
APPENDIX I**ACCOUNTANT'S REPORT**

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

[PWC Letterhead to be inserted]

[DRAFT]

[Date]

The Directors
Goal Forward Holdings Limited

Frontpage Capital Limited

Dear Sirs,

We report on the financial information of Goal Forward Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the combined statements of financial position as at 31 March 2015 and 31 March 2016, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 March 2015 and 31 March 2016 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated [date] (the "Prospectus") in connection with the [REDACTED] of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 6 April 2016 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. Pursuant to a group reorganisation as described in Note 1(b) of Section II headed "Reorganisation" below, which was completed on [date], the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganisation").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1(b) of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

No Statutory audited financial statements have been prepared by the Company as it is newly incorporated and has not involved in any significant business transactions since its date of incorporation, other than the reorganisation. The statutory audited financial statements of other companies now comprising the Group as at the date of this report for

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which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their respective places of incorporation. The details of the statutory auditors of these companies are set out in Note 1(b) of Section II below.

The directors of the Company have prepared the combined financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") (the "Underlying Financial Statements"). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with HKFRSs. We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the "HKSAAs") issued by the HKICPA pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 1(c) of Section II below.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with the basis of presentation set out in Note 1(c) of Section II below and in accordance with HKFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

Opinion

In our opinion, the financial information gives, for the purpose of this report and presented on the basis set out in Note 1(c) of Section II below, a true and fair view of the combined financial position of the Group as at 31 March 2015 and 31 March 2016 and of the Group's combined financial performance and cash flows for the Relevant Periods.

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I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as at 31 March 2015 and 31 March 2016 and for the each of the years ended 31 March 2015 and 31 March 2016 (the "Financial Information"), presented on the basis set out in Note 1(c) of Section II below:

(A) COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Section II Note</i>	Year ended 31 March 2015	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5	152,286	166,230
Cost of sales	7	<u>(131,882)</u>	<u>(140,465)</u>
Gross profit		20,404	25,765
Other income	6	98	123
Selling and administrative expenses	7	<u>(9,685)</u>	<u>(11,593)</u>
Operating profit		<u>10,817</u>	<u>14,295</u>
Finance income	9	1	1
Finance costs	9	<u>(387)</u>	<u>(587)</u>
Finance costs – net	9	<u>(386)</u>	<u>(586)</u>
Profit before income tax		10,431	13,709
Income tax expense	10	<u>(1,678)</u>	<u>(2,636)</u>
Profit and total comprehensive income for the year attributable to owner of the Company		<u>8,753</u>	<u>11,073</u>
Earnings per share attributable to owner of the Company for the year – Basic and diluted (expressed in HK cents per share)	12	<u>N/A</u>	<u>N/A</u>

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(B) COMBINED STATEMENTS OF FINANCIAL POSITION

		As at 31 March	
	<i>Note</i>	2015	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	<i>13</i>	18,432	17,583
Prepayments	<i>16</i>	–	200
Deferred tax assets	<i>14</i>	–	117
Total non-current assets		<u>18,432</u>	<u>17,900</u>
Current assets			
Inventories	<i>17</i>	295	863
Trade receivables	<i>16</i>	23,316	26,955
Deposits and prepayments	<i>16</i>	166	1,478
Amount due from the Controlling Shareholder	<i>25(b)</i>	8,108	16,012
Cash and cash equivalents	<i>18</i>	17,054	9,479
Total current assets		<u>48,939</u>	<u>54,787</u>
Total assets		<u>67,371</u>	<u>72,687</u>
EQUITY			
Equity attributable to owner of the Company			
Combined share capital	<i>19</i>	–	100
Retained earnings		10,220	21,293
Total equity		<u>10,220</u>	<u>21,393</u>

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	<i>Note</i>	As at 31 March	
		2015	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>
LIABILITIES			
Non-current liabilities			
Borrowings	20	62	266
Deferred tax liabilities	14	<u>593</u>	<u>584</u>
Total non-current liabilities		<u>655</u>	<u>850</u>
Current liabilities			
Trade payables	21	31,158	27,592
Accruals and other payables	21	2,756	2,902
Borrowings	20	20,907	18,771
Current income tax liabilities		<u>1,675</u>	<u>1,179</u>
Total current liabilities		<u>56,496</u>	<u>50,444</u>
Total liabilities		<u>57,151</u>	<u>51,294</u>
Total equity and liabilities		<u>67,371</u>	<u>72,687</u>

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(C) COMBINED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company		
	Combined share capital (Note 19) HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 April 2014	—	1,467	1,467
Total comprehensive income			
Profit for the year	—	8,753	8,753
Balance at 31 March 2015	<u>—</u>	<u>10,220</u>	<u>10,220</u>
Total comprehensive income			
Profit for the year	—	11,073	11,073
Transaction with owner in their capacity as owner			
Proceeds from shares issued	100	—	100
Balance at 31 March 2016	<u>100</u>	<u>21,293</u>	<u>21,393</u>

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(D) COMBINED STATEMENTS OF CASH FLOWS

	<i>Note</i>	Year ended 31 March	
		2015	2016
		<i>HK\$'000</i>	<i>HK\$'000</i>
Cash flows from operating activities			
Cash generated from operations	22	12,129	7,331
Interest paid		(387)	(587)
Income tax paid		(740)	(3,258)
		<u> </u>	<u> </u>
Net cash generated from operating activities		----- 11,002	----- 3,486
Cash flows from investing activities			
Purchases of property, plant and equipment		(477)	(43)
Prepayment for property, plant and equipment		-	(200)
Proceeds from disposals of property, plant and equipment	22(b)	29	-
Amount due from Controlling Shareholder		(7,226)	(7,904)
Interest received		1	1
		<u> </u>	<u> </u>
Net cash used in investing activities		----- (7,673)	----- (8,146)
Cash flows from financing activities			
Proceeds from bank borrowings		21,400	-
Repayments of bank borrowings		(13,258)	(2,278)
Repayment of finance leases		(87)	(76)
Prepayment of [REDACTED] expenses		-	(661)
Proceeds from shares issuances		-	100
		<u> </u>	<u> </u>
Net cash generated from/(used in) financing activities		----- 8,055	----- (2,915)
Net increase/(decrease) in cash and cash equivalents			
		11,384	(7,575)
Cash and cash equivalents at beginning of the year		<u>5,670</u>	<u>17,054</u>
Cash and cash equivalents at end of the year	18	<u>17,054</u>	<u>9,479</u>

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II NOTES TO THE COMBINED FINANCIAL INFORMATION

1 Corporation information, reorganisation and basis of presentation

(a) General information

Goal Forward Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 6 April 2016 as an exempted company with limited liability under Companies Law Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (the “Group”) is principally engaged in the sourcing and processing of food ingredients (the “[REDACTED] Business”). The controlling shareholder of the [REDACTED] Business is Mr. Liu Chi Ching (“Mr. Liu”) (the “Controlling Shareholder”).

The Financial Information is presented in thousands of Hong Kong dollars (“HK\$000”), unless otherwise stated.

(b) Reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation (the “Reorganisation”) as described below, the [REDACTED] Business was carried out by C.Y. Food Trading (HK) Company Limited, a company incorporated in Hong Kong (the “Operating Company”). The Operating Company was controlled by Mr. Liu throughout the Relevant Periods.

In preparation for [REDACTED] of the Company’s shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the Group underwent the Reorganisation to transfer the [REDACTED] Business to the Company principally through the following steps:

- a. On 8 January 2016, Classic Line Holdings Limited (“Classic Line”) was incorporated in the British Virgin Islands (“BVI”) by Mr. Liu.
- b. On 10 March 2016, Eminent Ace Group Limited (“Eminent Ace”) was incorporated in the BVI. On the same date, one fully-paid share of Eminent Ace, representing its entire issued share capital was allotted and issued to Classic Line.
- c. On 6 April 2016, the Company was incorporated in the Cayman Islands with limited liability and with an authorised share capital of HK\$380,000 divided into 38,000,000 Shares. On the same date, one nil-paid ordinary Share was allotted and issued to Classic Line.
- d. On 13 May 2016, Eminent Ace acquired the entire issued share capital of the Operating Company from Mr. Liu, in consideration of which the Company, at the direction of Mr. Liu, issued and allotted 9,999 nil-paid shares to Classic Line.
- e. On 16 May 2016, Classic Line, Mr. Liu and the Company entered into a share swap deed pursuant to which the Company acquired 1 fully paid share in Eminent Ace from Classic Line and as consideration, the Company will credit 10,000 nil-paid share held by Classic Line as fully paid.
- f. On 25 May 2016, Lion Metro Limited (“Lion Metro”) was incorporated in the British Virgin Islands (“BVI”) by Eminent Ace.
- g. On [22] June 2016, Lion Metro acquired the entire issued share capital of the Healthy Cheer International Limited (“Healthy Cheer”) from its then shareholders, Mr. Liu, Mr. Chan Kam Cheong (“Mr. Chan”) and Ms. Liu Shek Chun (“Ms. Liu”), in consideration of which Eminent Ace issued and allotted 99 fully-paid shares in Eminent Ace to the Company. Prior to this

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transaction, Mr. Liu was the controlling shareholder of Healthy Cheer as he beneficially owned the entire issued share capital of Healthy Cheer through declarations of trust signed by Mr. Liu with Mr. Chan and Ms. Liu respectively, on 9 July 2009.

Upon completion of the Reorganisation, the Company has become the holding company of the other Companies comprising the Group.

Upon completion of the Reorganisation and as at the date of this report, the Company has direct or indirect interests in the following subsidiaries:

Company name	Date of incorporation/ establishment	Country/place of incorporation/ establishment	Registered/ issued and paid-up capital	Attributable equity interest of the Group as at the date of this report	Principal activities/place of operation	Name of statutory auditor 2015 2016
Directly held:						
Eminent Ace Group Limited	10 March 2016	BVI	US\$1	100%	Investment holding/ Hong Kong	2015: N/A 2016: N/A
Indirectly held:						
C.Y. Food Trading (HK) Company Limited	6 September 2005	Hong Kong	HK\$1	100%	Sourcing and processing of food ingredients/Hong Kong	2015: Tommy Yeung & Co 2016: PricewaterhouseCoopers
Lion Metro Limited	25 May 2016	BVI	US\$1	100%	Investment holding/ Hong Kong	2015: N/A 2016: N/A
Healthy Cheer International Limited	11 March 2009	Hong Kong	HK\$100,000	100%	Property holding and investment/ Hong Kong	2015: Tommy Yeung & Co 2016: PricewaterhouseCoopers

(c) *Basis of presentation*

Immediately prior to and after the Reorganisation, the [REDACTED] Business was carried out by the Operating Company. Pursuant to the Reorganisation, the [REDACTED] Business were transferred to and held by the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The transaction is merely a reorganisation of the [REDACTED] Business with no change in management and controlling shareholder of such business. Accordingly, the combined financial information of the companies now comprising the Group is presented using the carrying values of the [REDACTED] Business for all periods presented, as if the current group structure had been in existence throughout the Relevant Periods or since the respective dates of establishments of the combining companies, whichever is earlier.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

2 Summary of significant accounting policies

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

2.1 *Basis of preparation*

The Financial Information have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by Hong Kong Institute of Certified Public Accountant (the “HKICPA”). The Financial Information have been prepared under the historical cost convention.

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The preparation of Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4.

The following are the new standards and amendments to standards that are effective for annual periods beginning on or after 1 April 2016 and related to the Group, and have not been early adopted:

		Effective for accounting year beginning on or after	<i>Note</i>
HKFRS 10, HKFRS 12 and HKAS 28 (amendment)	Investment entities: applying the consolidation exception	1 January 2016	
HKFRS 11 (amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	
HKFRS 14	Regulatory Deferral Accounts	1 January 2016	
HKAS 1 (amendment)	Disclosure initiative	1 January 2016	
HKAS 16 and HKAS 38 (amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	
HKAS 16 and HKAS 41 (amendment)	Agriculture: Bearer Plants	1 January 2016	
HKAS 27 (amendment)	Equity Method in Separate Financial Statements	1 January 2016	
HKFRSs (amendment)	Annual Improvements to HKFRSs 2014 Cycle	1 January 2016	
HKFRS 9	Financial Instruments	1 January 2018	<i>i</i>
HKFRS 15	Revenue from Contracts with Customers	1 January 2018	<i>ii</i>
HKFRS 16	Leases	1 January 2019	<i>iii</i>
HKFRS 10 and HKAS 28 (amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	–	<i>iv</i>

Note i:

HKFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of HKFRS 9 was issued in July 2014. It replaces the guidance in HKAS 39 that relates to the classification and measurement of financial instruments. HKFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income (“OCI”) and fair value through profit and loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in HKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. HKFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the ‘hedged ratio’ to be the same as the one management actually use for risk management purposes.

Contemporaneous documentation is still required but is different to that currently prepared under HKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group is yet to assess HKAS 9’s full impact.

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Note ii:

HKFRS 15, ‘Revenue from contracts with customers’ deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces HKAS 18 ‘Revenue’ and HKAS 11 ‘Construction contracts’ and related interpretations. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of HKFRS 15.

Note iii:

The Group is a lessee of logistics centre and warehouse, parking lots and director quarter which are currently classified as operating leases. The Group’s current accounting policy for such leases, asset out in Note 2.21, is to record the operating leases in the Group’s combined statements of comprehensive income during the Relevant Periods with the related operating lease commitments being separately disclosed in Note 23. HKFRS 16 provides new provisions for the accounting treatment of leases which no longer allows lessees to recognise leases outside of the combined statements of financial position. Instead, all non-current leases must be recognised in the form of assets (for the right of use) and financial liabilities (for the payment obligations) in the Group’s combined statements of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from such reporting obligation. The new standard will therefore result in a decognition of prepaid operating leases, increase in right-of-use assets and increase in lease liabilities in the combined statements of financial position. In the combined statements of comprehensive income, as a result, the annual rental and amortisation expenses of prepaid operating lease under otherwise identical circumstances will decrease, while depreciation of right of use of assets and interest expense arising from the financial liabilities will increase. The new standard is not expected to be effective until the financial year beginning on or after 1 January 2019. The Group is assessing the impact of HKFRS 16.

Note iv:

The effective date of HKFRS 10 and HKAS 28 (amendment) is to be determined by the International Accounting Standards Board.

There are no other new standards and amendments to standards that are not yet effective that would be expected to have a material impact on the Group. The Group plans to adopt the above new standards and amendments to standards when they become effective. The Group has already commenced an assessment of the related impact of adopting the above new standards and amendments to standards and is in the process of assessing their impact on future accounting periods.

2.2 *Subsidiaries*

2.2.1 *Consolidation*

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

(a) *Business combinations*

Except for the Reorganisation as mentioned in Note 1(b), the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the

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fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer’s previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the combined statements of comprehensive income.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group’s accounting policies.

(b) Changes in ownership interests in subsidiaries without change of control

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

2.3 *Segment reporting*

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

2.4 *Foreign currency translation*

(a) *Functional and presentation currency*

Items included in the Financial Information 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 Financial Information is presented in HK\$, which is the Company’s functional and the Group’s 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 or valuation where items are re-measured. 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 combined statements of comprehensive income.

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Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the combined statements of comprehensive income within "finance income or costs". All other foreign exchange gains and losses are presented in the combined statements of comprehensive income within "other income".

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) 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 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 rate on the dates of the transactions); and
- (iii) all resulting currency translation differences are recognised in other comprehensive income.

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

2.5 *Property, plant and equipment*

Leasehold land classified as finance lease and all other property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. 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. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the combined statements of comprehensive income during the financial period in which they are incurred.

Leasehold improvements are depreciated over the shorter of their useful lives or unexpired period of the lease while depreciation of other property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land held under finance lease	Over the lease term of 35 years
Buildings	35 years
Leasehold improvements	Shorter of lease term or 5 years
Furniture, fixtures and equipment	5 years
Motor vehicles	3-4 years

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.6).

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are recognised within "selling and administrative expenses" in the combined statements of comprehensive income.

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2.6 *Impairment of non-financial assets*

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.7 *Financial assets*

2.7.1 *Classification*

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group’s loans and receivables comprise trade and other receivables and deposits, cash and cash equivalents (Notes 2.11 and 2.12) and amount due from the Controlling Shareholder in the combined statements of financial position.

2.7.2 *Recognition and measurement*

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

2.8 *Offsetting financial instruments*

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

2.9 *Impairment of financial assets*

Assets carried at amortised cost

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the combined statements of comprehensive income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

2.12 Cash and cash equivalents

In the combined statements of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2.13 Share capital

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

2.14 Trade payables

Trade payables are obligations to pay for goods that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the combined statements of comprehensive income over the period of the borrowings using the effective interest method.

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Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

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

2.16 Borrowing costs

All borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.17 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

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(c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.18 *Employee benefits*

(a) *Retirement benefit obligations*

Hong Kong

The Group operates a defined contribution Mandatory Provident Fund Scheme (the “MPF Scheme”) which is registered under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The assets of the MPF Scheme are held in a separately administered fund. The MPF Scheme is generally funded by payments from employees and by the Group.

The Group has no further payment obligations once the contribution has been paid. The contributions are recognised as employee benefit expense when they are due.

(b) *Employee leave entitlements*

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

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

(c) *Bonus plans*

The Group recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Group’s shareholder after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2.19 *Provisions*

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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

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.

2.20 *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts and returns. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits

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will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) *Sale of goods*

Sale of goods is recognised when products have been delivered to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(ii) *Interest income*

Interest income is recognised using the effective interest method.

2.21 *Leases*

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

The Group leases certain property, plant and equipment. Leases of property, plant and equipment 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. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the combined statements of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.22 *Dividend distribution*

Dividend distribution to the owner of the entities now comprising the Group is recognised as a liability in the Group's Financial Information in the period in which the dividends are approved by the Company's shareholder.

3 **Financial risk management**

3.1 *Financial risk factors*

The Group's activities expose it to a variety of financial risks: credit risk and liquidity 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.

Risk management is carried out by finance department under policies approved by the Board of Directors. Finance department of the Group identifies, evaluates and hedge financial risks in close co-operation with the Group's operating units. The board provides guidance for overall risk management and specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) *Credit risk*

Credit risk of the Group mainly arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to amount due from the Controlling Shareholder, and customers such as trade and other receivables. The carrying amount of these balances in the Financial Information represents the Group's maximum exposure to credit risk in relation to its financial assets.

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Bank balances are deposited in reputable banks. Management does not expect any losses from non-performance by these banks.

Debtors of the Group may be affected by the unfavorable economic conditions and the lower liquidity situation, which could in turn impact their ability to repay the amounts owed. Deteriorating operating conditions for debtors may also have an impact on management's cash flow forecasts and assessment of the impairment of receivables. To the extent that information is available, management has properly reflected revised estimate of expected future cash flows in their impairment assessments.

The credit quality of the customers is assessed based on its financial position, past experience and other factors. The Group has policies in place to ensure that sales of products are made to customers with appropriate credit histories.

As at 31 March 2015 and 2016, the Group had a concentration of credit risk given that the top five debtors accounted for 41% and 46%, respectively of the Group's total trade receivables at the year end. The Group has set up long-term cooperative relationship with these customers. In view of the history of business dealings with the customers and the sound collection history of the receivables due from them, management believes that there is no material credit risk inherent in the Group's outstanding receivable balances due from these customers. However, the Group does not believe that the credit risk in relation to these customers is significant because they have no history of default in recent years.

The Group performs periodic credit evaluations of its customers. For the trade receivables proved to be impaired, management has provided sufficient provision on those balances.

Management considers the credit risk on amount due from the Controlling Shareholder is minimal after considering the financial conditions of the entity as at 31 March 2015 and 31 March 2016. Management has performed assessment over the recoverability of these balances and management does not expect any losses from non-performance by the Controlling Shareholder.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The directors aim to maintain flexibility in funding by keeping credit lines available and obtaining additional funding from the loan facilities and monitoring cash flow forecast to maintain its going concern.

Management monitors the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Surplus cash held by Group entities over and above balances required for working capital management is invested in interest-bearing bank accounts and bank deposits with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

The following tables analyses the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the balance sheet date) and the earliest date the Group can be required to pay, except for long term bank borrowings subject to a repayment on demand clause.

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Specifically, for bank loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The undiscounted cash flow does not include interest payments computed using contractual rates if the lender does not invoke their unconditional rights. The maturity analysis for other bank borrowings and finance lease liabilities is prepared based on the scheduled repayment dates.

	On demand <i>HK\$'000</i>	Within 1 year <i>HK\$'000</i>	More than 1 year but less than 2 years <i>HK\$'000</i>	More than 2 years but less than 5 years <i>HK\$'000</i>	Total undiscounted cash outflows <i>HK\$'000</i>
At 31 March 2015					
Long term bank borrowings subject to a repayment on demand clause	19,729	-	-	-	19,729
Other bank borrowings	-	1,178	62	-	1,240
Trade and other payables	-	32,923	-	-	32,923
	<u>19,729</u>	<u>34,101</u>	<u>62</u>	<u>-</u>	<u>53,892</u>
At 31 March 2016					
Long term bank borrowings subject to a repayment on demand clause	18,629	-	-	-	18,629
Other bank borrowings	-	142	266	-	408
Trade and other payables	-	29,401	-	-	29,401
	<u>18,629</u>	<u>29,543</u>	<u>266</u>	<u>-</u>	<u>48,438</u>

The table below summarises the maturity analysis of bank borrowings with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

	Within 1 year <i>HK\$'000</i>	More than 1 year but less than 2 years <i>HK\$'000</i>	More than 2 years but less than 5 years <i>HK\$'000</i>	Total Outflows <i>HK\$'000</i>
At 31 March 2015	1,629	1,629	18,705	21,963
At 31 March 2016	<u>1,629</u>	<u>1,629</u>	<u>17,077</u>	<u>20,335</u>

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3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt is calculated as total borrowings. Total capital is calculated as 'equity' as shown in the Financial Information.

As at 31 March 2015 and 2016, the gearing ratios were as follows:

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
Total debt	20,969	19,037
Total capital	10,220	21,393
Gearing ratio	<u>205%</u>	<u>89%</u>

3.3 Fair value estimation

As at 31 March 2015 and 2016, the Group did not have any financial assets or financial liabilities that are measured at fair value.

The carrying values of receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

4 Critical accounting estimates and judgments

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 addressed below.

(a) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

(b) Impairment of trade and other receivables

The Group's management determines the provision for impairment of trade and other receivables based on an assessment of the recoverability of the receivables. This assessment is based on the credit history of its customers and other debtors and the current market condition, and requires the use of judgments and estimates. Management reassesses the provision at the end of each reporting period.

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(c) *Useful lives on property, plant and equipment*

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of these assets of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to changes in market conditions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

5 Segment information

The Group operates as a single operating segment. The single operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors that make strategic decisions.

The Group is principally engaged in the sourcing and processing of food ingredients, which are carried out in Hong Kong during the Relevant Periods.

Total revenue recognised during the year are as follows:

	Year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
Sales of goods	<u>152,286</u>	<u>166,230</u>

The revenue from external parties is derived from numerous external customers and the revenue reported to the management is measured in a manner consistent with that in the Financial Information.

Revenues from transactions with external customers accounting for 10% or more of Group's total revenue are as follows:

	Year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
Customer A	19,038	20,768
Customer B	<u>13,872</u>	<u>16,808</u>
	<u>32,910</u>	<u>37,576</u>

6 Other income

	Year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
Sundry income	<u>98</u>	<u>123</u>

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7 Expenses by nature

	Year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
Cost of inventories (<i>Note 17</i>)	104,146	110,356
Employee benefit expenses (<i>Note 8</i>)	12,310	12,516
Commission	1,366	1,278
Auditors' remuneration	49	200
Depreciation of property, plant and equipment (<i>Note 13</i>)	1,493	1,314
Operating leases	904	885
Transportation expenses	15,427	16,770
Provision for/(reversal of) impairment for trade receivables, net	59	(18)
[REDACTED] expenses	–	2,481
Other expenses	5,813	6,276
	<u>141,567</u>	<u>152,058</u>

8 Employee benefit expenses – including directors' emoluments

(a) *Employee benefit expenses during the year are as follows:*

	Year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
Wages, salaries and allowances	10,575	11,033
Retirement benefit costs – defined contribution plans	470	505
Others	1,265	978
	<u>12,310</u>	<u>12,516</u>

(b) *Directors' emoluments*

The remuneration of every director for the years ended 31 March 2015 and 2016 are set out below:

Name of director	Fees	Salaries, allowances and benefits in kind	Employer's contribution to pension scheme	Other benefits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended 31 March 2015					
Executive directors					
Mr. Liu Chi Ching (Chairman)	–	672	18	413	1,103
Ms. Wu Shuk Kwan (Chief executive officer)	–	220	9	–	229
	<u>–</u>	<u>892</u>	<u>27</u>	<u>413</u>	<u>1,332</u>

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Name of director	Fees HK\$'000	Salaries, allowances and benefits in kind HK\$'000	Employer's contribution to pension scheme HK\$'000	Other benefits HK\$'000	Total HK\$'000
For the year ended 31 March 2016					
Executive directors					
Mr. Liu Chi Ching (Chairman)	–	672	18	435	1,125
Ms. Wu Shuk Kwan (Chief executive officer)	–	360	18	–	378
	–	1,032	36	435	1,503

During the Relevant Periods, none of the directors of the Company waived any emoluments paid or payable by the Group companies and no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

(i) *Directors' retirement benefits*

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries undertaking during the Relevant Periods.

(ii) *Directors' termination benefits*

No payment was made to directors as compensation for the early termination of the appointment during the year during the Relevant Periods.

(iii) *Consideration provided to third parties for making available directors' services*

No payment was made to the former employer of directors for making available the services of them as a director of the Company during the Relevant Periods.

(iv) *Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors*

There are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors during the Relevant Periods.

(v) *Directors' material interests in transactions, arrangements or contracts*

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Relevant Periods.

Notes:

Mr. Liu Chi Ching and Ms. Wu Shuk Kwan were appointed as the Company's executive directors on 27 May 2016. Mr. Wong Chung Yeung was appointed as the Company's non-executive director on 27 May 2016. [Ms. Li On Lei], [Mr. Ng Ki Man] and [Mr. Lo Siu Kit] were appointed as the Company's independent non-executive directors on 22 August 2016.

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During the Relevant Periods, the non-executive director and independent non-executive directors had not been appointed and therefore did not receive any remuneration in their capacity as the Company's directors.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group include 2 and 2 directors for the years ended 31 March 2015 and 2016, respectively, whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 and 3 individuals for the years ended 31 March 2015 and 2016, respectively, are as follows:

	Year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
Wages, salaries and allowances	716	759
Retirement benefit costs-defined contribution plans	22	35
	<u>738</u>	<u>794</u>

The emoluments of above individuals are within the following band:

	Number of individuals	
	Year ended 31 March 2015	2016
Emoluments band Nil – HK\$1,000,000	<u>3</u>	<u>3</u>

9 Finance costs – net

	Year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
Interest expense on bank borrowings	358	568
Interest expense on finance leases	29	19
Finance costs	<u>387</u>	<u>587</u>
Interest income from bank deposits	<u>(1)</u>	<u>(1)</u>
Finance costs – net	<u>386</u>	<u>586</u>

10 Income tax expense

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profit during the Relevant Periods.

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The amount of income tax expense charged/(credited) to the combined statements of comprehensive income represents:

	Year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
Current income tax		
– Current year	1,846	2,762
– Over-provision in prior year	(127)	–
	<u>1,719</u>	<u>2,762</u>
Deferred income tax (<i>Note 14</i>)	(41)	(126)
	<u>(41)</u>	<u>(126)</u>
Income tax expense	<u>1,678</u>	<u>2,636</u>

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group's subsidiaries as follows:

	Year ended 31 March	
	2015	2016
	HK\$'000	HK\$'000
Profit before income tax	<u>10,431</u>	<u>13,709</u>
Tax calculated at domestic tax rates applicable to profits in the respective countries	1,721	2,262
Expenses not deductible for tax purposes	104	409
Non-taxable income	(20)	(35)
Over-provision in prior year	(127)	–
	<u>(127)</u>	<u>–</u>
Income tax expense	<u>1,678</u>	<u>2,636</u>

Note (i): Expense not deductible for tax purposes mainly comprised the tax effect of non-deductible [REDACTED] expenses for the year ended 31 March 2016.

Note (ii): The weighted average applicable tax rate was 16.1% and 19.2% for the years ended 31 March 2015 and 2016. The increase was mainly due to certain [REDACTED] expenses being not tax deductible for the year ended 31 March 2016.

11 Dividend

No dividend was declared for the years ended 31 March 2015 and 31 March 2016.

12 Earnings per share attributable to owner of the Company for the year – Basic and diluted

No earning per share information is presented as its inclusion, for the purpose of this accountant's report, is considered not meaningful due to the group Reorganisation.

The Group does not have any potential dilutive option or other instruments relating to ordinary shares.

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13 Property, plant and equipment

	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
At 1 April 2014					
Cost	19,198	737	2,562	1,149	23,646
Accumulated depreciation	<u>(1,097)</u>	<u>(442)</u>	<u>(1,751)</u>	<u>(463)</u>	<u>(3,753)</u>
Net book amount	<u>18,101</u>	<u>295</u>	<u>811</u>	<u>686</u>	<u>19,893</u>
Year ended 31 March 2015					
Opening net book amount	18,101	295	811	686	19,893
Additions	–	–	16	461	477
Depreciation	(548)	(147)	(450)	(348)	(1,493)
Disposal	<u>–</u>	<u>–</u>	<u>–</u>	<u>(445)</u>	<u>(445)</u>
Closing net book amount	<u>17,553</u>	<u>148</u>	<u>377</u>	<u>354</u>	<u>18,432</u>
At 31 March 2015					
Cost	19,198	737	2,578	782	23,295
Accumulated depreciation	<u>(1,645)</u>	<u>(589)</u>	<u>(2,201)</u>	<u>(428)</u>	<u>(4,863)</u>
Net book amount	<u>17,553</u>	<u>148</u>	<u>377</u>	<u>354</u>	<u>18,432</u>
Year ended 31 March 2016					
Opening net book amount	17,553	148	377	354	18,432
Additions	–	–	52	413	465
Depreciation	(548)	(148)	(375)	(243)	(1,314)
Disposal	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Closing net book amount	<u>17,005</u>	<u>–</u>	<u>54</u>	<u>524</u>	<u>17,583</u>
At 31 March 2016					
Cost	19,198	737	2,540	1,135	23,610
Accumulated depreciation	<u>(2,193)</u>	<u>(737)</u>	<u>(2,486)</u>	<u>(611)</u>	<u>(6,027)</u>
Net book amount	<u>17,005</u>	<u>–</u>	<u>54</u>	<u>524</u>	<u>17,583</u>

Depreciation expense of HK\$1,048,000 and HK\$445,000 has been charged to cost of sales and selling and administrative expenses, respectively, for the year ended 31 March 2015.

Depreciation expense of HK\$747,000 and HK\$567,000 has been charged to cost of sales and selling and administrative expenses, respectively, for the year ended 31 March 2016.

As at 31 March 2015, bank borrowing of HK\$19,729,000 is secured by land and buildings for the value of HK\$17,553,000.

As at 31 March 2016, bank borrowing of HK\$18,629,000 is secured by land and buildings for the value of HK\$17,005,000.

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As at 31 March 2016, bank borrowing of HK\$346,000 is secured by a motor vehicle amounted to HK\$341,000 (2015: nil).

Motor vehicles includes the following amounts where the Group is a lessee under a finance lease:

	As at 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost – capitalised finance leases	–	413
Accumulated depreciation	–	(72)
	<u>–</u>	<u>(72)</u>
	<u>–</u>	<u>341</u>

14 Deferred income tax

The analysis of deferred income tax is as follows:

	As at 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	–	117
	<u>–</u>	<u>117</u>
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	(593)	(584)
	<u>(593)</u>	<u>(584)</u>

The gross movements in the deferred income tax account are as follows:

	As at 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of the year	(634)	(593)
Credited to combined statements of comprehensive income (<i>Note 10</i>)	41	126
	<u>41</u>	<u>126</u>
At end of the year	<u>(593)</u>	<u>(467)</u>

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The movements in deferred income tax during the relevant year are as follows:

Deferred income tax assets:

	Decelerated tax depreciation <i>HK\$'000</i>
At 1 April 2014	58
Recognised in the combined statements of comprehensive income	<u>20</u>
At 31 March 2015	<u><u>78</u></u>
At 1 April 2015	78
Recognised in the combined statements of comprehensive income	<u>39</u>
At 31 March 2016	<u><u>117</u></u>

Deferred income tax liabilities:

	Accelerated tax depreciation <i>HK\$'000</i>
At 1 April 2014	(692)
Recognised in the combined statements of comprehensive income	<u>21</u>
At 31 March 2015	<u><u>(671)</u></u>
At 1 April 2015	(671)
Recognised in the combined statements of comprehensive income	<u>87</u>
At 31 March 2016	<u><u>(584)</u></u>

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15 Financial instruments by category

	As at 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Assets as per combined statements of financial position		
Loans and receivables		
– Trade receivables	23,316	26,955
– Deposits	89	95
– Amount due from the Controlling Shareholder	8,108	16,012
– Cash and cash equivalents	17,054	9,479
	<u>17,054</u>	<u>9,479</u>
Total	<u>48,567</u>	<u>52,541</u>
Liabilities as per combined statements of financial position		
Other financial liabilities subsequently measured at amortised cost		
– Trade payables	31,158	27,592
– Other payables (excluding non-financial liabilities)	1,765	1,809
– Borrowings (exclude finance lease obligation)	20,969	18,691
– Finance lease obligation	–	346
	<u>–</u>	<u>346</u>
Total	<u>53,892</u>	<u>48,438</u>

16 Trade receivables, deposits and prepayments

	As at 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables (<i>Note a</i>)		
– Related parties (<i>Note 25(b)</i>)	220	127
– Third parties	23,096	26,828
	<u>23,096</u>	<u>26,828</u>
	<u>23,316</u>	<u>26,955</u>
Prepayment for property, plant and equipment	–	200
Prepayment of [REDACTED] expenses	–	1,283
Other prepayments	77	100
Other receivables and deposits	89	95
	<u>89</u>	<u>95</u>
	<u>166</u>	<u>1,678</u>
Less non-current portion: Deposits and prepayments	<u>–</u>	<u>(200)</u>
Deposits and prepayments included in current assets	<u>166</u>	<u>1,478</u>

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(a) *Trade receivables*

	As at 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	23,375	26,955
Less: provision for impairment of trade receivables	<u>(59)</u>	<u>–</u>
	<u>23,316</u>	<u>26,955</u>

The carrying amounts of trade receivables approximate their fair values.

The Group normally grants credit terms to its customers ranging from 0 to 90 days. The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
1 to 30 days	13,324	15,052
31 to 60 days	7,207	8,543
61 to 90 days	1,140	1,988
91 to 120 days	398	276
Over 120 days	<u>1,306</u>	<u>1,096</u>
Total	<u>23,375</u>	<u>26,955</u>

As at 31 March 2015 and 2016 of HK\$4,315,000 and HK\$4,426,000 were past due but not impaired. These relate to a number of independent customers for whom there is no significant financial difficulty and based on past experience, the overdue amounts can be recovered.

The ageing analysis of the trade receivables based on due date is as follows:

	As at 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Not yet past due	<u>19,001</u>	<u>22,529</u>
Past due but not impaired		
1 to 30 days	2,517	3,908
31 to 60 days	379	148
61 to 90 days	744	169
Over 90 days	<u>675</u>	<u>201</u>
Total	<u>23,316</u>	<u>26,955</u>

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

	As at 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 April	–	59
Add: Provision for impairment of trade receivables	59	6
Less: Provision written off	–	(41)
Less: Amount recovered	–	(24)
	<u>–</u>	<u>(24)</u>
At 31 March	<u>59</u>	<u>–</u>

The carrying amounts of the Group's trade receivables are denominated in HK\$.

The maximum exposure to credit risk at the reporting date is the carrying value of the receivables mentioned above. The Group does not hold any collateral as security.

17 Inventories

	As at 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	295	863
Less: Provision for obsolete inventories	–	–
	<u>–</u>	<u>–</u>
Inventories, net	<u>295</u>	<u>863</u>

The cost of inventories included in cost of sales during the year amounted to approximately HK\$ 104,146,000 and HK\$110,356,000 for the year ended 31 March 2015 and 2016, respectively.

18 Cash and cash equivalents

	As at 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash at bank	17,014	9,465
Cash on hand	40	14
	<u>40</u>	<u>14</u>
	<u>17,054</u>	<u>9,479</u>

Note:

- (a) The amounts represent cash and cash equivalents in the combined statements of cash flows.

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(b) The Group's cash and bank balances are denominated in the following currencies:

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
HK\$	17,054	9,474
United States dollars	—	5
	<u>17,054</u>	<u>9,479</u>

19 Combined share capital

Combined Share capital during the relevant year represents the share capital of C.Y. Food Trading (HK) Company Limited and Healthy Cheer International Limited, the operating companies of the [REDACTED] Business.

20 Borrowings

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
Non-current, secured		
Bank borrowings (<i>Note (a)</i>)	62	—
Finance lease obligation (non-current portion) (<i>Note (b)</i>)	—	266
	<u>62</u>	<u>266</u>
Current, secured		
Portion of long-term bank borrowings due for repayment within 1 year (<i>Note (a)</i>)	1,178	62
Portion of long-term bank borrowings due for repayment after 1 year which contain a repayment on demand clause (<i>Note (a)</i>)	19,729	18,629
Finance lease obligation (current portion) (<i>Note (b)</i>)	—	80
	<u>20,907</u>	<u>18,771</u>
Total borrowings	<u>20,969</u>	<u>19,037</u>

All borrowings, including the bank loans which contain repayment on demand clause, are carried at amortised cost.

The carrying amounts of the borrowings approximate their fair values, the weighted average interest rates are 3.26% and 2.79% as at 31 March 2015 and 2016, respectively.

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Note (a) Bank borrowings

	Total	
	2015	2016
	HK\$'000	HK\$'000
Bank borrowings due for repayment within one year (<i>Note (i)</i>)	1,178	62
Bank borrowings due for repayment after one year which contain a repayment on demand clause (<i>Note (ii)</i>)	<u>19,729</u>	<u>18,629</u>
	20,907	18,691
Bank borrowings due for repayment after 1 year:		
After 1 year but within 2 years (<i>Note (i)</i>)	<u>62</u>	<u>–</u>
	<u>20,969</u>	<u>18,691</u>

The carrying amounts of the bank borrowings are denominated in HK\$.

Note (i):

The amounts due are based on the scheduled repayment dates set out in the loan agreements.

These bank borrowings are secured/guaranteed by a personal guarantee executed by the Controlling Shareholder. These borrowings were fully repaid on 4 April 2016 and the personal guarantee had been released subsequently.

Note (ii):

As at 31 March 2015 and 31 March 2016, total bank borrowings of HK\$19,729,000 and HK\$18,629,000 respectively are secured/guaranteed by:

- (i) joint guarantee executed by the Controlling Shareholder and Mr. Chan Kam Cheong;
- (ii) guarantee provided by a company within the Group; and
- (iii) properties held by the Group.

On 28 April 2016, these bank borrowings were early settled and the Group has refinanced the borrowings by entering into two 20-year loans totaled HK\$19,200,000. Such loans are secured/guaranteed by:

- (i) joint guarantee executed by Controlling Shareholder and Ms. Wu Shuk Kwan, both are directors of the Company; and
- (ii) properties held by the Group.

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Note (b) Finance lease obligation

As at 31 March 2015 and 2016, the Group's finance lease was repayable as follows:

	Total	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross finance lease liabilities – minimum lease payments		
No later than 1 year	–	95
Later than 1 year and no later than 5 years	–	285
	<u>–</u>	<u>285</u>
Future finance charges on finance leases	–	380
	<u>–</u>	<u>(34)</u>
Present value of finance lease liabilities	<u>–</u>	<u>346</u>
The present value of finance lease liabilities is as follows:		
No later than 1 year	–	80
Later than 1 year and no later than 5 years	–	266
	<u>–</u>	<u>266</u>
	<u>–</u>	<u>346</u>

Note: The amounts due are based on the scheduled repayment dates set out in the finance lease agreement.

The carrying amounts of the finance lease are denominated in HK\$.

This finance lease are secured/guaranteed by:

- (i) a motor vehicle with net book value of HK\$341,000 as at 31 March 2016; and
- (ii) a personal guaranteed executed by the Controlling Shareholder.

The rights to the leased asset are reverted to the lessor in the event of default of the lease liabilities by the Group.

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21 Trade and other payables

	As at 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables (<i>Note (a)</i>)		
– Related parties (<i>Note 25(b)</i>)	40	26
– Third parties	<u>31,118</u>	<u>27,566</u>
	<u>31,158</u>	<u>27,592</u>
Other payables and accruals		
– Accruals for staff cost	2,219	2,365
– Commission payables	110	108
– Accrual for [REDACTED] expenses	–	85
– Other accruals and other payables	<u>427</u>	<u>344</u>
	<u>2,756</u>	<u>2,902</u>
	<u><u>33,914</u></u>	<u><u>30,494</u></u>

(a) Trade payables

As at 31 March 2015 and 2016, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	9,949	9,652
31 to 60 days	11,982	7,822
61 to 90 days	676	5,485
Over 90 days	<u>8,551</u>	<u>4,633</u>
	<u><u>31,158</u></u>	<u><u>27,592</u></u>

The carrying amounts of the Group's trade payables are denominated in HK\$. The carrying amounts of trade payables approximate their fair values.

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22 Cash generated from operations

(a) Reconciliation of cash generated from operations

	Year ended 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	10,431	13,709
Adjustments for:		
Finance income	(1)	(1)
Finance costs	387	587
Depreciation of property, plant and equipment (<i>Note 7</i>)	1,493	1,314
Loss on disposal of property, plant and equipment	86	–
Provision for/(reversal of) impairment of trade receivables, net	<u>59</u>	<u>(18)</u>
Operating profit before working capital changes	12,455	15,591
Changes in working capital		
Inventories	(19)	(568)
Trade receivables	(262)	(3,621)
Deposits and prepayments	(10)	(29)
[REDACTED] expenses	–	(622)
Trade payables	271	(3,566)
Accruals and other payables	<u>(306)</u>	<u>146</u>
Cash generated from operations	<u><u>12,129</u></u>	<u><u>7,331</u></u>

(b) Proceeds from disposals of property, plant and equipment

In the combined statements of cash flows, proceeds from disposal of property, plant and equipment comprise:

	Year ended 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net book amount (<i>Note 13</i>)	445	–
Loss on disposal of property, plant and equipment	<u>(86)</u>	<u>–</u>
Proceeds from disposal of property, plant and equipment (<i>Note i</i>)	<u><u>359</u></u>	<u><u>–</u></u>

Note i: Included in the proceeds from disposal of property, plant and equipment represents HK\$29,000 cash received and HK\$330,000 amount due from the Controlling Shareholder.

During the year ended 31 March 2015, certain property, plant and equipment was transferred to the Controlling Shareholder at a consideration of HK\$330,000. As a result of the transaction, the liability of the finance lease obligation was also transferred to the Controlling Shareholder, which was a non-cash transaction and not included in the cashflow.

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23 Operating lease commitments

The future aggregate minimum lease payments under non-cancellable operating leases in respect of production facilities, parking lots and director quarter are as follows:

	As at 31 March	
	2015	2016
	HK\$'000	HK\$'000
- No later than 1 year	484	478
- Later than 1 year and no later than 5 years	708	444
	<u>1,192</u>	<u>922</u>

The Group has no other material commitments as at 31 March 2015 and 2016.

24 Contingencies

As at 31 March 2015 and 2016, there are no material contingent liabilities relating to the Group.

25 Related-party transactions

For the purposes of these combined financial information, parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise significant influence over the Group in making financial and operating decisions. Related parties may be individuals (being members of key management personnel, significant shareholder and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals. Parties are also considered to be related if they are subject to common control.

The directors are of the view that the following companies were related parties that had material transactions or balances with the Group during the years ended 31 March 2015 and 2016:

Name of the related party	Relationship with the Group
China Land Restaurant Limited	The director, Liu Chi Ching has beneficial interest in the company
Winning Tender Limited	The director, Liu Chi Ching has beneficial interest in the company
Siberi Trading Company Limited	The director, Liu Chi Ching had beneficial interest in the company (This company ceased its related party's relation with the Group since November 2015)
Across Well Limited	The director, Liu Chi Ching has beneficial interest in the company
Mr. Liu Chi Ching	A shareholder and director of the Company
Au Kit Ying	The owner of this partnership business is a related person to Liu Chi Ching, the shareholder and the director of the Company

In addition to the related party information disclosed above, the following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the Relevant Periods, and balances arising from related party transactions as at 31 March 2015 and 2016.

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(a) Transactions with related parties

	Year ended 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing related parties' transactions		
Sales of goods to related companies		
– China Land Restaurant Limited	665	691
– Winning Tender Limited	687	641
Rental expenses charged by a related company		
– Across Well Limited	374	336
Purchase of goods from a related party		
– Au Kit Ying	99	88
Discontinued related parties' transactions		
Sales of property, plant and equipment to the Controlling Shareholder		
– Mr. Liu Chi Ching	330	–
Purchase of goods from a related company		
– Siberi Trading Company Limited	174	144
	<u>174</u>	<u>144</u>

(b) Balance with related parties

	As at 31 March	
	2015	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount due from the Controlling Shareholder	8,108	16,012
Amount due from China Land Restaurant Limited	103	62
Amount due from Winning Tender Limited	117	65
Amount due to Siberi Trading Company Limited	25	13
Amount due to Au Kit Ying	15	13
	<u>15</u>	<u>13</u>

Maximum amount due from the Controlling Shareholder outstanding during the years ended 31 March 2015 and 2016 were HK\$8,108,000 and HK\$16,012,000 respectively.

The amount due from the Controlling Shareholder is unsecured, interest-free and repayable on demand.

The carrying amount approximates its fair value and is denominated in HK\$.

(c) Key management compensation

Key management includes executive directors of the Group. The compensation paid or payable to key management for employee services is disclosed Note 8(b).

(d) Guarantees from related parties

As at 31 March 2015 and 2016, bank borrowings of the Group of HK\$19,729,000 and HK\$18,629,000 respectively, were guaranteed by corporate guarantee and properties held by the Group.

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26 Events after the balance sheet date

Save as disclosed elsewhere in this report, the following significant events took place subsequent to 31 March 2016:

- (i) On 12 May 2016, C.Y. Food Trading (HK) Company Limited declared a special dividend in the sum of approximately HK\$17,000,000 to its then shareholder, which was settled on 17 May 2016 by way of offsetting its then outstanding amounts due from the Controlling Shareholder of approximately HK\$15,965,000, and with the remaining balance of approximately HK\$1,035,000 being settled by cash.
- (ii) On 28 April 2016, the Group has early settled two bank loans with outstanding balance of HK\$18,629,000 as at 31 March 2016 by entering into two 20-year loans totaled HK\$19,200,000. Such loans are guaranteed by the two executive directors of the Company and secured by properties held by the Group.
- (iii) The Reorganisation was completed on [22 June 2016] and the details are summarised in note 1 (b).

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2016 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared, made or paid by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2016.

Yours faithfully,
[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong