice in writing by that person of his/her willingness to be elected together with his/her personal particulars and information required to be disclosed under Rule 13.51(2) of the Listing Rules shall be lodged at the Company's principal place of business (Unit 2307 – 10, 23/F, Everbright Centre, 108 Gloucester Road, Wan Chai, Hong Kong) or at its branch share registrar in Hong Kong, Tricor Abacus Limited (Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (with effect from 11 July 2019)). The period for lodgment of the notices required will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting, and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

### RIGHT AND PROCEDURES FOR SHAREHOLDERS TO CONVENE A GENERAL MEETING

Special general meetings shall be convened on the written requisition of one or more shareholders of the Company holding, at the date of requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board of Directors or the Company Secretary (Unit 2307 – 10, 23/F, Everbright Centre, 108 Gloucester Road, Wan Chai, Hong Kong) for the purpose of requiring a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may convene such meeting, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. Such meeting shall be held within 2 months after the deposit of such requisition.

# INDEPENDENT AUDITOR'S REPORT



## **CHENG & CHENG LIMITED**

CERTIFIED PUBLIC ACCOUNTANTS

4th Floor, Allied Kajima Building  
138 Gloucester Road, Wanchai, Hong Kong

### **TO THE SHAREHOLDERS OF STATE ENERGY GROUP INTERNATIONAL ASSETS HOLDINGS LIMITED**

*(incorporated in Bermuda with limited liability)*

#### **OPINION**

We have audited the consolidated financial statements of State Energy Group International Assets Holdings Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 43 to 124, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

#### **BASIS FOR OPINION**

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1 to the financial statements which indicates that the Group incurred a net loss of approximately HK\$30,071,000 for the year ended 31 March 2019 and, as of that date, the Group's current liabilities exceeded its current assets by HK\$124,051,000. As stated in note 2.1, these events or conditions, along with other matters as set forth in note 2.1, indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matter described below to be the key audit matter to be communicated in our report.

### Key audit matter

#### *Valuation of investment properties*

Refer to notes 2, 4 and 17 to the consolidated financial statements

As at 31 March 2019, the fair value of investment properties of the Group was approximately HK\$156,212,000. Changes in fair value of investment properties of HK\$105,000 were recognised in profit or loss for the year.

To support management's determination of the fair value, the Group engaged an external valuer to perform valuations on the investment properties at the end of the reporting period.

Given that the valuation was significant to the Group and significant estimation and judgement are required by management to determine the fair value of the investment properties, we have identified the valuation of the investment properties as key audit matter.

The accounting policies and disclosures for the estimation of fair value of investment properties are included in notes 2, 4 and 17.

### How our audit addressed the key audit matter

We have performed the following procedures to address this key audit risk:

- Evaluated the objectivity, independence and competency of the valuer;
- Assessed the methodologies used and the appropriateness of the key assumptions being used in determining the fair value of the investment properties; and
- Checked on a sample basis, the accuracy and relevance of the input data used.

**INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON**

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

The Audit Committee assists the directors of the Company in discharging their responsibilities for overseeing the Group's financial reporting process.



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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of Bermuda Companies Act 1981, 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 HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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



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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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.

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

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

**CHENG & CHENG LIMITED**

*Certified Public Accountants*

**Chan Shek Chi**

*Practising Certificate number P05540*

Hong Kong, 28 June 2019



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	2019 HK\$'000	2018 HK\$'000
Turnover	5	96,434	19,133
Cost of sales		(81,459)	(12,706)
Gross profit		14,975	6,427
Other net loss	5	(697)	—
Other income	5	434	2,713
Selling, distribution and marketing expenses		(3,023)	(1,932)
Administrative expenses		(32,961)	(44,232)
Gain upon reclassification from leasehold land to investment properties		—	47,227
Loss allowance on trade receivables		(401)	—
Changes in fair value of investment properties	17	105	6,647
Operating (loss)/profit		(21,568)	16,850
Finance costs	7	(7,778)	(5,893)
(Loss)/profit before taxation	8	(29,346)	10,957
Income tax expense	11	(725)	(41)
(Loss)/profit for the year		(30,071)	10,916
<b>Other comprehensive (expense)/income for the year (net of tax)</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Exchange differences on translation of financial statements of overseas subsidiaries	13	(1,328)	2,019
Release of translation reserve upon disposal of subsidiaries	13	1,011	—
Total comprehensive (expense)/income for the year		(30,388)	12,935
<b>(Loss)/profit for the year attributable to:</b>			
Equity holders of the Company		(28,249)	13,339
Non-controlling interests		(1,822)	(2,423)
		(30,071)	10,916
<b>Total comprehensive (expense)/profit attributable to:</b>			
Equity holders of the Company		(28,004)	14,475
Non-controlling interests		(2,384)	(1,540)
		(30,388)	12,935
<b>(Loss)/earnings per share attributable to equity holders of the Company</b>			
– basic (HK cents)	14	(3.64)	1.72
– diluted (HK cents)	14	(3.64)	1.72

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	<i>Notes</i>	<b>2019</b> HK\$'000	2018 HK\$'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	16	1,405	5,037
Investment properties	17	156,212	156,107
		<b>157,617</b>	161,144
<b>Current assets</b>			
Inventories	18	16,001	6,946
Trade receivables	19	39,443	6,312
Deposits, prepayments and other receivables	19	7,321	3,491
Pledged bank deposit	20	522	550
Cash and cash equivalents	20	4,543	22,280
		<b>67,830</b>	39,579
Assets classified as held for sale	21	14,339	—
		<b>82,169</b>	39,579
<b>Total assets</b>		<b>239,786</b>	200,723
<b>EQUITY</b>			
<b>Capital and reserves attributable to the Company's equity holders</b>			
Share capital	24	77,540	77,540
Reserves		(54,628)	(32,217)
		<b>22,912</b>	45,323
<b>Non-controlling interests</b>		<b>6,296</b>	8,680
<b>Total equity</b>		<b>29,208</b>	54,003
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Bank borrowings and obligations under finance leases	25	—	223
Amounts due to a shareholder	26	—	56,269
Deferred tax liabilities	28	4,358	3,847
		<b>4,358</b>	60,339



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

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	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
<b>Current liabilities</b>			
Trade payables	22	1,828	4,674
Other payables and accrued charges	23	5,221	4,529
Bank borrowings and obligations under finance leases	25	32,972	8,360
Amounts due to a shareholder	26	95,971	68,818
Amounts due to a related company	27	69,666	—
Tax payable		214	—
		<b>205,872</b>	86,381
Liabilities directly associated with assets classified as held for sale	21	348	—
		<b>206,220</b>	86,381
<b>Total liabilities</b>		<b>210,578</b>	146,720
<b>Total equity and liabilities</b>		<b>239,786</b>	200,723
<b>Net current liabilities</b>		<b>(124,051)</b>	(46,802)
<b>Total assets less current liabilities</b>		<b>33,566</b>	114,342

Approved and authorised for issue by the Board of Directors on 28 June 2019 and are signed on its behalf by:

**Zhang Jinbing**  
*Chairman*

**Chow Hiu Tung**  
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Attributable to equity holders of the Company								Non-controlling interests	Total
	Share Capital	Share Premium	Revaluation Reserve	Consolidation Reserve	Translation Reserve	Capital Reserve	Accumulated Losses	Sub Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Balance at 1 April 2017	77,540	66,894	11,855	2,214	(988)	—	(129,952)	27,563	—	27,563
Profit for the year	—	—	—	—	—	—	13,339	13,339	(2,423)	10,916
Other comprehensive income for the year	—	—	—	—	1,136	—	—	1,136	883	2,019
Total comprehensive income/(expense) for the year	—	—	—	—	1,136	—	13,339	14,475	(1,540)	12,935
Capital injection by non-controlling interests	—	—	—	—	—	—	—	—	10,220	10,220
Equity contribution from a shareholder	—	—	—	—	—	3,285	—	3,285	—	3,285
Balance at 31 March 2018	77,540	66,894	11,855	2,214	148	3,285	(116,613)	45,323	8,680	54,003
Loss for the year	—	—	—	—	—	—	(28,249)	(28,249)	(1,822)	(30,071)
Other comprehensive (expense)/income for the year	—	—	—	—	245	—	—	245	(562)	(317)
Total comprehensive (expense)/income for the year	—	—	—	—	245	—	(28,249)	(28,004)	(2,384)	(30,388)
Equity contribution from a shareholder	—	—	—	—	—	5,593	—	5,593	—	5,593
Balance at 31 March 2019	77,540	66,894	11,855	2,214	393	8,878	(144,862)	22,912	6,296	29,208

**Note:**

**a) Share premium**

The application of the share premium is governed by section 40 of the Companies Act 1981 of Bermuda.

**b) Revaluation reserve**

It represents gains/losses arising on the revaluation of the Group's buildings (other than investment properties). The balance on this reserve is wholly non-distributable.

**c) Consolidation reserve**

It represents the difference between the nominal value of the shares of the subsidiaries acquired and the nominal value of the shares issued by the Company as consideration thereof pursuant to the exchange of shares on group reorganization.

**d) Translation reserve**

It represents all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2.4 (c).

**e) Capital reserve**

It represents the differences between the loans nominal amount of HK\$158,363,000 and the fair value of HK\$149,485,000 of loans granted by a shareholder during the years ended 31 March 2018 and 31 March 2019. At origination, the Group calculated its present value using the current market rate for similar instruments, the difference between the loans nominal amount and present value of HK\$8,878,000 is treated as equity contribution from the shareholder and credited to the capital reserve account.



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2019

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	<i>Notes</i>	<b>2019</b> <b>HK\$'000</b>	2018 HK\$'000
<b>Operating activities</b>			
Cash used in operations	<i>30(A)</i>	<b>(68,616)</b>	(37,437)
<b>Net cash flows used in operating activities</b>		<b>(68,616)</b>	(37,437)
<b>Investing activities</b>			
Release of pledged bank deposit		—	3,960
Interest received		<b>323</b>	345
Net cash outflow from disposal of subsidiaries		<b>(114)</b>	—
Purchases of plant and equipment		<b>(449)</b>	(2,290)
Proceeds from disposal of plant and equipment		<b>2,213</b>	—
<b>Net cash flows from investing activities</b>		<b>1,973</b>	2,015
<b>Financing activities</b>			
Proceeds from bank loans		<b>35,000</b>	—
Repayment of bank loans		<b>(10,246)</b>	(19,063)
Proceeds from other loan		<b>8,000</b>	—
Repayment of other loan		<b>(8,000)</b>	—
Capital element of finance lease obligations paid		<b>(365)</b>	(249)
Proceeds from loans from a shareholder		<b>100,800</b>	57,563
Interest paid		<b>(6,444)</b>	(1,115)
Interest element of finance lease obligations		—	(16)
Capital contribution from non-controlling interests		—	10,220
Repayment of loan from a related company		<b>(55,991)</b>	—
<b>Net cash flow from financing activities</b>	<i>30(B)</i>	<b>62,754</b>	47,340
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(3,889)</b>	11,918
<b>Cash and cash equivalents at the beginning of the year</b>		<b>22,280</b>	8,328
<b>Effects of exchange rate changes, net</b>		<b>(1,185)</b>	2,034
<b>Cash and cash equivalents at the end of the year</b>	<i>30(C)</i>	<b>17,206</b>	22,280



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda and its shares (the “Share”) are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its principal place of business is Units 2307 - 10, 23/F, Everbright Centre, 108 Gloucester Road, Wan Chai, Hong Kong.

During the year ended 31 March 2019, the Group was principally engaged in the sourcing, subcontracting, marketing and selling of garments and sportswear products and property investment.

These consolidated financial statements are presented in thousands of units of Hong Kong dollars (HK\$'000), unless otherwise stated.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) (which include Hong Kong Accounting Standards (“HKASs”) and Interpretations), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties.

The Group incurred a net loss of approximately HK\$30,071,000 for the year ended 31 March 2019 and had net current liabilities of approximately HK\$124,051,000 as at 31 March 2019. The directors are taking steps to improve the Group’s liquidity and financial performance including active cost-saving and other measures to improve the Group’s operating cash flows and financial position.

The directors have given careful consideration to the Group’s financial performance and liquidity position. On the basis that the Group’s operating results and cash flows will be improved through the implementation of the measures described above and having considered the Group’s current operation and business plan as well as the currently available banking facilities, the directors are satisfied that the Group will be able to meet in full its financial obligations when they fall due in the foreseeable future. Besides, the immediate holding company and the ultimate controlling party have agreed to provide continuing financial supports, if necessary, to the Group to meet its obligations as and when they fall due. Accordingly, the consolidated financial statements have been prepared on a going concern basis.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 BASIS OF PREPARATION (CONTINUED)

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

#### **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")**

##### **(A) OVERVIEW**

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKAS 40	Transfers of Investment Property

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

There is no material impact on the financial statements of the Group as the new HKFRSs and amendments to HKFRSs were consistent with policies already adopted by the Company except for adoption of the following developments:-

##### **(B) HKFRS 9, FINANCIAL INSTRUMENTS**

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 April 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 April 2018. Therefore, comparative information continues to be reported under HKAS 39.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 BASIS OF PREPARATION (CONTINUED)

#### *APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)*

##### *(B) HKFRS 9, FINANCIAL INSTRUMENTS (CONTINUED)*

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

With respect to the financial assets classified as loans and receivables (which were measured at amortised cost) under HKAS 39, the Group has assessed the business model under which the financial assets are managed and its contractual cash flow characteristics, and these financial assets will continue with their respective classification and measurements upon the adoption of HKFRS 9, and the carrying amounts of these financial assets as at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

The measurement categories for all financial liabilities remain the same. The carrying amounts for all financial liabilities at 1 April 2018 have not been impacted by the initial application.

For an explanation of how the Group classifies and measures financial assets and recognises related gains and losses under HKFRS 9, see respective accounting policy notes in note 2.8.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 April 2018.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 BASIS OF PREPARATION (CONTINUED)

#### *APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)*

##### *(B) HKFRS 9, FINANCIAL INSTRUMENTS (CONTINUED)*

#### (ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including pledged bank deposit, cash and cash equivalents, trade and other receivables).

For further details on the Group's accounting policy for accounting for credit losses, see note 2.10.

As a result of this change in accounting policy on accounting for credit loss, there is no significant impact to the Group's financial statements and accordingly no adjustment to the opening balance of accumulated losses and reserves at 1 April 2018 and no restatement to the comparative information are required.

#### (iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in accumulated losses and reserves as at 1 April 2018. Accordingly, the information presented for the year ended 31 March 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period;
- The following assessments have been made on the basis of the facts and circumstances that existed at 1 April 2018 (the date of initial application of HKFRS 9 by the Group):
  - the determination of the business model within which a financial asset is held; and
  - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 BASIS OF PREPARATION (CONTINUED)

#### *APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)*

##### *(B) HKFRS 9, FINANCIAL INSTRUMENTS (CONTINUED)*

(iii) Transition (continued)

- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

##### *(C) HKFRS 15, REVENUE FROM CONTRACTS WITH CUSTOMERS*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 superseded the revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations.

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, HKFRS 15 introduces a 5-step approach to revenue recognition:

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

Under 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.

HKFRS 15 does not have a significant impact on the financial position and the financial result of the Group upon initial application at 1 April 2018. Comparative information continues to be reported under HKASs 11 and 18.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 BASIS OF PREPARATION (CONTINUED)

#### *APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)*

##### *(D) HK(IFRIC)-INT 22, FOREIGN CURRENCY TRANSACTIONS AND ADVANCE CONSIDERATION*

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that "the date of the transaction" is the date on initial recognition of the nonmonetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way.

The adoption of HK(IFRIC)-Int 22 does not have any material impact on the financial position and the financial result of the Group.

##### *(E) AMENDMENTS TO HKAS 40, TRANSFERS OF INVESTMENT PROPERTY*

The amendments clarify that a transfer to, or from, investment property necessitates an assessment of whether a property meets, or has ceased to meet, the definition of investment property, supported by evidence that a change in use has occurred. The amendments further clarify that situations other than the ones listed in HKAS 40 may evidence a change in use, and that a change in use is possible for properties under construction (i.e. a change in use is not limited to completed properties).

At the date of initial application, the Group assessed the classification of certain properties based on conditions existing at that date. There is no impact to the classification at 1 April 2018.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.1 BASIS OF PREPARATION (CONTINUED)

##### **APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)**

##### **(E) AMENDMENTS TO HKAS 40, TRANSFERS OF INVESTMENT PROPERTY (CONTINUED)**

##### **NEW AND AMENDED HKFRSS ISSUED BUT NOT YET EFFECTIVE**

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>3</sup>
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015 – 2017 Cycle <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>2</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>1</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to HKFRS 3	Definition of a Business <sup>4</sup>
Amendments to HKAS 1 and HKAS 8	Definition of a Material <sup>5</sup>

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

<sup>2</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>4</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual periods beginning on or after 1 January 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2020.

The Company is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Company has identified some aspects of the new standards which may have a significant impact on the financial statements. As the Company has not completed its assessment, further impacts may be identified in due course and will be taken into consideration when determining whether to adopt any of these new requirements before their effective date and which transitional approach to take, where there are alternative approaches allowed under the new standards.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up for the year ended 31 March 2019.

#### ***SUBSIDIARIES***

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity holders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity holders of the Company.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (note 2.9), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.2 CONSOLIDATION (CONTINUED)

#### *SUBSIDIARIES (CONTINUED)*

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9/HKAS 39 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

### 2.3 SEGMENT REPORTING

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

### 2.4 FOREIGN CURRENCY TRANSLATION

#### *(A) FUNCTIONAL AND PRESENTATION CURRENCY*

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

#### *(B) TRANSACTIONS AND BALANCES*

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



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.4 FOREIGN CURRENCY TRANSLATION (CONTINUED)

#### *(B) TRANSACTIONS AND BALANCES (CONTINUED)*

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured. The gain or loss on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

#### *(C) GROUP COMPANIES*

The results and financial position of the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised directly in other comprehensive income.

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





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.5 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses except for buildings which are stated at revalued carrying amount. Historical cost includes expenditure that is 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are included in the profit or loss during the financial year in which they are incurred.

Increases in the carrying amount arising on revaluation of buildings are recognised in other comprehensive income. Decreases that offset previous increases of the same asset are charged against other comprehensive income; all other decreases are included in the profit or loss.

Depreciation of property, plant and equipment is calculated to write off their cost over their expected useful lives as follows:

	<b>Depreciation rates</b>	<b>Method</b>
– Buildings	over the lease terms	straight-line
– Leasehold improvements	15-20% or over the lease terms, whichever is shorter	straight-line
– Furniture and fixtures	15-20%	reducing balance
– Machinery, equipment and tools	10-18%	reducing balance
– Motor vehicles	15-25%	reducing balance
– Office and computer equipment	15-33%	reducing balance

The assets' residual values and useful lives are reviewed, and adjusted as appropriate, at the end of each reporting period.

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the consolidated statement of profit or loss and other comprehensive income. When revalued assets are sold, the revaluation surplus included in reserves is transferred to retained earnings/accumulated losses.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 INVESTMENT PROPERTIES

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group, is classified as investment property.

Investment property comprises land held under operating leases and buildings held under finance leases.

Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met. The operating lease is accounted for as if it was a finance lease.

Investment property is measured initially at cost, including related transaction costs.

After initial recognition, investment property is carried at fair value. These valuations are performed by external valuers at least annually. Fair value is based on market prices, as adjusted (if necessary) for any difference in the nature, location or condition of the specific asset. If this information is not available, alternative valuation methods such as recent prices on less active markets or discounted cash flow projections are used.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are included in the consolidated statement of profit or loss and other comprehensive income during the period in which they are incurred.

Changes in fair values are included in the consolidated statement of profit or loss and other comprehensive income.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment and/or leasehold land becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of this item at the date of transfer is accounted for in accordance with applicable HKFRSs.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.7 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 since 1 April 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction cost directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and 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 asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

#### (A) FINANCIAL ASSETS

##### *CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS (UPON APPLICATION OF HKFRS 9 IN ACCORDANCE WITH TRANSITIONS IN NOTE 2.1(B))*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.7 FINANCIAL INSTRUMENTS (CONTINUED)

#### (A) FINANCIAL ASSETS (CONTINUED)

##### *CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS (UPON APPLICATION OF HKFRS 9 IN ACCORDANCE WITH TRANSITIONS IN NOTE 2.1(B)) (CONTINUED)*

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in OCI if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.7 FINANCIAL INSTRUMENTS (CONTINUED)

##### (A) FINANCIAL ASSETS (CONTINUED)

##### *CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS (UPON APPLICATION OF HKFRS 9 IN ACCORDANCE WITH TRANSITIONS IN NOTE 2.1(B)) (CONTINUED)*

##### (I) AMORTISED COST AND INTEREST INCOME

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

##### (II) FINANCIAL ASSETS AT FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

##### *CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS (BEFORE APPLICATION OF HKFRS9 ON 1 APRIL 2018)*

The Group'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.

##### (I) 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 and other receivables, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.7 FINANCIAL INSTRUMENTS (CONTINUED)

#### (A) FINANCIAL ASSETS (CONTINUED)

##### *IMPAIRMENT OF FINANCIAL ASSETS (UPON APPLICATION HKFRS 9 WITH TRANSITIONS IN ACCORDANCE WITH NOTE 2.1(B))*

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables and other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables. The ECL on trade receivables are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

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

#### (i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.7 FINANCIAL INSTRUMENTS (CONTINUED)

##### (A) FINANCIAL ASSETS (CONTINUED)

###### *IMPAIRMENT OF FINANCIAL ASSETS (UPON APPLICATION HKFRS 9 WITH TRANSITIONS IN ACCORDANCE WITH NOTE 2.1(B)) (CONTINUED)*

- (i) Significant increase in credit risk (continued)
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
  - an actual or expected significant deterioration in the operating results of the debtor;
  - an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.7 FINANCIAL INSTRUMENTS (CONTINUED)

#### (A) FINANCIAL ASSETS (CONTINUED)

##### *IMPAIRMENT OF FINANCIAL ASSETS (UPON APPLICATION HKFRS 9 WITH TRANSITIONS IN ACCORDANCE WITH NOTE 2.1(B)) (CONTINUED)*

#### (ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

#### (iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

#### (iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.7 FINANCIAL INSTRUMENTS (CONTINUED)

##### (A) FINANCIAL ASSETS (CONTINUED)

###### *IMPAIRMENT OF FINANCIAL ASSETS (UPON APPLICATION HKFRS 9 WITH TRANSITIONS IN ACCORDANCE WITH NOTE 2.1(B)) (CONTINUED)*

###### (v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the collective basis:

- Nature of financial instruments (i.e. the Group's trade and other receivables are each assessed as a separate group.);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.7 FINANCIAL INSTRUMENTS (CONTINUED)

#### (A) FINANCIAL ASSETS (CONTINUED)

##### *IMPAIRMENT OF FINANCIAL ASSETS (BEFORE APPLICATION OF HKFRS 9 ON 1 APRIL 2018)*

Prior to 1 April 2018, 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 asset, 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 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 assets, 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 Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of 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.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.7 FINANCIAL INSTRUMENTS (CONTINUED)

##### (A) FINANCIAL ASSETS (CONTINUED)

###### *IMPAIRMENT OF FINANCIAL ASSETS (BEFORE APPLICATION OF HKFRS 9 ON 1 APRIL 2018) (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 was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

##### (B) FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Debt and equity instruments issued by a group entity 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.

###### (I) EQUITY INSTRUMENTS

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

###### (II) FINANCIAL LIABILITIES

Financial liabilities including trade and other payables, amounts due to a shareholder, amounts due to a related company and bank borrowings are subsequently measured at amortised cost using the effective interest method.

##### (C) DERECOGNITION

The Group 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.

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 is recognised in profit or loss.

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



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.8 IMPAIRMENT LOSSES ON TANGIBLE AND INTANGIBLE ASSETS

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal 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 assessments of the time value of money and the risks specific to the asset (or a cash generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.9 INVENTORIES

Inventories represent assets held for sale in the ordinary course of business of the Group are stated at the lower of cost and net realizable value.

The cost of inventories comprises all costs of purchase and other costs incurred in bringing the inventories to present location and condition is determined by using first-in-first-out basis. Net realizable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated cost necessary to make the sale.

### 2.10 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand, deposits held at call with banks and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

### 2.11 BORROWINGS

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is included in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liabilities for at least 12 months after the end of reporting period.

### 2.12 SHARE CAPITAL

Ordinary shares are classified as equity.

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



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.13 INCOME TAX

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognized in profit or loss except to the extent that they relate to items recognized in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognized in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous year.

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

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

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

### 2.14 EMPLOYEE BENEFITS

#### (A) PENSION OBLIGATION

##### (I) HONG KONG

The Group operates a mandatory provident fund scheme (the “**MPF Scheme**”; a defined contribution plan) under which the Group and its employees are required to contribute 5% (subject to an aggregate maximum of HK\$1,500 per month) of the employees’ relevant income. Contributions from the employer are 100% vested in the employees as soon as they are paid to the MPF Scheme.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.14 EMPLOYEE BENEFITS (CONTINUED)

##### (A) PENSION OBLIGATION (CONTINUED)

###### (II) THE PEOPLE'S REPUBLIC OF CHINA ("PRC")

The Group contributes to retirement plans for its employees in the PRC at a percentage of their salaries in compliance with the requirements of the respective municipal governments in the PRC. The municipal governments undertake to assume the retirement benefit obligations of all existing and future retired employees of the Group in the PRC.

Contributions for the above schemes are recognised as employee benefit expenses when they are due.

##### (B) EMPLOYEE LEAVE ENTITLEMENTS

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

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

##### (C) SHARE-BASED COMPENSATION

The Group operates a share option scheme, being an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of share options under the share option scheme is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in the assumption about the number of share options that are expected to become exercisable. At the end of each reporting period, the entity revises its estimates of the number of share options that are expected to become exercisable. It recognises the impact of the revision of the original estimates, if any, in the consolidated statement of profit or loss and other comprehensive income, and a corresponding adjustment to equity over the remaining vesting period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the share options are exercised.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.15 PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligation arising as a result of past events; it is probable that an outflow of resource will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

### 2.16 REVENUE RECOGNITION

#### *(A) REVENUE FROM CONTRACTS WITH CUSTOMERS (UPON APPLICATION OF HKFRS 15 IN ACCORDANCE WITH TRANSITIONS IN NOTE 2.1(C))*

Under HKFRS 15, the Group 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.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Sales of goods are recognised when the Group has delivered products to the customer, the customer has accepted and taken control of the products and collectibility of the related receivables is reasonably assured.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.16 REVENUE RECOGNITION (CONTINUED)

##### **(B) REVENUE RECOGNITION FOR SALES OF GOODS (PRIOR TO 1 APRIL 2018)**

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

The Group recognises revenue when the amount of the revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sales have been resolved.

Sales of goods are recognised when the Group has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

##### **(C) REVENUE FROM OTHER SOURCES**

###### **INTEREST INCOME**

Interest income is recognised on a time-proportion basis using the effective interest method.

###### **RENTAL INCOME FROM OPERATING LEASES**

Rental income receivable under operating leases is recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of lease. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

###### **OTHER INCOME**

Other income not stated above is recognised whenever it is received or receivable.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.17 LEASES

#### (A) OPERATING LEASE

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss and other comprehensive income on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to the consolidated statement of profit or loss and other comprehensive income on the straight-line basis over the lease terms.

#### (B) FINANCE LEASE

Leases of assets where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding liabilities, net of finance charges, are included in current and non-current borrowings, as appropriate. The interest element of the finance cost is recognised in the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

### 2.18 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required and the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that an outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When an inflow is virtually certain, an asset is recognised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.19 RELATED PARTIES

A related party is a person or entity that is related to the Group in these consolidated financial statements, as follows:

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

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



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.20 NON-CURRENT ASSETS HELD FOR SALE

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the group will retain a non-controlling interests in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy so far as the financial statements of the Group and the Company are concerned are deferred tax assets, assets arising from employee benefits, financial assets (other than investments in subsidiaries, associates and joint ventures) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

Impairment losses on initial classification as held for sale, and on subsequent remeasurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the noncurrent asset is not depreciated or amortised.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

### 3. FINANCIAL RISK MANAGEMENT

The Group's activities expose to a variety of financial risks including foreign exchange risk, liquidity risk, cash flow and fair value interest rate risk and credit risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

#### (A) FOREIGN EXCHANGE RISK

Foreign exchange risk arises from recognized assets and liabilities that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate, primarily with respect to the United States Dollars ("US\$"), Renminbi ("RMB") and Hong Kong Dollars ("HK\$"). Any changes in the exchange rates of HK\$ to US\$ and RMB will impact the Group's operating results.

As HK\$ is pegged to US\$, foreign exchange exposure on US\$ denominated transactions, assets or liabilities is considered as minimal. The volume of RMB denominated transactions and recognized assets and liabilities is not significant, therefore, the foreign exchange risk is still considered as minimal. The Group currently does not undertake any foreign currency hedging.

#### (B) LIQUIDITY RISK

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group relies on bank borrowings as a significant source of liquidity. As at 31 March 2019, the Group has no available unutilised bank loan facilities (31 March 2018: HK\$Nil). Details of which are set out in note 29.



### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (B) LIQUIDITY RISK (CONTINUED)

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

	2019					
	Contractual undiscounted cash outflow					Carrying amount at 31 March
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Bank borrowings	32,972	—	—	—	32,972	32,972
Trade payables	1,828	—	—	—	1,828	1,828
Other payables and accrued charges	5,221	—	—	—	5,221	5,221
Amounts due to a shareholder	100,800	—	—	—	100,800	95,971
Amounts due to a related company	72,625	—	—	—	72,625	69,666
	<b>213,446</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>213,446</b>	<b>205,658</b>

	2018					
	Contractual undiscounted cash outflow					Carrying amount at 31 March
	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years	Total	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Bank borrowings	8,218	—	—	—	8,218	8,218
Obligations under finance leases	152	152	77	—	381	365
Trade payables	4,674	—	—	—	4,674	4,674
Other payables and accrued charges	4,529	—	—	—	4,529	4,529
Amounts due to a shareholder	70,920	61,384	—	—	132,304	125,087
	<b>88,493</b>	<b>61,536</b>	<b>77</b>	<b>—</b>	<b>150,106</b>	<b>142,873</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (B) LIQUIDITY RISK (CONTINUED)

The directors have given careful consideration on the measures currently undertaken by the Group in respect of the Group's liquidity position. As detailed in note 2.1, the directors believe that the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future.

#### (C) CASH FLOW AND FAIR VALUE INTEREST RATE RISK

The Group's exposure to changes in interest rates is mainly attributable to its cash and cash equivalents, bank borrowings, amounts due to a shareholder and amount due to a related company. Cash and cash equivalents and bank borrowings that are subject to floating rates expose the Group to cash flow interest rate risk while amounts due to a shareholder and a related company that are subject to fixed rates expose the Group to fair value interest rate risk. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances, prime rate and HIBOR arising from the bank borrowings (2018: prime rate arising from the bank borrowings). The Group has not hedged its exposure to interest rate risk. The Group regularly seeks out the most favorable interest rates available for its borrowings.

The following table indicates the approximate change in the profit/loss after tax in response to reasonably possible changes in interest rate to which the Group has significant exposure at the end of the reporting period. In determining the effect on profit/loss after tax in the next accounting year, the management of the Group assumed that the change in interest rate had occurred at the end of the reporting period and all other variables remain constant. There is no change in the methods and assumptions used in 2019 and 2018.

The management considered that there is no material change in bank deposit interest rate thus the Group's exposed to bank deposit interest rate risk is not material. Hence, no bank interest rate sensitivity analysis is included in below.

	2019 Effect on loss after tax	2018 Effect on profit after tax
Increase by 100 basis point	<b>Loss after tax increase by HK\$275,000</b>	Profit after tax increase by HK\$122,000
Decrease by 100 basis point	<b>Loss after tax decrease by HK\$275,000</b>	Profit after tax decrease by HK\$122,000



### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (D) CREDIT RISK

The Group is exposed to concentrations of credit risk. At 31 March 2019, the Group had a concentration of credit risk as 89% (2018: 100%) of the Group's trade receivables which were due from three major customers (2018: one major customer). The carrying amounts of the trade receivables and deposits and other receivables included in the consolidated statement of financial position represent the Group's maximum exposure to credit risk. To minimize the risk, the Group regularly reviews the credit terms and credit limits granted to individual customers. There are policies in place to ensure that sales are made to customers with satisfactory credit record.

The Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on trade balances based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significant reduced.

The Group assessed and concluded that there has no significant increase in credit risk since initial recognition, ECL for other financial assets at amortised cost including pledged bank deposits, bank balances, deposits and other receivables is immaterial.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables as at 31 March 2019:

	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current	0.83%	38,189	316
1 to 30 days past due	—	—	—
31 to 60 days past due	—	—	—
61 to 90 days past due	5.02%	697	35
Over 91 days past due	5.22%	958	50
		<b>39,844</b>	<b>401</b>

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the year ended 31 March 2019, the Group provided HK\$401,000 loss allowance for trade receivable based on the provision matrix. None of the loss allowance was made on credit impaired debtors.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (D) CREDIT RISK (CONTINUED)

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2019 Total and Lifetime ECL (Non-credit Impaired) HK\$'000	2018 Total Total HK\$'000
Balance at 31 March under HKAS 39	—	—
Impact on initial application of HKFRS 9	—	—
Adjusted balance at 1 April	—	—
Impairment losses recognised during the year	401	—
Balance at 31 March	401	—

The following significant changes in the gross carrying amounts of trade receivables contributed to the increase in the loss allowance during the year ended 31 March 2019:

- A new business of sales of garments to local customers has commenced during the year and has resulted in an increase in loss allowance of approximately HK\$246,000.

#### COMPARATIVE INFORMATION UNDER HKAS 39

Prior to 1 April 2018, an impairment loss was recognised only when there was objective evidence of impairment. At 31 March 2018, no trade receivables was determined to be impaired. The aging analysis of trade debtors that were not considered to be impaired was as follows:

	2018 HK\$'000
Neither past due nor impaired	6,206
Past due not impaired	
1 to 30 days past due	106
	<u>6,312</u>



### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (D) CREDIT RISK (CONTINUED)

##### *COMPARATIVE INFORMATION UNDER HKAS 39 (CONTINUED)*

The management of the Group closely monitors the credit quality of trade receivables and considers the debtors that are neither past due nor impaired to be of a good credit quality. Included in the Group's trade receivable balance are debtors with aggregate carrying amount of HK\$106,000 which are past due as at the reporting date for which the Group has not provided for loss allowance. The Group does not hold any collaterals over these balances.

#### (E) FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES CARRIED AT OTHER THAN FAIR VALUE

The carrying amounts of the Group's financial instruments carried at amortised cost are not materially different from their fair values.

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (A) DEFERRED TAXATION ON INVESTMENT PROPERTIES

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the management has reviewed the Group's investment properties portfolios and concluded that while the Group's investment properties located in Hong Kong are depreciable, they are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the Group's deferred taxation arising from these investment properties located in Hong Kong, the management determined that the presumption that these investment properties measured using the fair value model are recovered through sale is not rebutted.

For the Group's investment properties located in the PRC, the management concluded that they are depreciable and are being held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation arising from investment properties located in the PRC, the management determined that the presumption that these investment properties measured using the fair value model are recovered through sale is rebutted.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2019*

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

#### (B) ESTIMATE OF FAIR VALUE OF INVESTMENT PROPERTIES

The best evidence of fair value is current prices in an active market for similar properties. In the absence of such information, the Group determines the amount within a range of reasonable fair value estimates. In making its judgement, the Group considers information from a variety of sources including:

- (i) current prices in an active market for properties of different nature, condition or location (or subject to different lease or other contracts), with adjustments to reflect those differences;
- (ii) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions occurred since the date of the relevant transactions; and
- (iii) discounted cash flow projections based on reliable estimates of future cash flows derived from the terms of any existing lease and other contracts and, where possible, from external evidence such as current market rents for similar properties in the same location and condition, using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.



## 5. TURNOVER AND SEGMENT INFORMATION

The Group is principally engaged in the sourcing, subcontracting, marketing and selling of garments and sportswear products, and property investment. Turnover mainly represents the invoiced value of goods sold and rental income received and receivable. An analysis of turnover other income and other gain/(loss) is as follows:

	2019 HK\$'000	2018 HK\$'000
<b>Turnover</b>		
Revenue from contracts with customers		
– at point in time		
Export sales	57,260	13,432
Local sales	33,503	—
Revenue from other sources		
Rental income	5,671	5,701
	<b>96,434</b>	<b>19,133</b>
<b>Net other loss</b>		
Loss on disposal of subsidiaries (note 6)	(1,011)	—
Gain on disposal of plant and equipment	332	—
Plant and equipment written off	(18)	—
	<b>(697)</b>	<b>—</b>
<b>Other income</b>		
Interest income	323	345
Sundry income	111	2,368
	<b>434</b>	<b>2,713</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2019*

### 5. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

The Group operates mainly in Hong Kong and the PRC and in the following business segments:

Garment business (2018: Export business) — Sales of garments to both local and overseas customers. (2018: Sales of garments to overseas customers.)

Property investment — Investing and letting of properties.

Segment profit or loss represents the profit or loss from each segment without allocation of central administrative costs, finance costs and professional expenses which are for corporate use purpose.

Segment assets consist primarily of property, plant and equipment, investment properties, inventories, trade receivables, deposits, prepayments and other receivables. They exclude certain pledged bank deposit, cash and cash equivalents, assets used for corporate functions and assets classified as held for sale.

Segment liabilities consist primarily of trade payables and other payables and accrued charges. They excluded liabilities which are used for corporate functions including tax payable, certain bank borrowings, amounts due to a shareholder, amounts due to a related company and liabilities directly associated with assets classified as held for sale.



5. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

PRIMARY REPORTING FORMAT — BUSINESS SEGMENTS

	Garment business HK\$'000	2019 Property investment HK\$'000	Total HK\$'000
Turnover	90,763	5,671	96,434
Segment operating profit	3,009	5,058	8,067
Unallocated corporate income			438
Unallocated corporate expenses			(29,044)
Plant and equipment written off			(18)
Loss on disposal of subsidiaries			(1,011)
Operating loss			(21,568)
Finance costs			(7,778)
Loss before taxation			(29,346)
Income tax expense			(725)
Loss for the year			(30,071)
Segment assets	57,620	156,700	214,320
Unallocated assets			11,127
Asset classified as held for sale			14,339
Total assets			239,786
Segment liabilities	1,828	1,149	2,977
Unallocated liabilities			4,072
Tax payable			214
Bank borrowings			32,972
Amounts due to a shareholder			95,971
Amounts due to a related company			69,666
Liabilities directly associated with assets classified as held for sale			348
Deferred tax liabilities			4,358
Total liabilities			210,578

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 5. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

### PRIMARY REPORTING FORMAT — BUSINESS SEGMENTS (CONTINUED)

	Garment business HK\$'000	Property investment HK\$'000	Corporate HK\$'000	Total HK\$'000
Capital expenditure	—	—	449	449
Depreciation of property, plant and equipment	121	—	692	813
Changes in fair value change of investment properties	—	105	—	105
Gain on disposal of plant and equipment	310	—	22	332
Loss on disposal of subsidiaries	—	—	1,011	1,011
Plant and equipment written off	—	—	18	18
Loss allowance on trade receivables	401	—	—	401

	Export business HK\$'000	2018 Property investment HK\$'000	Total HK\$'000
Turnover	13,432	5,701	19,133
Segment operating (loss)/profit	(4,753)	58,713	53,960
Unallocated corporate income			2,433
Unallocated corporate expenses			(39,543)
Operating loss			16,850
Finance costs			(5,893)
Profit before taxation			10,957
Income tax expense			(41)
Profit for the year			10,916
Segment assets	15,047	156,255	171,302
Unallocated assets			29,421
Total assets			200,723
Segment liabilities	5,300	9,745	15,045
Unallocated liabilities			131,675
Total liabilities			146,720



5. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

PRIMARY REPORTING FORMAT — BUSINESS SEGMENTS (CONTINUED)

	Export business HK\$'000	Property investment HK\$'000	Corporate HK\$'000	Total HK\$'000
Capital expenditure	—	—	2,290	2,290
Depreciation of property, plant and equipment	332	—	590	922
Deposits and other receivables written off	1,440	—	107	1,547
Gain upon reclassification from leasehold land to investment properties	—	47,227	—	47,227
Plant and equipment written off	693	666	21	1,380

SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS

	2019	
	Turnover HK\$'000	Specified non-current assets HK\$'000
Africa	52,879	—
Australia	4,381	—
Hong Kong	37,012	115,405
PRC	2,162	42,212
	<b>96,434</b>	<b>157,617</b>

	2018	
	Turnover HK\$'000	Specified non-current assets HK\$'000
Africa	13,000	—
Hong Kong	3,551	114,209
PRC	2,150	46,935
United States of America	432	—
	<b>19,133</b>	<b>161,144</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

### 5. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

#### SECONDARY REPORTING FORMAT – GEOGRAPHICAL SEGMENTS (CONTINUED)

Revenue is allocated based on the country in which the customers are located. Specified non-current assets are allocated based on where the assets are located.

#### INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from customers in the corresponding years contributing over 10% of the total sales of the Group from the garment business (2018: Export business) is as follows:

	2019 HK\$'000	2018 HK\$'000
Customer A	52,879	13,000
Customer B	15,968	—
Customer C	15,076	—

### 6. LOSS ON DISPOSAL OF SUBSIDIARIES

During the year, State Energy Capital Limited, Global Sportswear Inc., State Energy Finance Limited, State Energy Properties Investment (Europe) Holdings Limited, Takson Sourcing Limited, Takson Warehouse Limited, in which the Group had effective interest of 100%, were disposed of. The total consideration was HK\$6.

The aggregate amounts of the assets and liabilities attributable to the subsidiaries on the date of disposal were as follows:

	2019 HK\$'000
Cash and cash equivalents	114
Other receivables and repayments	58
Other payables and accruals	(172)
	—
Release of translation reserve upon disposal of subsidiaries	1,011
Loss on disposal	(1,011)
Consideration satisfied by cash	—
Net cash outflow arising on disposal:	
Cash consideration received	—
Less: Cash and cash equivalents disposed of	(114)
	(114)



## 6. LOSS ON DISPOSAL OF SUBSIDIARIES (CONTINUED)

The subsidiaries disposed of during the year did not contribute significantly to the results and cash flows of the Group during the year prior to the disposal.

## 7. FINANCE COSTS

	2019 HK\$'000	2018 HK\$'000
Interest on bank loans and overdrafts	1,510	1,115
Interest element of finance lease obligations	7	16
Interest on loans from a shareholder	764	4,762
Interest on loans from a related company	5,379	—
Interest on other loan	118	—
	<b>7,778</b>	<b>5,893</b>

## 8. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is stated after charging/(crediting) the following:

	2019 HK\$'000	2018 HK\$'000
Cost of inventories sold	81,459	12,706
Auditor's remuneration	630	510
Deposits and other receivables written off	—	1,547
Depreciation	813	922
Loss allowance on trade receivables	401	—
Gain upon reclassification from leasehold land to investment properties	—	(47,227)
Changes in fair value of investment properties	(105)	(6,647)
Legal and professional fees	8,182	7,193
Plant and equipment written off	18	1,380
Net exchange loss/(gain)	361	(132)
Operating lease rentals in respect of land and buildings	3,725	3,924
Rental receivables from investment properties less direct outgoings	(5,453)	(5,535)
Staff costs, including directors' emoluments	16,295	20,956
Gain on disposal of plant and equipment	(332)	—
Loss on disposal of subsidiaries	1,011	—

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

### 9. STAFF COSTS

	2019 HK\$'000	2018 HK\$'000
Salaries, wages and other benefits (including directors' emoluments)	15,625	20,223
Retirement benefit costs	670	733
	<b>16,295</b>	<b>20,956</b>

### 10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

#### (A) DIRECTORS' EMOLUMENTS

The remuneration of each director of the Company for the year ended 31 March 2019 is set out below:

	Fee HK\$'000	Salaries HK\$'000	Other benefits (Note) HK\$'000	Contributions to defined contribution scheme HK\$'000	Total HK\$'000
<b>Executive directors:</b>					
Zhou Xinyu <sup>2</sup>	—	1,694	261	15	1,970
Niu Fang <sup>3</sup>	—	—	—	—	—
Zhang Jinbing <sup>4</sup>	—	—	—	—	—
Chau Tien Hsiang <sup>5</sup>	—	403	—	10	413
<b>Independent non-executive directors:</b>					
Ni Lijun <sup>2</sup>	106	—	—	—	106
Shen Guoquan <sup>2</sup>	106	—	—	—	106
Meng Rongfang <sup>6</sup>	10	—	—	—	10
Chen Jianjun <sup>1</sup>	87	—	—	—	87
Yang Yanli <sup>7</sup>	52	—	—	—	52
Chow Hiu Tung <sup>7</sup>	52	—	—	—	52
Zhao Hangen <sup>7</sup>	52	—	—	—	52
<b>Total</b>	<b>465</b>	<b>2,097</b>	<b>261</b>	<b>25</b>	<b>2,848</b>



## 10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

### (A) DIRECTORS' EMOLUMENTS (CONTINUED)

- <sup>1</sup> Appointed on 29 May 2018 and resigned on 25 October 2018.  
<sup>2</sup> Resigned on 25 October 2018  
<sup>3</sup> Vacated on 20 November 2018  
<sup>4</sup> Appointed on 12 September 2018  
<sup>5</sup> Appointed on 12 September 2018 and resigned on 28 April 2019  
<sup>6</sup> Resigned on 23 April 2018  
<sup>7</sup> Appointed on 25 October 2018

Note: This represents rental reimbursements, including domestic services and electricity charges for director's quarter.

The remuneration of each director of the Company for the year ended 31 March 2018 is set out below:

	Fee HK\$'000	Salaries HK\$'000	Other benefits (Note) HK\$'000	Contributions to defined contribution scheme HK\$'000	Total HK\$'000
Executive directors:					
Ren Qingxin <sup>1</sup>	—	—	—	—	—
Lei Donghui <sup>2</sup>	1,136	—	—	—	1,136
Zhou Xinyu	—	2,779	523	44	3,346
Niu Fang	—	—	—	—	—
Independent non-executive directors:					
Ni Lijun	120	—	—	—	120
Shen Guoquan	120	—	—	—	120
Meng Rongfang	120	—	—	—	120
<b>Total</b>	<b>1,496</b>	<b>2,779</b>	<b>523</b>	<b>44</b>	<b>4,842</b>

<sup>1</sup> Resigned on 5 September 2017

<sup>2</sup> Appointed on 5 September 2017 and resigned on 1 February 2018

Note: This represents rental reimbursements, including domestic services and electricity charges for director's quarter.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

### 10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

#### (B) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include one (2018: two) director whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining four (2018: three) individuals during the year are as follows:

	2019 HK\$'000	2018 HK\$'000
Salaries and other benefits	4,534	5,012
Pensions	65	89
	<b>4,599</b>	<b>5,101</b>

The emoluments fell within the following bands:

	Number of individuals	
	2019	2018
<b>Emolument bands</b>		
Below HK\$1,000,000	1	—
HK\$1,000,000 – HK\$1,500,000	3	1
HK\$1,500,001 – HK\$2,000,000	—	1
HK\$2,000,001 – HK\$2,500,000	—	1
	<b>—</b>	<b>—</b>

### 11. INCOME TAX

- (a) The amount of taxation charged to the consolidated statement of profit or loss and other comprehensive income represents:

	2019 HK\$'000	2018 HK\$'000
Current tax - Hong Kong	214	—
Deferred tax		
Tax losses utilized/(recognized)	374	(817)
Origination and reversal of temporary differences	137	858
	<b>725</b>	<b>41</b>



## 11. INCOME TAX (CONTINUED)

(a) (continued)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, starting from the current year, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

No provision for taxation has been made in respect of the Company's subsidiaries operating in other jurisdictions as they did not have assessable profits for both years.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

(b) At the end of the reporting period, the Group has unused tax losses of approximately HK\$141,860,000 (2018: approximately HK\$188,568,000) available for offset against future profits that may be carried forward indefinitely.

The tax on the Group's (loss)/profit before taxation differs from the theoretical amount that would arise using Hong Kong profits tax rate as follows:

	2019 HK\$'000	2018 HK\$'000
(Loss)/profit before taxation	<b>(29,346)</b>	10,957
Tax at Hong Kong profits tax rate (Note)	<b>(5,007)</b>	1,808
Effect of different tax rate in other countries	<b>(480)</b>	(668)
Tax effect of non-taxable revenue	<b>(2,090)</b>	(7,351)
Tax effect of non-deductible expenses	<b>5,147</b>	2,253
Tax effect of unused tax losses not recognised	<b>3,008</b>	4,383
Tax effect of prior year's unrecognised tax losses utilised in this year	—	(341)
Tax effect of origination and reversal of temporary differences	<b>167</b>	(43)
Tax relief for the year	<b>(20)</b>	—
Income tax	<b>725</b>	41

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

### 11. INCOME TAX (CONTINUED)

(b) (continued)

Note: During the year ended 31 March 2019, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million. While during the year ended 31 March 2018, the Hong Kong Profits Tax is calculated at 16.5% on the total estimated assessable profit.

### 12. DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: HK\$Nil).

### 13. OTHER COMPREHENSIVE INCOME

Tax effect relating to each component of other comprehensive income is as follows:

	2019			2018		
	Before tax amount HK\$'000	Tax expense HK\$'000	Net of tax amount HK\$'000	Before tax amount HK\$'000	Tax expense HK\$'000	Net of tax amount HK\$'000
Exchange differences on translation of financial statements of overseas subsidiaries	(1,328)	—	(1,328)	2,019	—	2,019
Release of translation reserve upon disposal of subsidiaries	1,011	—	1,011	—	—	—
Other comprehensive income	(317)	—	(317)	2,019	—	2,019



#### 14. (LOSS)/EARNINGS PER SHARE

	2019	2018
(Loss)/Profit attributable to equity holders of the Company (HK\$'000)	(28,249)	13,339
Weighted average number of ordinary shares in issue for the purpose of basic (loss)/earnings per share (thousands)	775,406	775,406
Basic (loss)/earnings per share (HK cents)	(3.64)	1.72
Diluted (loss)/earnings per share (HK cents)	(3.64)	1.72

There were no dilutive potential ordinary shares outstanding during the years.

#### 15. RETIREMENT BENEFIT COSTS

The retirement benefit costs charged to the consolidated statement of profit or loss and other comprehensive income represent gross contributions payable by the Group to the retirement scheme of approximately HK\$670,000 (2018: approximately HK\$733,000). At the end of the reporting period, there was no forfeited contribution available to reduce future contributions in both years.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Machinery, equipment and tools HK\$'000	Motor vehicles HK\$'000	Office and computer equipment HK\$'000	Total HK\$'000
<b>As 31 March 2017</b>							
Cost or valuation	9,540	2,690	1,709	600	4,562	6,082	25,183
Accumulated depreciation	(2,023)	(1,511)	(1,126)	(411)	(2,350)	(5,181)	(12,602)
Net book amount	<u>7,517</u>	<u>1,179</u>	<u>583</u>	<u>189</u>	<u>2,212</u>	<u>901</u>	<u>12,581</u>
<b>Year ended 31 March 2018</b>							
Opening net book amount	7,517	1,179	583	189	2,212	901	12,581
Exchange adjustment	—	(6)	(2)	—	(5)	(2)	(15)
Transfer to investment properties	(7,517)	—	—	—	—	—	(7,517)
Additions	—	880	330	—	825	255	2,290
Disposals	—	(2,149)	(1,323)	(600)	—	(5,484)	(9,556)
Depreciation	—	(187)	(94)	—	(424)	(217)	(922)
Depreciation eliminated on disposal	—	1,497	1,116	411	—	5,152	8,176
Closing net book amount	<u>—</u>	<u>1,214</u>	<u>610</u>	<u>—</u>	<u>2,608</u>	<u>605</u>	<u>5,037</u>
<b>As 31 March 2018</b>							
Cost or valuation	—	1,421	716	—	5,387	853	8,377
Accumulated depreciation	—	(207)	(106)	—	(2,779)	(248)	(3,340)
Net book amount	<u>—</u>	<u>1,214</u>	<u>610</u>	<u>—</u>	<u>2,608</u>	<u>605</u>	<u>5,037</u>



## 16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Machinery, equipment and tools HK\$'000	Motor vehicles HK\$'000	Office and computer equipment HK\$'000	Total HK\$'000
<b>Year ended 31 March 2019</b>							
Opening net book amount	—	1,214	610	—	2,608	605	5,037
Exchange adjustment	—	(44)	(18)	—	(47)	(9)	(118)
Additions	—	263	19	—	—	167	449
Disposals/write off	—	(24)	(51)	—	(4,562)	—	(4,637)
Depreciation	—	(288)	(100)	—	(227)	(198)	(813)
Depreciation eliminated on disposal/write off	—	4	9	—	2,725	—	2,738
Transfer to assets classified as held for sale (note 21)	—	(485)	(179)	—	(497)	(90)	(1,251)
Closing net book amount	—	640	290	—	—	475	1,405
<b>As 31 March 2019</b>							
Cost or valuation	—	885	406	—	—	835	2,126
Accumulated depreciation	—	(245)	(116)	—	—	(360)	(721)
Net book amount	—	640	290	—	—	475	1,405

- (a) At 31 March 2019, the net book value of motor vehicles includes assets held by the Group under finance leases amounted to HK\$Nil (2018: approximately HK\$499,000).

## 17. INVESTMENT PROPERTIES

	2019 HK\$'000	2018 HK\$'000
At the beginning of the year	156,107	79,741
Transfer from buildings and leasehold land	—	22,492
Gain upon reclassification from leasehold land	—	47,227
Changes in fair value included in profit or loss	105	6,647
At the end of the year	156,212	156,107

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 17. INVESTMENT PROPERTIES (CONTINUED)

- (A) Investment properties were revalued at 31 March 2019 and 31 March 2018 on the basis of their open market value by Ravia Global Appraisal Advisory Limited and Access Partner Consultancy & Appraisals Limited, independent qualified professional valuers not connected to the Group, respectively. Changes in fair value recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2019 amounted to approximately HK\$105,000 (2018: approximately HK\$6,647,000).
- (B) Certain investment properties were pledged to secure certain banking facilities (note 29) granted to the Group.
- (C) FAIR VALUE MEASUREMENT OF PROPERTIES

(i) *Fair value hierarchy*

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation techniques as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.





# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 17. INVESTMENT PROPERTIES (CONTINUED)

### (C) FAIR VALUE MEASUREMENT OF PROPERTIES (CONTINUED)

#### (ii) Information about Level 3 fair value measurements

Investment properties	Valuation techniques	Unobservable input
– Commercial – Hong Kong	Market comparison approach	Taking into account the recent transaction prices for similar properties adjusted for nature, location and conditions of the properties, which ranged from HK\$5,200 to HK\$5,500 per square feet ("sqf") (2018: HK\$5,100 to HK\$5,400 per sqf).
– Car parking spaces – Hong Kong	Market comparison approach	Taking into account the recent transaction prices for similar car parking spaces adjusted for location and conditions of the car parking spaces, which ranged from HK\$1,500,000 to HK\$2,700,000 per unit (2018: HK\$1,900,000 to HK\$2,400,000 per unit).
– Commercial – PRC	Market comparison approach	Taking into account the recent transaction prices for similar properties adjusted for nature, location and conditions of properties, which ranged from RMB32,300 to RMB38,000 per square metre ("sqm") (2018: RMB32,300 to RMB38,000 per sqm).



## 17. INVESTMENT PROPERTIES (CONTINUED)

### (C) FAIR VALUE MEASUREMENT OF PROPERTIES (CONTINUED)

#### (ii) Information about Level 3 fair value measurements (continued)

The movements during the period in the balance of these level 3 fair value measurements are as follows:

	2019 HK\$'000	2018 HK\$'000
Investment properties:		
– Commercial – Hong Kong		
At 1 April	37,000	—
Transfer from Level 2 fair value measurements	69,700	37,000
Fair value changes on investment properties	2,100	—
	<b>108,800</b>	<b>37,000</b>
Investment properties:		
– Car parking spaces – Hong Kong		
At 1 April	—	—
Transfer from Level 2 fair value measurements	4,300	—
Fair value changes on investment properties	900	—
	<b>5,200</b>	<b>—</b>
Investment properties:		
– Commercial – PRC		
At 1 April	—	—
Transfer from Level 2 fair value measurements	42,212	—
	<b>42,212</b>	<b>—</b>

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur. During the year ended 31 March 2019, the Group transferred a property from Level 2 into Level 3 as fair value measured using significant unobservable inputs.

Fair value adjustment of investment properties is recognised in the line item "changes in fair value of investment properties" on the face of the consolidated statement of profit or loss and other comprehensive income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

### 17. INVESTMENT PROPERTIES (CONTINUED)

(D) THE ANALYSIS OF NET BOOK VALUE OF PROPERTIES IS AS FOLLOWS:

	2019 HK\$'000	2018 HK\$'000
In Hong Kong		
– medium-term leases	114,000	111,000
Outside Hong Kong		
– medium-term leases	42,212	45,107
	<b>156,212</b>	<b>156,107</b>
Representing:		
Buildings and investment properties carried at fair value	<b>156,212</b>	156,107

### 18. INVENTORIES

	2019 HK\$'000	2018 HK\$'000
Finished goods	<b>16,001</b>	6,946

### 19. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019 HK\$'000	2018 HK\$'000
Trade receivables	39,844	6,312
Less: Loss allowance	(401)	—
Trade receivables, net	<b>39,443</b>	6,312
Trade deposits and other receivables	4,762	692
Prepayments	344	151
Rental, utility and sundry deposits	2,215	2,648
	<b>7,321</b>	3,491
Total	<b>46,764</b>	9,803



## 19. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES (CONTINUED)

The amount of the Group's deposits, prepayments and other receivables expected to be recovered or recognized as expenses after more than one year is approximately HK\$135,000 (2018: approximately HK\$2,033,000). All the remaining receivables are expected to be recovered or recognized as expense within one year or are receivable on demand.

### AGEING ANALYSIS

At the end of the reporting period, the ageing analysis of trade receivables based on the invoice date and net of allowance for credit losses, is as follows:

	2019 HK\$'000	2018 HK\$'000
Within 1 month	12,453	6,312
1 to 3 months	25,335	—
3 to 6 months	1,655	—
	<b>39,443</b>	<b>6,312</b>

The trade receivables were denominated in US\$ and HK\$.

The majority of the Group's sales to overseas customers are generally on open account of 90 days to 120 days (2018: 90 days) from the date of bill of lading. The credit period granted to local customers ranging from 45 to 90 days (2018: not applicable).

Subsequent to 31 March 2019, approximately HK\$22,391,000 of trade receivables has been settled until the date of this annual report.

## 20. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSIT

	2019 HK\$'000	2018 HK\$'000
Cash and bank balances	4,543	22,280
Pledged bank deposit	522	550
	<b>5,065</b>	<b>22,830</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

### 20. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSIT (CONTINUED)

Cash and cash equivalents and pledged bank deposit are denominated in the following currencies:

	2019 HK\$'000	2018 HK\$'000
United States Dollars	308	861
Renminbi (i)	1,824	20,288
Hong Kong Dollars	2,933	1,679
Euros and others	—	2
	<b>5,065</b>	22,830
Less: Pledged bank deposit (ii)	<b>(522)</b>	(550)
Total cash and cash equivalents	<b>4,543</b>	22,280

- (i) The conversion of bank balances and cash of the Group denominated in Renminbi into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC.
- (ii) At 31 March 2019, the pledged bank deposit mainly refers to a deposit placed at designated bank account as guarantee deposit to secure the banking facilities granted to the Group (note 29).

### 21. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE

In November 2018, the Company entered into an agreement for the disposal of the subsidiary, Takson Logistics Limited for consideration of approximately RMB7,408,000 (approximately HK\$8,741,000) and received a deposit of RMB2,000,000 (approximately HK\$2,360,000). Completion of the disposal was taken place on 16 May 2019, which the remaining balance of the consideration amounted to approximately RMB5,408,000 (approximately HK\$6,381,000) was settled by the purchaser.

55% equity interests of Jiangsu Youyi International Logistics Co., Ltd. ("Jiangsu Youyi"), which is a subsidiary of Takson Logistics Limited, was disposed upon the completion of disposal of Takson Logistics Limited on 16 May 2019.



## 21. ASSETS CLASSIFIED AS HELD FOR SALE/LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)

All assets and liabilities under Takson Logistics Limited were classified as assets and liabilities held for sale.

	2019 HK\$'000
Property, plant equipment	1,251
Other receivables, prepayments and deposits paid	425
Bank balances and cash	12,663
Assets classified as held for sale	14,339
Other payables and accruals	348
Liabilities classified as held for sale	348
Net assets classified as held for sale	13,991

Carrying amount of non-controlling interests approximately HK\$6,296,000 relating to the disposal group classified as held for sale.

## 22. TRADE PAYABLES

At the end of the reporting period, the ageing analysis of trade payables based on the invoice date is as follows:

	2019 HK\$'000	2018 HK\$'000
Within 1 month	1,828	4,674

All trade payables were all denominated in US\$.

For purchases from overseas suppliers, trade payables are normally settled on terms of 30 to 60 days from the date of bill of lading. For purchases from local suppliers, the credit period was 30 days (2018: not applicable).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

### 23. OTHER PAYABLES AND ACCRUED CHARGES

	2019 HK\$'000	2018 HK\$'000
Rental deposits received	959	1,307
Accrued expenses	1,902	3,068
Other payables	2,360	154
	<b>5,221</b>	<b>4,529</b>

The amount of rental deposits received expected to be repayable after more than one year is approximately HK\$641,000 (2018: approximately HK\$978,000). All of the other payables are expected to be settled or recognised approximately income within one year.

### 24. SHARE CAPITAL

#### (A) AUTHORISED AND ISSUED CAPITAL

	Number of shares	Ordinary shares HK\$'000
<b>Authorised:</b>		
At 31 March 2019 and 2018		
Ordinary shares of HK\$0.1 each	<b>3,000,000,000</b>	<b>300,000</b>
<b>Issued and fully paid:</b>		
At 31 March 2019 and 2018	<b>775,406,000</b>	<b>77,540</b>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.



## 24. SHARE CAPITAL (CONTINUED)

### (B) CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes the bank borrowings, amounts due to a shareholder and amounts due to a related company disclosed in note 25, 26 and 27 respectively, equity attributable to equity holders of the Company comprising share capital and reserves.

The Board of the Company reviews the capital structure periodically. As part of the review, the Board assesses the annual budget prepared by the finance department taking into account the provision of funding.

### (C) SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") which became effective on 28 September 2016 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date. The maximum number of shares in respect of which options may be granted must not exceed 10% of the issued share capital of the Company as at the date of adoption of the Share Option Scheme. The offer of a grant may be accepted upon payment of a nominal consideration of HK\$1 per acceptance. The exercise period of the share options granted is determinable by the Board, and commences on a specified date and ends on a date which is not later than 10 years from the date of grant of the share options. The exercise price will be determined by the Board, but shall not be less than the highest of (i) the closing prices of the Company's shares as stated in the daily quotation sheet of the Stock Exchange on the date of grant, which must be a trading day; (ii) the average closing prices of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of the Company's share.

No share options were granted nor exercised during each of the two years ended 31 March 2019 and 31 March 2018. No share options were outstanding as at 31 March 2019 and 31 March 2018.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

### 25. BANK BORROWINGS AND OBLIGATIONS UNDER FINANCE LEASES

- (a) At 31 March 2019, the Group's bank borrowings and obligations under finance leases are repayable as follows:

	2019 HK\$'000	2018 HK\$'000
Obligations under finance leases (note d)	—	365
Bank borrowings – secured (with a repayment on demand clause) (*)	<b>32,972</b>	8,218
	<b>32,972</b>	8,583
Obligations under finance leases repayable:		
Within one year	—	142
In the second year	—	147
In the third to fifth years, inclusive	—	76
	—	365
Secured bank borrowings repayable within one year or on demand	<b>32,972</b>	8,218
Amount repayable within one year included under current liabilities	<b>(32,972)</b>	(8,360)
Amount repayable after one year	—	223

(\*) The term loans from bank with a repayment on demand clause are carried at amortized cost. None of such loans due for repayment after one year is expected to be settled within one year.

Disregarding the effect of any repayment on demand clause the term loans are repayable as follows:-

	2019 HK\$'000	2018 HK\$'000
Repayable		
Within one year	<b>17,309</b>	1,399
In the second year	<b>2,381</b>	1,508
In the third to fifth years, inclusive	<b>7,591</b>	5,311
After the fifth year	<b>5,691</b>	—
	<b>32,972</b>	8,218



## 25. BANK BORROWINGS AND OBLIGATIONS UNDER FINANCE LEASES (CONTINUED)

(a) (continued)

All of the banking facilities are subject to the fulfilment of covenants including those relating to certain financial ratios of the Group, as are commonly found in lending arrangements with financial institutions. If the Group breached the covenants, the drawn down facilities would become repayable on demand. In addition, the loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and has met the scheduled repayments.

(b) The carrying amounts of the bank borrowings and obligations under finance leases are denominated in the following currencies:

	2019 HK\$'000	2018 HK\$'000
Hong Kong Dollars	32,972	365
United States Dollars	—	8,218
	<b>32,972</b>	<b>8,583</b>

(c) The effective interest rates for the Group's bank borrowings at the end of the reporting period were as follows:

	2019	2018
Hong Kong Dollars	3.4%-3.8%	—
United States Dollars	—	7.9%



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

### 25. BANK BORROWINGS AND OBLIGATIONS UNDER FINANCE LEASES (CONTINUED)

(d) Obligations under finance leases

At 31 March 2019, the Group had obligations under finance leases repayable as follows:

	2019		2018	
	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000	Present value of the minimum lease payments HK\$'000	Total minimum lease payments HK\$'000
Within 1 year	—	—	142	152
In the second year	—	—	147	152
In the third to fifth years, inclusive	—	—	76	77
	—	—	223	229
	—	—	365	381
<i>Less: total future interest expenses</i>		—		(16)
Present value of lease obligations		—		365

### 26. AMOUNTS DUE TO A SHAREHOLDER

	2019 HK\$'000	2018 HK\$'000
Loans from a shareholder	95,207	119,641
Accrued interests	764	5,446
	95,971	125,087
Amount repayable within one year included under current liabilities	(95,971)	(68,818)
Amount repayable after one year	—	56,269



## 26. AMOUNTS DUE TO A SHAREHOLDER (CONTINUED)

On 22 August 2018, the Company's then immediate holding company, State Energy HK Limited ("State Energy HK") ceased to be the Company's shareholder. Always Profit Development Limited ("Always Profit") became the Company's immediate holding company on the same day.

On 6 November 2018, the amounts due to State Energy HK was assigned to a related company of the Group by a court order. As a result, approximately HK\$125,087,000 of amounts due to State Energy HK was transferred to amounts due to a related company (note 27).

Always Profit is the immediate holding company of the Company as at 31 March 2019. The balance is newly advanced during the year ended 31 March 2019, which is unsecured, interest-free and has a term of 12 months from the date of drawdown. The effective interest rate is 5.88%. At 31 March 2019, the amortised cost of loans from a shareholder was amounted to approximately HK\$95,971,000 (2018: approximately HK\$125,087,000).

## 27. AMOUNTS DUE TO A RELATED COMPANY

	2019 HK\$'000	2018 HK\$'000
Loans from a related company	58,841	—
Accrued interests	10,825	—
	<b>69,666</b>	—
Amount repayable within one year included under current liabilities	<b>(69,666)</b>	—
Amount repayable after one year	—	—

Except for the amounts due to a related company (2018: amounts due to a shareholder) of HK\$12.6 million is unsecured, interest-free and has a term of 36 months from the date of drawdown, the remaining balances are unsecured with fixed annual interest rate at 4.25% and have a term 24 months from the date of drawdown on each loan with effective interest rates ranged from 3.94% to 5.75%. The repayment date of each loan ranged from May 2019 to January 2020.

## 28. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal tax rate of 16.5% (2018: 16.5%) for the subsidiaries operating in Hong Kong. Deferred taxation for subsidiaries operating in overseas is calculated at the rates of taxation prevailing in the countries in which the subsidiaries operate.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

### 28. DEFERRED TAXATION (CONTINUED)

The movements on the deferred tax liabilities are as follows:

	Depreciation allowance in excess of the related depreciation HK\$'000	Revaluation of properties HK\$'000	Unused tax losses HK\$'000	Total HK\$'000
At 1 April 2017	(446)	4,858	(606)	3,806
Charge to profit or loss	392	466	(817)	41
At 31 March 2018 and 1 April 2018	(54)	5,324	(1,423)	3,847
Charge to profit or loss	42	95	374	511
At 31 March 2019	<b>(12)</b>	<b>5,419</b>	<b>(1,049)</b>	<b>4,358</b>

  

	2019 HK\$'000	2018 HK\$'000
Deferred tax liabilities recognised	<b>4,358</b>	3,847

### 29. BANKING FACILITIES

At 31 March 2019, the Group's banking facilities amounted to approximately HK\$32,972,000 (2018: approximately HK\$8,218,000) were secured by the following:

- first legal charge over the Group's investment properties in Hong Kong with an aggregate carrying value of approximately HK\$76,518,000 (2018: investment properties in the PRC with an aggregate carrying value of approximately HK\$28,519,000) and a deposit of approximately HK\$522,000 (2018: approximately HK\$550,000); and
- corporate guarantees from the Company and certain of its subsidiaries.

The Company has executed guarantees with respect to certain banking facilities of its subsidiaries. Such facilities utilized at 31 March 2019 amounted to approximately HK\$32,972,000 (2018: approximately HK\$8,218,000).



### 30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

#### (A) RECONCILIATION OF (LOSS)/PROFIT BEFORE TAXATION TO NET CASH USED IN OPERATIONS

	2019 HK\$'000	2018 HK\$'000
(Loss)/profit before taxation	(29,346)	10,957
Loss allowance on trade receivables	401	—
Loss on disposal of subsidiaries	1,011	—
Gain on disposal of plant and equipment	(332)	—
Depreciation	813	922
Plant and equipment written off	18	1,380
Inventories written off	—	11
Deposits and other receivables written off	—	1,547
Gain upon reclassification from leasehold land to investment properties	—	(47,227)
Changes in fair value of investment properties	(105)	(6,647)
Interest income	(323)	(345)
Interest on bank loans and overdrafts	1,510	1,115
Interest element of finance lease obligations	7	16
Interest on loans from a shareholder	764	4,762
Interest on loans from a related company	5,379	—
Interest on other loan	118	—
Operating cash flow before movements in working capital	(20,085)	(33,509)
Increase in inventories	(9,055)	(6,946)
Increase in trade receivables, deposits, prepayments and other receivables	(35,482)	(3,790)
(Decrease)/increase in trade payables, other payables and accrued charges	(3,994)	6,808
Cash used in operations	(68,616)	(37,437)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

## 30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

### (B) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flow as cash flows from financing activities.

	Other loan HK\$'000	Amount due to a related company HK\$'000	Amounts due to a shareholder HK\$'000	Obligations under finance leases HK\$'000	Bank borrowings HK\$'000	Total HK\$'000
At 1 April 2017	—	—	66,047	614	27,281	93,942
Changes from financing cash flow:						
Repayment of bank borrowings	—	—	—	—	(19,063)	(19,063)
Proceeds from loans, from a shareholder	—	—	57,563	—	—	57,563
Finance leases repayments	—	—	—	(249)	—	(249)
Interest paid	—	—	—	(16)	(1,115)	(1,131)
<b>Total changes from financing cash flows</b>	<b>—</b>	<b>—</b>	<b>57,563</b>	<b>(265)</b>	<b>(20,178)</b>	<b>37,120</b>
Fair value adjustment at initial recognition	—	—	(3,285)	—	—	(3,285)
Other changes						
Interest expenses	—	—	4,762	16	1,115	5,893
At 31 March 2018	—	—	125,087	365	8,218	133,670
<b>Changes from financing cash flow:</b>						
Proceed from other loan	8,000	—	—	—	—	8,000
Repayment of other loan	(8,000)	—	—	—	—	(8,000)
Proceeds from bank borrowings	—	—	—	—	35,000	35,000
Repayment of bank borrowings	—	—	—	—	(10,246)	(10,246)
Proceeds from loans from a shareholder	—	—	100,800	—	—	100,800
Repayment of loans from a related company	—	(55,991)	—	—	—	(55,991)
Finance leases repayments	—	—	—	(365)	—	(365)
Interest paid	(118)	(4,809)	—	(7)	(1,510)	(6,444)
<b>Total changes from financing cash flows</b>	<b>(118)</b>	<b>(60,800)</b>	<b>100,800</b>	<b>(372)</b>	<b>23,244</b>	<b>62,754</b>
<b>Other changes</b>						
Fair value adjustment at initial recognition	—	—	(5,593)	—	—	(5,593)
Reclassification (note 26)	—	125,087	(125,087)	—	—	—
Interest expenses	118	5,379	764	7	1,510	7,778
<b>Total other changes</b>	<b>118</b>	<b>130,466</b>	<b>(129,916)</b>	<b>7</b>	<b>1,510</b>	<b>2,185</b>
<b>At 31 March 2019</b>	<b>—</b>	<b>69,666</b>	<b>95,971</b>	<b>—</b>	<b>32,972</b>	<b>198,609</b>



### 30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

#### (C) ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS

	2019 HK\$'000	2018 HK\$'000
Cash and cash equivalents (note 20)	4,543	22,280
Cash and cash equivalents classified as held for sales (note 21)	12,663	—
	<b>17,206</b>	<b>22,280</b>

### 31. COMMITMENTS

#### (A) CAPITAL COMMITMENTS

At 31 March 2019, the Group had the following material capital commitments:

	2019 HK\$'000	2018 HK\$'000
Contracted but not provided for: Capital contributions	—	64,370

At 31 March 2018, the total capital commitments of the Group amounted to approximately HK\$64,370,000 mainly represented the contracted/authorised commitments in respect of the capital contribution to subsidiaries and a limited partnership.

The capital commitment as at 31 March 2019 as disclosed above excluded commitment of RMB44,000,000 (approximately HK\$54,978,000) in respect of the capital contribution to a subsidiary of Takson Logistics Limited. The capital commitment was excluded at the end of the year because Takson Logistics Limited is regarded as asset held for sale as at 31 March 2019 as mentioned in note 21. The remaining amounts excluded are the contracted commitment of approximately USD26,000 (approximately HK\$201,000) and contracted commitment of approximately RMB7,355,000 (approximately HK\$9,191,000) in respect of the capital contribution to a limited partnership and a subsidiary respectively. After a capital injection of approximately RMB826,000 (HK\$1,000,000) during the year, these capital commitments were released upon the disposal of the subsidiaries.

At 31 March 2019, the Group has no material capital commitments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

### 31. COMMITMENTS (CONTINUED)

#### (B) COMMITMENTS UNDER OPERATING LEASES

The Group as lessee:

The Group rented certain office premises and director's quarter under operating lease arrangement, with the leases negotiated for a term of two to three years (2018: half to three years).

- (i) At 31 March 2019, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	2019 HK\$'000	2018 HK\$'000
Within one year	2,602	4,198
In the second to fifth years, inclusive	—	3,324
	<b>2,602</b>	<b>7,522</b>

The Group as lessor:

The Group leases its investment properties (note 17) under operating lease arrangement, with leases negotiated for terms of two to three years (2018: two years).

- (ii) At 31 March 2019, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of investment properties as follows:

	2019 HK\$'000	2018 HK\$'000
Within one year	3,646	6,386
In the second to fifth years, inclusive	3,716	1,856
	<b>7,362</b>	<b>8,242</b>



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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For the year ended 31 March 2019

## 32. SUMMARY FINANCIAL INFORMATION OF THE COMPANY

	2019 HK\$'000	2018 HK\$'000
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,074	1,328
Investment in subsidiaries	1	79
	<b>1,075</b>	<b>1,407</b>
<b>Current assets</b>		
Deposits, prepayments and other receivables	2,290	2,672
Amounts due from subsidiaries	98,181	100,232
Cash and cash equivalents	1,673	756
	<b>102,144</b>	<b>103,660</b>
<b>Total assets</b>	<b>103,219</b>	<b>105,067</b>
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS</b>		
Share capital	77,540	77,540
Reserves ( <i>Note</i> )	(147,863)	(110,881)
<b>Total deficits</b>	<b>(70,323)</b>	<b>(33,341)</b>
<b>LIABILITIES</b>		
<b>Non-current liability</b>		
Amounts due to a shareholder	—	56,269
<b>Current liabilities</b>		
Other payables and accrued charges	696	1,530
Amounts due to subsidiaries	7,209	11,791
Amount due to a related company	69,666	—
Amounts due to a shareholder	95,971	68,818
	<b>173,542</b>	<b>82,139</b>
<b>Total liabilities</b>	<b>173,542</b>	<b>138,408</b>
<b>Total equity and liabilities</b>	<b>103,219</b>	<b>105,067</b>
<b>Net current (liabilities)/assets</b>	<b>(71,398)</b>	<b>21,521</b>
<b>Total assets less current liabilities</b>	<b>(70,323)</b>	<b>22,928</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

### 32. SUMMARY FINANCIAL INFORMATION OF THE COMPANY (CONTINUED)

Note: The Company's reserves movement is as follows:

	Contributed				Total
	Share	Surplus	Capital	Accumulated	
	Premium	Reserve	Reserve	Losses	
	(Note a)	(Note b)	(Note c)		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance at 1 April 2017</b>	66,894	67,992	—	(217,182)	(82,296)
Total comprehensive loss for the year	—	—	—	(31,870)	(31,870)
Equity contribution from					
a shareholder	—	—	3,285	—	3,285
<b>Balance at 31 March 2018</b>	<b>66,894</b>	<b>67,992</b>	<b>3,285</b>	<b>(249,052)</b>	<b>(110,881)</b>
<b>Balance at 1 April 2018</b>	66,894	67,992	3,285	(249,052)	(110,881)
Total comprehensive loss for the year	—	—	—	(42,575)	(42,575)
Equity contribution from					
a shareholder	—	—	5,593	—	5,593
<b>Balance at 31 March 2019</b>	<b>66,894</b>	<b>67,992</b>	<b>8,878</b>	<b>(291,627)</b>	<b>(147,863)</b>

**a. Contributed surplus reserve**

It represents the excess of the consolidated net assets value of Takson (B.V.I.) Limited upon its merger with the Company over the nominal value of the Company's shares issued in the exchange thereof. Under the Companies Act 1981 of Bermuda (as amended) and the Bye-laws of the Company, the contributed surplus is distributable to the equity holders, unless there are reasonable grounds for believing that (i) the Company is, or would after the payment be, unable to pay its liabilities as they become due; (ii) the realisable value of the Company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

**b. Capital reserve**

It represents the differences between the loans nominal amount of HK\$158,363,000 and the fair value of HK\$149,485,000 of loans granted by a shareholder. At origination, the Group calculated its present value using the current market rate for similar instruments, the difference between the loan nominal amount and present value of HK\$8,878,000 is treated as equity contribution from the shareholder and credited to the capital reserve account.

**c. Accumulated losses**

At 31 March 2019, the Company had no reserves available for distribution to shareholders (2018: HK\$Nil).



### 33. PARTICULARS OF PRINCIPAL SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group:

Name of subsidiary	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Issued share capital/ registered capital	Attributable equity interest held by the Company	
				2019	2018
<b><i>Interest held directly</i></b>				<b>2019</b>	2018
Takson (B.V.I.) Limited	BVI	Investment holding	US\$1,000	<b>100%</b>	100%
State Energy Capital Limited	Hong Kong	Investment holding	HK\$1	—	100%
<b><i>Interest held indirectly</i></b>					
Takson Garment Manufacturing Company, Limited	Hong Kong	Sourcing and sales of garments in the PRC, property investment in the PRC	HK\$200,000	<b>100%</b>	100%
Gold Pine International Holdings Limited (formerly known as Takson Food Limited)	Hong Kong	Trading of garments (2018: dormant)	HK\$1	<b>100%</b>	100%
Takson Sportswear Limited	BVI	Property investment in Hong Kong	US\$50,000 (Paid up US\$1)	<b>100%</b>	100%
Takson Sourcing Limited	Hong Kong	Sourcing, subcontracting and sales of garments	HK\$500,000	—	100%
第一德勝(北京)管理諮詢 有限公司	PRC	Provision of consultancy service	RMB10,000,000 (Paid up RMB3,470,805 (2018: RMB2,644,505))	—	100%
Jiangsu Youyi	PRC	Property investment	RMB100,000,000 (Paid up RMB20,000,000)	<b>55%</b>	55%



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2019

### 33. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The following table lists out the summarised financial information of a subsidiary, Jiangsu Youyi, in which the Group has material non-controlling interests. The amounts disclosed are before any inter-company elimination. As mentioned in note 21 to the consolidated financial statements, 55% equity interests of Jiangsu Youyi was disposed upon the completion of the disposal of Takson Logistic Limited on 16 May 2019.

	2019 HK\$'000	2018 HK\$'000
Non-controlling interests percentage	45%	45%
Current assets	13,088	18,666
Non-current assets	1,251	1,828
Current liabilities	(347)	(1,180)
Net assets	13,992	19,314
Carrying amount of non-controlling interests	6,296	8,691
Revenue	—	—
Loss for the year	(4,074)	(5,361)
Total comprehensive loss for the year	(5,322)	(3,399)
Loss allocated to non-controlling interests	(1,833)	(2,412)
Cash flows from operating activities	(4,569)	(4,903)
Cash flows from investing activities	331	(1,769)
Cash flows from financing activities	—	22,712

### 34. RELATED PARTY TRANSACTIONS

#### (A) KEY MANAGEMENT PERSONNEL REMUNERATION

The remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees as disclosed in note 10, is as follows:

	2019 HK\$'000	2018 HK\$'000
Short-term employee benefits	5,589	9,810
Post-employment benefits	54	133
	<b>5,643</b>	<b>9,943</b>



### 34. RELATED PARTY TRANSACTIONS (CONTINUED)

#### (B) FINANCING ARRANGEMENTS

	2019 HK\$'000	2018 HK\$'000
Amounts due to a shareholder	95,971	125,087
Amount due to a related company	69,666	—

As mentioned in note 26 to the consolidated financial statements, due to the change in shareholder and court order on 6 November 2018, the balance of loan amounted to approximately HK\$125,087,000 was assigned to a related company. The related company is a company which has the common ultimate controlling party with the Company.

Details of new loans and loan repayment during the year are disclosed in the consolidated statement of cash flow.

### 35. EVENTS AFTER THE REPORTING PERIOD

#### DISPOSAL

As mentioned in note 21 to the consolidated financial statements, subsequent to 31 March 2019, the Group completed its negotiation with a third-party company with disposed of 55% equity interest of Takson Logistics Limited. The transaction was completed on 16 May 2019.

### 36. IMMEDIATE, INTERMEDIATE AND ULTIMATE CONTROLLING PARTY

Following the completion of the general offer by Always Profit Development Limited (the "Offeror") in October 2018, the Offeror became the new immediate holding company of the Company since then. A review of the business operations and financial position of the Group has been conducted for the purpose of developing a sustainable business plan and strategy for the Group. Details please refer to the announcement dated 25 October 2018.

At 31 March 2019, the directors consider the immediate holding company of the Company to be Always Profit Development Limited which is incorporated in British Virgin Islands and did not produce financial statements available for public use and the ultimate controlling party is Mr. Zhang Jinbing, who is also the Executive Director of the Company.

At 31 March 2018, the directors consider the immediate holding company of the Company to be State Energy HK Limited which is incorporated in Hong Kong, the intermediate parent of the Company to be National Business Holdings Group Co., Limited\* (國能商業集團有限公司) which is incorporated in the PRC and the ultimate controlling party of the Company to be Shanghai Guoming Equity Investment Fund Management Co., Limited\* (上海國明股權投資基金管理有限公司) which is incorporated in the PRC and did not produce financial statements available for public use.

\* For identification purposes only

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2019*

### **37. COMPARATIVES FIGURES**

Certain comparative figures have been reclassified in order to conform with the current year's presentation.



The results, assets and liabilities of the Group for each of the last five financial years are as follows:

	<b>2019</b>	2018	2017	2016	2015
	<b>HK\$'000</b>	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<b>96,434</b>	19,133	112,447	158,354	255,135
(Loss)/profit attributable to equity holders	<b>(28,249)</b>	13,339	(12,749)	(25,593)	510
Assets and Liabilities					
Total assets	<b>239,786</b>	200,723	128,758	148,454	168,064
Total liabilities	<b>(210,578)</b>	(146,720)	(101,195)	(108,534)	(102,852)
Net assets	<b>29,208</b>	54,003	27,563	39,920	65,212



## INVESTMENT PROPERTIES

Particulars of investment properties held by the Group at 31 March 2019 are as follows:

Location	Gross floor area (sq. ft.)	Type	Tenure
Workshop Units Nos. 11,12 and 13 On 5th Floor, South Wing, Harbour Centre, Tower One, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong	20,517	Commercial	Medium Lease
Car Parking Spaces Nos. P19 and P20 On Basement Floor, Harbour Centre, Tower One, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong	N/A	Car parking space	Medium Lease
Car Parking Space No. L14 On Ground Floor, Harbour Centre, Tower One, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong	N/A	Car parking space	Medium Lease
中華人民共和國 上海市 延安西路726號 華敏翰尊國際大廈東樓 23層E室, F室, G室, H室, I室及L室	11,116	Commercial	Medium Lease

