卓信國際控股有限公司
ZHUOXIN INTERNATIONAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8266

# Annual Report 2019

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*This report, for which the directors (the "Directors") of Zhuoxin International Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

# Contents

# Corporate Information

## DIRECTORS

**Executive Directors**
Mr. Ma Chao *(Chairman)*
Mr. Zhang Shourong
Mr. Fu Yong

**Independent Non-executive Directors**
Mr. Chiu Wai Piu
Mr. Li Shiu Ki, Ernest
Mr. Cheung Kwan Hung
*(appointed on 2 October 2018)*
Mr. Min Hon Kit *(resigned on 2 October 2018)*

## COMPLIANCE OFFICER

Mr. Zhang Shourong

## AUTHORISED REPRESENTATIVES

Mr. Zhang Shourong
Mr. Fu Yong *(appointed on 5 April 2018)*
Ms. Tsang Ngo Yin *(resigned on 5 April 2018)*

## COMPANY SECRETARY

Mr. Chan Ying Kay *(appointed on 17 April 2019)*
Ms. Tsang Ngo Yin *(resigned on 5 April 2019)*

## AUDIT COMMITTEE

Mr. Cheung Kwan Hung *(Chairman)*
*(appointed on 2 October 2018)*
Mr. Chiu Wai Piu
Mr. Li Shiu Ki, Ernest
Mr. Min Hon Kit *(resigned on 2 October 2018)*

## REMUNERATION COMMITTEE

Mr. Li Shiu Ki, Ernest *(Chairman)*
Mr. Chiu Wai Piu
Mr. Zhang Shourong
Mr. Cheung Kwan Hung
*(appointed on 2 October 2018)*
Mr. Min Hon Kit *(resigned on 2 October 2018)*

## NOMINATION COMMITTEE

Mr. Chiu Wai Piu *(Chairman)*
Mr. Li Shiu Ki, Ernest
Mr. Zhang Shourong
Mr. Cheung Kwan Hung
*(appointed on 2 October 2018)*
Mr. Min Hon Kit *(resigned on 2 October 2018)*

## AUDITOR

RSM Hong Kong *(resigned on 25 April 2019)*
Elite Partners CPA Limited
*(appointed on 25 April 2019)*

## LEGAL ADVISER

Michael Li & Co

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman KY1-1110
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong
Investor Services Limited
17M, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

## REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Suite 605, 6th Floor
Sino Plaza
255-257 Gloucester Road
Causeway Bay, Hong Kong

## PRINCIPAL BANKER

OCBC Wing Hang Bank Limited
The Hongkong and Shanghai Banking
Corporation Limited
Citibank Hong Kong

## WEBSITE

www.zhuoxinintl.com

## STOCK CODE

8266

# Schedule of Principal Properties

The following list contains properties held by the Group as at 31 March 2019:

## PROPERTIES UNDER DEVELOPMENT

| Location | Particulars of occupancy | Type | The site and gross floor area | Group's Interest |
|---|---|---|---|---|
| Two separate parcels of land located at Wumaling, Longtao, Jiangcheng District, Yangjiang City, Guangdong Province, PRC | Vacant land as at the date of this report | Residential/ Commercial | Site area – approximately 16,128 square meters<br>Gross floor area – approximately 46,851 square meters | 66.66% |

# Chairman's Statement

To all shareholders:

On behalf of the Board, I would like to take this opportunity to thank our employees, shareholders, business partners, suppliers and customers who have been giving their genuine support to the Group.

During the past year, the increasing trade tension between China and USA put stronger pressure to the overall economic environment and also to our trading business. Our sales in trading electronics components decreased by 23% in the past financial year as a result of such macro environment. To mitigate such negative impact, our management carefully adjusted our product mix to further expand into automotive electronics and wearable electronic devices and effectively cut costs in various aspects of the operations. The segment results of the trading business improved to a profit of HK$916,000 from the loss of HK$2,280,000 of last year. However, we remain cautious on the business outlook for the next year as the trade tension has no sign of ending at the moment.

China government of various levels issued over 400 policy orders regarding the property development market in 2018. The keynotes from the government are curbing the property prices and destocking for the third and fourth tier cities. The property market in Hong Kong was also considered to reach a new record high and have limited upside in the near future. The Group decided to realize the profit in our properties business and to improve our financial liquidity during the past year. We disposed one of our subsidiaries engaged in property business in Yangjiang City in June 2018 and the investment property in Hong Kong in March 2019. Our Group will continue to adjust our financial resources in the property development and investment business to ensure the balance between profitability and financial liquidity is achieved.

For the year ended 31 March 2019, the Group's turnover decreased by 23%, to approximately HK$501,246,000 from approximately HK$650,829,000 for the previous corresponding period; loss for the year increased slightly by 2.2% to approximately HK$27,358,000 from approximately HK$26,766,000.

The Group will continue to improve the operational efficiency of our respective business divisions so as to enhance the profitability. The Group will continue to optimize the usage of the Group financial resources to identify investments in order to maximise our shareholders' returns.

Finally, I would also like to express my sincere gratitude to the management team and the Board for their devoted contributions to the Group for this fiscal year. I anticipate the Group's business will continue to grow with their valuable advice and perceptive guidance in the coming year.

**Ma Chao**
*Chairman of the Board*

Hong Kong, 24 June 2019

# Management Discussion and Analysis

## GENERAL

The Group had been participating in the following activities:

- Trading of Electronic Hardware Components (Display Modules including mainly IC Drivers and LCD panel) with Compatibility Solutions Advisory Services; and

- Property Development and Investment

## BUSINESS REVIEW

### Trading of Electronic Hardware Components (Display Modules including mainly IC Drivers and LCD panel) with Compatibility Solutions Advisory Services

This business segment had been facing continuing challenges, the sales for year ended 31 March 2019 was approximately HK$501,246,000, a decrease of 23% from approximately HK$650,829,000 for the same period of last year. However, this segment profit during this year improved and this segment recorded a profit of approximately HK$916,000 for the year ended 31 March 2019 with a comparative loss of approximately HK$2,280,000 for the year ended 31 March 2018.

The improvement in profit was due to the fact that the management of this segment implemented the cost control policy effectively. Several of the expenses dropped significantly, including a decrease of the welfare benefit, motor vehicles expenses, agency cost and sundry expenses of HK$938,000, HK$731,000, HK$657,000 and HK$847,000 respectively.

During the period under review, the business environment was tough due to decline in smartphone sales, hence the management of this segment has explored the new market of our product to the wearable electronic device and automotive electronics. According to the reports released by a research firm IDC, the annual global shipment of smartphone reached 1.4 billion units, a decrease of nearly 4.1% compared to 2017. The wearable electronic device was increased by 27.5% to reach 172 million units in 2018. In addition, according to the report 《深化收費公路制度改革取消高速公路省界收費站實施方案》issued by the General Office of the State Council of the People's Republic of China, the total user of the electronic toll collection device will reach 180 million in 2019. Therefore, the management of this segment considered that the development of wearable electronic device and automotive electronics market could offset the decline of smartphone product. The management of this segment will continuously review our business approach to meet the change of the market environment.

### Property Development and Investment

The Group has a real estate development project in the area of Yangjiang City, Guangdong Province, PRC. The project the Group held is still in active sales by the associate company on the few remaining residential and commercial units. The Group will continue with its cautious investment approach and will make necessary preparations against possible adverse conditions due to market competition and tightened government policies for the sector.

During the year, the Group has two property investments, one of which is located in Yangjiang City and the other one in Hong Kong. The one located in Yangjiang City comprises 2 vacant lands of total site area of approximately 16,128 square meters, which are opened for sale currently. The Group disposed the other one located in Hong Kong in March 2019.

# Management Discussion and Analysis

## BUSINESS REVIEW *(Continued)*

### Prospects

Looking forward, the management of ETC Technology Limited ("ETC") will continue to enforce its effective cost controls including renegotiating favourable credit terms with major vendors. Besides, the management has begun renegotiating credit terms with existing customers for a shorter credit period. Hence, our customer base will be optimised to utilise our financial resources in the most efficient way to reduce the finance costs.

However, the management predicts overall market condition will be difficult as global smartphone shipment declined in 2018 and the outlook for 2019 is still uncertain. Hence, ETC has begun to develop new markets for our wearable electronic device and automotive electronics products. Other external factors, such as potential trade war and exchange rate fluctuation may cast darker cloud. The management of ETC will continuously review their business approach and will make necessary preparations against possible adverse conditions due to trade war and market competition.

For the property development business, it is still in an adjustment period since the last quarter of 2017 that the PRC government have lifted the purchase restrictions for properties in some third and fourth-tier cities, including Yangjiang City. The management will continuously and carefully balance our business strategy in this heavily government policy-influenced market. The Group will closely monitor the market conditions in Yangjiang City and will also actively seek for potential business opportunities elsewhere.

Moving ahead, the Group will continue to work hard on our existing businesses, and will actively look for new investment opportunities while optimising our financial resources. We are committed to enhancing the business performance and to bringing better return to our shareholders.

## FINANCIAL REVIEW

### Revenue and results

The Group recorded revenue of approximately HK$501,246,000 for the year ended 31 March 2019 (2018: approximately HK$650,829,000), representing a year-on-year decrease of 23.0%. All revenue was generated from the trading of electronic parts and components business.

Loss attributable to owners of the Company was approximately HK$26,865,000 (2018: approximately HK$27,656,000). The loss per share was 6.52 HK cents (2018: 6.71 HK cents).

# Management Discussion and Analysis

## Segment Information

### *Trading of electronic parts and components*

For the year ended 31 March 2019, turnover of this segment amounted to approximately HK$501,246,000, representing a 23% drop in turnover from last year of approximately HK$650,829,000. Despite a decrease in turnover, the gross profit margin for the year was 3.86%, which was lower than the margin of 3.91% for the preceding year. This segment recorded a profit of approximately HK$916,000 for the year ended 31 March 2019 with a comparative loss of approximately HK$2,280,000 for the year ended 31 March 2018. The improvement of this segment profit was due to the fact that the management of this segment implemented the cost control policy effectively.

Although this trading business recorded a slight operating profit for the year, the cash-generating units of this trading business demonstrates sufficient cashflow projection that justifies the carrying value of the goodwill and accordingly, no impairment of goodwill is considered necessary.

### Property development

For the year ended 31 March 2019, no revenue attributable to the property development segment was recorded (2018: Nil). The Group recorded a loss of approximately HK$4,406,000 for the year ended 31 March 2019, while a loss of approximately HK$10,144,000 for the year ended 31 March 2018. The decrease in loss was mainly due to the profit of approximately HK$7,673,000 contributed by the disposal of the subsidiaries in June 2018. Also, the Group recorded an impairment loss on investment in associate of approximately HK$4,851,000 for the year ended 31 March 2019. Excluding the profit of the disposal of subsidiaries and impairment loss of associate in this year, the loss of this segment is approximately HK$7,228,000 and there was a decrease of approximately HK$2,916,000 in loss of this segment in this year. The main reason of decrease of loss was due to the fact that the management implemented the cost control policy effectively during the year, hence, the staff cost, professional fee, motor vehicle and rental expenses dropped significantly.

### Property investment

For the year ended 31 March 2019, no revenue was generated from this segment as the investment property owned by the Group has not been rented out since 2016 (2018: Nil). For the year ended 31 March 2019, this segment recorded a loss of approximately HK$2,225,000 while a profit of approximately HK$5,737,000 was recorded for the year ended 31 March 2018. It should however be noted that the loss recorded for the year ended 31 March 2019 mainly included a loss on disposal of investment property of HK$1,000,000 and write-down of properties under development of HK$1,149,000. Instead, this segment recorded a fair value gain of HK$1,500,000 of investment property and write-back of properties under development of HK$4,352,000 for the year ended 31 March 2018. If the effects of the above items are excluded, this segment would have reported a loss of approximately HK$76,000 for this year, as compared to a loss of approximately HK$115,000 for the preceding year.

# Management Discussion and Analysis

## Liquidity and financial resources

The Group financed its operations with the revenue generated from its operations and banking facilities provided by its bankers in Hong Kong. As at 31 March 2019, the Group had total indebtedness of approximately HK$79,875,000 (2018: approximately HK$162,689,000) which comprised of bank and other loans, long term bonds, promissory note and finance lease payables.

49.9% (2018: 75.4%) of the indebtedness are considered as current liabilities and repayable within one year, 50.1% (2018: 24.6%) are repayable in 2020. HK and US dollar denominated indebtedness accounted for 50.1% (2018: 55.4%) and 49.9% (2018: 44.6%) of the total indebtedness respectively.

49.9% (2018: 53.2%) of the indebtedness are interest bearing bank loans on floating rate terms, the effective annual interest rates range from 4.50% to 5.76% (2018: 2.25% to 4.50%); 50.1% (2018: 24.6%) are seven-year 5% coupon straight bonds due 2020; there was no outstanding non-interest bearing HK dollar denominated promissory notes which was fully repaid on 21 May 2018 (2018: 22.1%); nor any interest bearing finance lease obligation at fixed interest rate (2018: 0.1%).

At 31 March 2019, the Group had cash reserves of approximately HK$54,955,000 (2018: approximately HK$38,849,000). Most of the cash reserves were placed with major banks in Hong Kong and the PRC. 98.4% (2018: 98.9%) of the Group's cash and cash equivalents (comprising cash on hand and bank balances) were denominated in HK dollar or US dollar, whereas 1.6% (2018: 1.1%) were denominated in Renminbi.

The gearing ratio as at 31 March 2019 was 108.0% (2018: 131.3%). The gearing ratio was derived by dividing the total indebtedness of approximately HK$79,875,000 (2018: approximately HK$162,689,000) by the amount of shareholders' equity of approximately HK$73,963,000 (2018: approximately HK$123,927,000). The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 116.6% (2018: 122.0%).

The management of the Company will continue to make good efforts to improve the liquidity condition. Measures will include but not limited to tightening of costs control, expansion of current businesses, securing of additional loan facilities and/or raising funds from the capital markets.

# Management Discussion and Analysis

## FOREIGN EXCHANGE EXPOSURE

The income and expenditure of the Group are mainly denominated in HK dollar, US dollar and Renminbi, the impact of foreign exchange exposure to the Group is considered minimal in this respect and no hedging or other arrangements to reduce the currency risk have been implemented.

## SHARE STRUCTURE

The capital of the Company comprises only ordinary shares. There was no change in the capital structure of the Company during the year ended 31 March 2019. As at 31 March 2019, the total number of ordinary shares of the Company was 412,089,994 shares.

## SIGNIFICANT INVESTMENTS, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Below a breakdown of the available-for-sale financial assets/financial assets at FVTOCI/structured deposit of approximately HK$42,475,000 held by the Company as at 31 March 2019 (2018: HK$45,652,000)

| | **2019** *HK$'000* | 2018 *HK$'000* |
|---|---|---|
| Unlisted equity securities *(note (a))* | **38,600** | 41,777 |
| Structured deposit *(note (b))* | **3,875** | 3,875 |
| | **42,475** | 45,652 |
| Available-for-sale financial assets | **–** | 45,652 |
| Financial asset at FVTOCI | **38,600** | – |
| Financial asset at FVTPL | **3,875** | – |
| | **42,475** | 45,652 |
| Analysed as: | | |
| Non-current assets | **42,475** | 45,652 |

*Notes:*

(a) The unlisted equity securities ("UES") represented an investment of 70 shares or 7% equity interest in a private company incorporated in BVI, Coulman International Limited ("Coulman") and its non-wholly owned subsidiaries are principally engaged in the operations of natural gas business, including construction of pipeline, selling and distribution of natural gas, installation of natural gas equipment and operation of fuel station in the PRC. These unlisted equity securities are denominated in HK$.

(b) The structured deposit represented collared floating rate note ("CFRN") issued by a high-credit rating bank. The CFRN interest rate is linked to non-equity product with variable interest indexed to 3-month USD LIBOR, and will mature on 5 July 2020. The CFRN is denominated in US$.

# Management Discussion and Analysis

## SIGNIFICANT INVESTMENTS, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS *(Continued)*

With regards to the financial performance of the investee company, Coulman recorded unaudited revenue of approximately HK$457,553,000 (2018: HK$260,466,000), unaudited profit before taxation of approximately HK$9,095,000 (2018: HK$41,470,000) and unaudited profit after taxation of approximately HK$69,000 (2018: HK$31,318,000) for the year ended 31 March 2019. The decrease of the profit was mainly due to the price control of natural gas imposed by the PRC government. However, the cost of natural gas increased significantly during the year and the selling price cannot be increased accordingly to cover the increase of the cost. Hence, the gross profit decreased significantly from approximately HK$83,070,000 for the year ended 31 March 2018 to HK$59,881,000 for the year ended 31 March 2019.

For the year ended 31 March 2019, there had been no changes in the interest of the UES in terms of dividend income, amounts of securities acquired or disposed. The Group engaged an independent external valuation expert, DTZ Cushman & Wakefield Limited ("DTZ") to determine the recoverable amount of the UES. The recoverable amount of the investment has been determined on the basis of the present value of estimated future cash flows discounted at the current market rate of return for the similar financial assets.

These investments were designated by management as financial assets at FVTOCI at the date of initial application of HKFRS 9 during the year under review. These investments are not held-for-trading and held for long-term strategic purpose. Accordingly, management believes that the financial assets at FVTOCI classification is appropriate for these investments.

During the year, the fair value change of financial assets at fair value through other comprehensive income is HK$5,961,000 (2018: Nil).

The Group considered that the future prospect of the UES is positive. According to the PRC Natural Gas Industry Development Report (2018)(中國天然氣發展報告(2018)) published in August 2018, the PRC government has plans to boost the natural gas usage in the PRC. In view of the overall energy policy, the PRC government also set a goal to increase reliance on natural gas to 10% – 15% of total energy consumption by 2030, while natural gas consumption only accounted for 7.3% in 2017. Therefore, the Group considered that the income of the investee companies which are engaged in the operations of natural gas business is expected to grow steadily in the next 2 decades.

Save as disclosed, the Group did not have any significant investments. There was no plan authorised by the Board for any material investments or other additions of capital assets at the date of this report.

Looking ahead, the Group will proactively seek for business opportunities and new investment opportunities in order to further diversify the business activities of the Group to strengthen and broaden its revenue base.

# Management Discussion and Analysis

## MATERIAL ACQUISITIONS AND DISPOSALS

### (i) Disposal of 70% of the issued shares in and shareholder's loans due by Best Worldwide Corporation Limited (the "Disposal")

On 14 May 2018, Gold Continental Investments Limited ("Gold Continental"), a wholly-owned subsidiary of the Company, entered into an agreement with an independent third party (the "Purchaser") pursuant to which Gold Continental has agreed to sell and the Purchaser has agreed to acquire 70% of the issued shares in and shareholder's loans due by Best Worldwide Corporation Limited at the total cash consideration of HK$79,000,000 (the "Disposal Agreement"). Best Worldwide Corporation Limited is an investment holding company and its wholly-owned subsidiaries are engaged in property investments and the principal assets are 9 villas and 36 commercial units situated at 中國廣東省陽江市漠江中路77號 (No. 77 Mo Jiang Zhong Road, Yanjiang City, Guangdong Province, PRC*) with a total gross floor area of 10,149.53 square metres.

Gold Continental received HK$55,000,000 from the Purchaser in cash as deposit on the date of the Disposal Agreement and received another HK$24,000,000 from the Purchaser in cash in June 2018.

The Disposal is completed on 22 June 2018. Details of the Disposal were set out in the Company's announcement dated 14 May 2018.

### (ii) Disposal of investment property

On 8 February 2019, ETC Technology Limited ("ETC"), a non-wholly owned subsidiary of the Company entered into a formal agreement with an independent third party to dispose of its investment property at a consideration of HK$12,000,000. The disposal of investment property completed on 25 March 2019. The carrying value of the investment property on 25 March 2019 amounted to HK$13,000,000, and accordingly, a fair value loss of HK$1,000,000 was recognized for the year ended 31 March 2019.

## CHARGES ON THE GROUP'S ASSETS

As at 31 March 2019, the Group pledged the following assets to secure loans and bank loan facilities of the Group:

(i) bank deposits in the total amount of approximately HK$27,197,000 (2018: approximately HK$27,807,000); and

(ii) structured deposit in the total amount of approximately HK$3,875,000 (2018: approximately HK$3,875,000).

And, there was no outstanding finance lease payable of the Group as at 31 March 2019. A leased motor vehicle with carrying amount of approximately HK$87,000 was charged to secure the Group's finance lease payable as at 31 March 2018. Saved as disclosed, the Group did not have any charges on assets of the Group.

# Management Discussion and Analysis

## CONTINGENT LIABILITIES

As at 31 March 2019 and 2018, the Group did not have any material contingent liabilities.

## EMPLOYEE INFORMATION

As at 31 March 2019, the Group had a total of 38 (2018: 57) employees, of which 16 (2018: 20) were based in Hong Kong while the rest were located in the PRC. The Group's employees are remunerated in accordance with their work performance, experience and prevailing industry practices. Total staff costs, including Directors' emoluments, amounted to approximately HK$27,299,000 for the year ended 31 March 2019 (2018: approximately HK$29,635,000). Share options and bonuses are also available to the Group's employees at the discretion of the Directors and depending upon the financial performance of the Group.

# Biographical Details of Directors and Senior Management

## DIRECTORS

### Executive Directors

**Mr. Ma Chao ("Mr. Ma")**, aged 36, was appointed as an executive Director on 21 December 2017 and the chairman of the Group on 28 December 2017. Mr. Ma is an outstanding Chinese entrepreneur and philanthropist. He founded and developed companies in various sectors including agriculture, finance, real estate, auto mobile and healthcare industries. Through integrated development strategies and combining both the industrial business and capital management, his companies contribute substantially to local economic development. At the meantime, Mr. Ma is enthusiastic in philanthropy. His companies organized or participated in over one hundred philanthropy activities and made donations in value close to RMB100 million. Mr. Ma is also the deputy chairman of China Financing Guarantee Association, the standing committee member of Investment and Wealth Management Committee of the Investment Association of China, the deputy chairman of Heilongjiang Enterprise Confederation, and the chairman of Harbin Food Industry Association. Mr. Ma graduated with bachelor of economy management degree from The Party School of the Central Committee of the Communist Party of China, and attended the executive training programs of the University of Cambridge in UK and Peking University respectively.

Mr. Ma was also a non-executive director and the chairman of the board of directors of China Financial Leasing Group Limited, a company whose shares are listed on the Stock Exchange (stock code: 2312) during the period from 2 May 2018 to 3 August 2018. Mr. Ma is a director of Pine Cypress Development Limited, being the controlling shareholder of the Company within the meaning of Part IV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

**Mr. Zhang Shourong ("Mr. Zhang")**, aged 56, was appointed as an executive Director on 21 December 2017. Mr. Zhang is also a member of Remuneration Committee and Nomination Committee of the Company. Mr. Zhang is a seasoned entrepreneur with over 24 years' of management experience. Mr. Zhang is currently the president of Heilongjiang Zhouxin Agricultural Development Group Limited, responsible for the planning and execution of group development strategies, and the day-to-day operations and management. Mr. Zhang is also managing a micro-lending company in Harbin city and he has extensive experience in financial investments and risk management. Prior to that, Mr. Zhang was the deputy factory manager of a state-owned enterprise and also managed several companies over the years. Mr. Zhang graduated with bachelor of engineering degree from the Northwest Institute of Telecommunication Engineering (currently Xidian University).

**Mr. Fu Yong ("Mr. Fu")**, aged 36, was appointed as an executive Director on 21 December 2017. Mr. Fu is an experienced entrepreneur with over 12 years' experience in business development and corporate management. Mr. Fu is currently the deputy general manager of Zhuoxin Wealth (Beijing) Investment Management Company Ltd, responsible for the venture capital and investment management business. Mr. Fu was deputy general manager of a micro-lending company and gained extensive experience in financial sector. Mr. Fu held senior management positions in various companies prior to that.

# Biographical Details of Directors and Senior Management

**DIRECTORS** *(Continued)*

**Independent non-executive Directors**

**Mr. Chiu Wai Piu ("Mr. Chiu")**, aged 72, was appointed as an independent non-executive Director on 30 July 2010. Mr. Chiu is the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee of the Company. Mr. Chiu is a very experienced and reputable journalist and has over 42 years of experience in journalism. He has been a reporter, an editor, the main news assignment editor, a local news assignment editor, the managing editor and the editorial writer in newspapers and a senior research officer in "One Country Two Systems Research Institute". Mr. Chiu has been the founding treasurer and the second-session chairman of the "Hong Kong Federation of Journalists". In 2006, he was elected as the Vice Secretary – General & Treasurer in the new session of re-election of committee members of the "Hong Kong Federation of Journalists"; and he was also elected as the Director-General in 2009. Mr. Chiu has, for many years, devoted himself wholeheartedly in boosting cooperation among local journalists, enhancing professional conduct of journalists and developing the relationship and advocating the interchange of knowledge between journalists in Hong Kong and Mainland China. His contribution in this field is highly praised and recognised. Mr. Chiu currently serves as the independent non-executive director of Tou Rong Chang Fu Group Limited (formerly known as PetroAsian Energy Holdings Limited) (stock code: 850) and GTI Holdings Limited (formerly known as Addchance Holdings Limited) (stock code: 3344), both of which are listed on the Stock Exchange. Mr. Chiu served as an independent non-executive director of Global Strategic Group Limited (a company listed on the GEM Board of the Stock Exchange, stock code: 8007) from October 2014 to June 2016.

**Mr. Li Shiu Ki, Ernest ("Mr. Li")**, aged 52, was appointed as an independent non-executive Director on 1 March 2016. Mr. Li is the chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee of the Company. Mr. Li is a practising solicitor in Hong Kong. Mr. Li graduated with a degree of Laws from the University of Hong Kong and was admitted as a solicitor of the High Court of Hong Kong in 1995. He is currently the principal of Ernest Li & Co., Solicitors.

**Mr. Cheung Kwan Hung ("Mr. Cheung")**, aged 67, was appointed as an independent non-executive Director on 2 October 2018. Mr. Cheung is the chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee of the Company. Mr. Cheung is an associate member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Cheung has over 30 years of experience in accounting, finance and investment banking profession specialising in equity/debt fund raising, mergers and acquisition and corporate restructuring before working with publicly listed companies undertaking corporate management, planning and strategies development functions. Mr. Cheung is an independent non-executive director of NewOcean Energy Holdings Limited (Stock Code: 342), Tou Rong Chang Fu Group Limited (Stock Code: 850) and Great Harvest Maeta Group Holdings Limited (Stock Code: 3683).

# Biographical Details of Directors and Senior Management

## SENIOR MANAGEMENT

**Mr. Chen Dongquan ("Mr. Chen")**, aged 42, joined the Company as an executive Director on 29 January 2016 and resigned as executive Director on 1 January 2018. Mr. Chen remains as general manager of the Company and a director of certain subsidiaries of the Company. Mr. Chen is a holder of Bachelor degree in Business Administration from the National University of Singapore. Before joining the Company, Mr. Chen has worked in various financial institutions in Singapore and Hong Kong for over 15 years. During recent years, from 2010 to 2013, Mr. Chen was a Senior Vice President, Private Finance China, FICC of Macquarie Group in Hong Kong. From 2013 to 2015, Mr. Chen was a director of Venture Markit International Capital Management Ltd. He has extensive experience in corporate finance advisory services especially equity and debt financing.

**Mr. Chan Ying Kay ("Mr. Chan")**, aged 55, was appointed as the chief financial officer and company secretary of the Company on 17 April 2019. Mr. Chan graduated from Hong Kong Polytechnic University and holds a master degree in business administration with University of Sheffield, England. Mr. Chan is also a fellow member of both the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Chan has over 20 years' experience in serving as the company secretary and chief financial officer of various companies shares of which are listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Currently, Mr. Chan also serves as an independent non-executive director of Doyen International Holdings Limited, a company listed on the main board of the Stock Exchange (stock code: 0668).

**Ms. Tsang Ngo Yin ("Ms. Tsang")**, aged 45, was the chief financial officer and company secretary of the Company during the year end 31 March 2019 and resigned on 5 April 2019. Ms. Tsang is member of American Institute of Certified Public Accountants and holds a Master Degree in Law from University of Wolverhampton in the United Kingdom, a Bachelor Degree in Law from Tsinghua University in PRC and a Bachelor Degree in Business Administration from Simon Fraser University in Canada. Ms. Tsang has over 18 years' experience in auditing, accounting, corporate governance monitoring and financial management. Ms. Tsang is currently an independent non-executive director of LKS Holding Group Limited, a company listed on the GEM Board of the Stock Exchange (stock code: 8415).

# Report of the Directors

The Directors hereby submit their annual 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 and associates of the Company are principally engaged in the trading of electronic parts and components in relation to display modules and touch panel modules, property development and property investment.

An analysis of the performance of the Group for the year ended 31 March 2019 by operating segment is set out in note 10 to the consolidated financial statements.

Particulars of the subsidiaries and associates of the Company as at 31 March 2019 are set out in notes 23 and 25 respectively to the consolidated financial statements.

## BUSINESS REVIEW

A review of the business of the Group and a discussion and analysis of the Group's performance during the year under review and a discussion on the Group's future business development and outlook of the Company's business are provided in the section headed "Chairman's Statement" on page 5 and "Management Discussion and Analysis" on pages 6 to 13 of this report.

### Risks and uncertainties

The principal risks and uncertainties facing the Group have been addressed in the section headed "Management Discussion and Analysis" on pages 6 to 13 of this report. In addition, various financial risks have been disclosed in note 6 to the consolidated financial statements.

### An analysis using financial key performance indicators

An analysis of the Group's performance during the year ended 31 March 2019 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" on pages 6 to 13 of this report.

### Environmental protection

The Group recognises its responsibility to protect the environment from its business activities. The Group has endeavored to comply with laws and regulations regarding environmental protection and encourages environmental protection and promotes awareness towards environmental protections to the employees.

### Compliance with laws and regulations

The Group recognises the importance of compliance with regulatory requirements and risks of non-compliance with such requirements. The Group has on-going review the new enacted laws and regulations affecting the operations of the Group. During the year ended 31 March 2019, the Group is not aware of any material non-compliance with the laws and regulations that have significant impact on the business of the Group.

# Report of the Directors

## PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS *(Continued)*

### Relationships with employees, customers and suppliers

The Group understands that employees are valuable assets. The Group ensures all employees are reasonably remunerated and regularly reviews the remuneration package of employees and other benefits. The Group also understands that it is important to maintain good relationship with its suppliers and customers to fulfil its short and long-term goals.

## RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2019 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 55 to 56 of this report.

The Directors do not recommend the payment of a dividend (2018: Nil).

## RESERVES

Details of movements in the reserves of the Group and of the Company during the year ended 31 March 2019 are set out in the consolidated statement of changes in equity and note 38(b) to the consolidated financial statements.

## DISTRIBUTION RESERVES

No distribution reserves of the Company was recorded as at 31 March 2019. Under the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to the provisions of the Articles of Association of the Company, and no distribution may be paid to shareholders out of the Company's share premium unless the Company shall be able to pay its debts as they fall due in the ordinary course of business.

## EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Share Options" of this Directors' Report, no equity-linked agreement was entered into by the Company during the year or subsisting at the end of the year.

## FIXED ASSETS

Details of the movements in property, plant and equipment and investment property of the Group during the year are set out in notes 19 and 20 respectively to the consolidated financial statements.

## PRINCIPAL PROPERTIES

Details of the principal properties held for development and for investment purposes are set out on page 128 of this report.

## SHARES ISSUED DURING THE YEAR

Details of the shares issued during the year ended 31 March 2019 are set out in note 37 to the consolidated financial statements.

# Report of the Directors

## BANK AND OTHER LOANS, PROMISSORY NOTE AND LONG TERM BONDS

Details of the bank and other loans, promissory note and long term bonds of the Group as at 31 March 2019 are set out in notes 32, 34 and 35 respectively to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association and there is no restriction against such rights under the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 146 of this report. This summary does not form part of the audited financial statements.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

## SHARE OPTIONS

The Company adopted the 2013 Share Option Scheme on 25 March 2013, pursuant to which certain Directors and participants have been granted options to subscribe for shares. There is no outstanding share option under the Scheme during the year ended 31 March 2019.

The following is a summary of the principal terms of the 2013 Share Option Scheme:

### (a) Purpose

The purpose of the 2013 Share Option Scheme is to enable the Company to grant options to the participants in order to recognise and motivate the contribution of the participants to the Company and/or its subsidiaries.

### (b) Participants

The participants of the 2013 Share Option Scheme include full time or part time employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any subsidiary) and any supplier, consultants, agents and advisers or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group.

# Report of the Directors

## SHARE OPTIONS *(Continued)*

### (c) Maximum number of shares available for issue

The maximum number of Shares which may be issued upon exercise of all options to be granted under the 2013 Share Option Scheme and any other share option schemes of the Company adopted by the Group must not, in aggregate, exceed 10% of the shares in issue as at the date of the adoption of the 2013 Share Option Scheme (the "Scheme Mandate Limit", being 13,713,883 shares after the share consolidation by the Company dated 27 March 2018), unless shareholders' approval has been obtained in general meeting to refresh the Scheme Mandate Limit. Options lapsed in accordance with the terms of the 2013 Share Option Scheme will not be counted for the purpose of calculating the Scheme Mandate Limit.

As at the date of this report, a total of 3,868,883 shares which represented 0.94% of the issued share capital of the Company shall be the maximum number of shares available for issue at the date of this report.

### (d) Maximum entitlement of each participant

The total number of shares issued and to be issued upon exercise of the options granted to each participant or grantee (including exercised and outstanding options) in any twelve (12)-month period up to the date of grant shall not exceed 1% of the shares in issue at the date of grant.

### (e) Grant and acceptance of options

An offer of the grant of an option shall be made to participants in writing (and unless so made shall be invalid) in such form as the Board may from time to time determine and shall remain open for acceptance by the participant concerned for a period of 28 days from the date upon which it is made provided that no such offer shall be opened for acceptance after the earlier of the 10th anniversary of the date of the adoption of the 2013 Share Option Scheme or the termination of the 2013 Share Option Scheme. The amount payable on acceptance of an option is HK$1.00.

### (f) Time of exercise of options

The period under which an option may be exercised shall be such period as the Board may in its absolute discretion determine at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant but subject to the early termination of the 2013 Share Option Scheme.

# Report of the Directors

## DIRECTORS

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

### Executive Directors

Mr. Ma Chao *(Chairman)*
Mr. Zhang Shourong
Mr. Fu Yong

### Independent Non-executive Directors

Mr. Chiu Wai Piu
Mr. Li Shiu Ki, Ernest
Mr. Cheung Kwan Hung *(appointed on 2 October 2018)*
Mr. Miu Hon Kit *(resigned on 2 October 2018)*

In accordance with Article 86(3) of the articles of association of the Company, Mr. Cheung Kwan Hung will hold office only until the forthcoming annual general meeting of the Company and, being eligible, offer himself for re-election. In accordance with Articles 87 of the articles of association of the Company, Mr. Li Shiu Ki, Ernest will retire by rotation at the forthcoming annual general meeting of the Company and, being eligible, offer himself for re-election.

Mr. Chiu Wai Piu, the independent non-executive Director, is re-appointed with two-year terms expiring on 29 July 2020. Mr. Li Shiu Ki, Ernest, the independent non-executive Director, is re-appointed with two-year terms expiring on 28 February 2020. Mr. Cheung Kwan Hung, the independent non-executive Director, is appointed with two-year terms expiring on 1 October 2020.

### Emoluments of the Directors and the five highest paid individuals

Details of the Directors' emoluments and of the five highest paid individuals in the Group are set out in note 15 and 14 respectively to the consolidated financial statements.

The emoluments of the Directors are subject to review by the Remuneration Committee. Their emoluments are determined with reference to their roles and responsibilities in the Group and the prevailing market conditions.

The Company has adopted share option scheme as an incentive to Directors and eligible employees, details of the share option scheme are set out in the Share Options section above and in note 40 to the consolidated financial statements.

# Report of the Directors

## CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in information of Directors subsequent to the date of the 2018 Annual Report of the Company are set out below:

| Directors | Details of Changes |
|---|---|
| Mr. Ma Chao | Resigned as non-executive director and the chairman of the board of directors of China Financial Leasing Group Limited (stock code: 2312) on 3 August 2018 |
| Mr. Miu Hon Kit | Resigned as independent non-executive director of the Company on 2 October 2018 |
| Mr. Cheung Kwan Hung | Appointed as independent non-executive director of the Company on 2 October 2018 |

In respect of the change in emoluments of Directors, please refer to note 15(a) to the consolidated financial statements on pages 55 to 61.

## DIRECTORS' SERVICE CONTRACTS

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company 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.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management at the date of this report are set out in the Biographical Details of Directors and Senior Management section on pages 14 to 16 of this report.

# Report of the Directors

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 31 March 2019, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (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 which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

### Aggregate long positions in the shares of the Company

| Name of Director | Capacity | Nature of interest | Number of shares held | Approximate percentage of issued share capital |
|---|---|---|---|---|
| Mr. Ma Chao | Interest in a controlled corporation | Corporate interest *(Note 1)* | 262,096,789 | 63.6% |
| Mr. Cheung Kwan Hung | Beneficial owner | Personal interest | 200 | 0.0% |

*Note:*

1. By virtue of the SFO, Mr. Ma Chao is deemed to be interested in the 262,096,789 shares held by Pine Cypress Development Limited, a company wholly and beneficially owned by him.

Save as disclosed above, as at 31 March 2019, none of the Directors and chief executive of the Company has or was deemed to have any interests or short positions in any shares, debentures or underlying shares of the Company and 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 (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme of the Company, at no time during the year ended 31 March 2019 was the Company, its subsidiaries or its other associated corporations a party to any arrangement to enable the Directors (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

# Report of the Directors

## SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES, DEBENTURES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 March 2019, the Company had been notified of the following substantial shareholders' interest and short positions, being 5% or more of the issued share capital of the Company.

### Aggregate long positions in the shares of the Company

| Name of substantial shareholder | Capacity | Nature of interest | Number of shares held | Approximate percentage of the issued share capital |
|---|---|---|---|---|
| Pine Cypress Development Limited | Beneficial owner | Corporate interest | 262,096,789 | 63.6% |
| Mr. Ma Chao | Interest in a controlled corporation | Corporate interest *(Note 1)* | 262,096,789 | 63.6% |

*Note:*

1. Pine Cypress Development Limited is a company incorporated in the British Virgin Islands with limited liability and wholly owned by Mr. Ma Chao. Mr. Ma Chao is deemed, by virtue of the SFO, to be interested in the same 262,096,789 shares held by Pine Cypress Development Limited.

Save as disclosed above, the Directors and the chief executive of the Company were not aware of any person (other than the Directors or chief executive of the Company the interests of which were disclosed above) who has an interest or short position in the securities of the Company that were required to be entered in the register of the Company pursuant to section 336 of the SFO as at 31 March 2019.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

## MAJOR SUPPLIERS AND CUSTOMERS

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

| | |
|---|---|
| Purchases | |
| – the largest supplier | 68% |
| – five largest suppliers in aggregate | 95% |
| Sales | |
| – the largest customer | 19% |
| – five largest customers in aggregate | 65% |

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

# Report of the Directors

## CONNECTED TRANSACTION

During the year ended 31 March 2019, the Group had the following connected transaction, details of which were disclosed in compliance with the requirements of Chapter 20 of GEM Listing Rules.

On 3 October 2018, ETC Technology, being a 75% indirect non wholly-owned subsidiary of the Company, and Mr. Chan Wan Kim ("Mr. Chan"), being a substantial shareholder and director of ETC Technology, entered into the Loan Agreement pursuant to which (1) ETC Technology agreed to provide an interest-free Loan in the principal amount of HK$4,260,126 to Mr. Chan; and (2) Mr. Chan agreed to mortgage the Property to Sitronix Technology, being the largest supplier to ETC Technology, such that Sitronix Technology would extend ETC Technology's general credit facilities.

ETC Technology also entered into the Sitronix Agreement with Sitronix Technology to extend the general credit facilities. According to the Sitronix agreement, Sitronix Technology has granted an additional general credit facilities in the amount of US$3,000,000 and the obligations of ETC Technology under the Sitronix Agreement shall be secured by (i) the mortgage over the Property; and (ii) the personal guarantee of Mr. Chan.

As Mr. Chan is a substantial shareholder and director of ETC Technology, Mr. Chan is a connected person at the subsidiary level of the Company and the transactions contemplated under the Loan Agreement constitute connected transaction for the Company under Chapter 20 of the GEM Listing Rules. As the highest percentage ratio is marginally higher than 1% and less than 5%, the entering into of the Loan Agreement is only subject to reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued shares at 24 June 2019.

## PERMITTED INDEMNITY

In accordance with the articles of association of the Company, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of them.

The Company has also taken out and maintained Directors' and officers' liability insurance for the purpose of indemnifying for losses in respect of potential legal actions against the Directors and other officers of the Company.

## RETIREMENT BENEFIT COSTS

The retirement schemes of the Company and its subsidiaries are primarily in form of contributions to Hong Kong mandatory provident fund and China statutory public welfare fund.

# Report of the Directors

## CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 27 to 34 of this report.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

During the year, none of the Directors or the controlling shareholders or their respective associates (as defined in the GEM Listing Rules) of the Company had an interest in a business which competed with or might compete with the business of the Group.

## EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event under taken by the Company or by the Group after 31 March 2019 and up to the date of this report.

## AUDITOR

RSM Hong Kong ("RSM"), who was the auditor of the Group from 2012 to 2018, has resigned as the auditor of the Group with effect from 25 April 2019. RSM, in their letter of resignation, confirmed that there were no matters in connection with their resignation that needed to be brought to the attention of holders of securities or creditors of the Company. The Board also confirmed that there was no disagreement or unresolved matter between the Company and RSM, and that they were not aware of any matters in relation to the resignation of RSM as auditor of the Group that needed to be brought to the attention of holders of securities of the Company.

The Company has appointed Elite Partners CPA Limited as the auditors of the Company for the year with effect from 25 April 2019. Elite Partners CPA Limited will retire and, being eligible, offer itself for re-appointment at the forthcoming annual general meeting. A resolution to reappoint Elite Partners CPA Limited and to authorise the Directors to fix its remuneration will be proposed at the forthcoming annual general meeting.

On behalf of the Board

**Fu Yong**
*Executive Director*
Hong Kong, 24 June 2019

# Corporate Governance Report

## CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance practices enhancing greater transparency and quality of disclosure as well as more effective internal control.

During the year ended 31 March 2019, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules except for the deviation from code provisions A.2.1 which is explained in the relevant sections below.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions of the Company. The Company has made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 March 2019.

The Company's code of conduct also applies to all employees who are likely to be in the possession of inside information of the Company. No incident of non-compliance of the Company's code of conduct by the employees was noted by the Company.

## BOARD OF DIRECTORS

The board of Directors (the "Board") of the Company currently comprises a total of six Directors, with three executive Directors namely Mr. Ma Chao (as Chairman), Mr. Zhang Shourong, and Mr. Fu Yong and three independent non-executive Directors namely Mr. Chiu Wai Piu, Mr. Li Shiu Ki, Ernest and Mr. Cheung Kwan Hung. A list containing the names of the Directors and their roles and functions is published on the Company's website and the GEM website at www.hkgem.com. To the best knowledge of the Company, there is no financial, business, family or other material or relevant relationship between the members of the Board.

The Company complies at all times during the year under review with the minimum requirements under the Rules 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules respectively relating to the appointment of at least three independent non-executive Directors and one of which should have appropriate professional qualifications or accounting or related financial management expertise and the independent non-executive Directors represent at least one-third of the Board. Their biographies are set out in the Biographical Details of Directors and Senior Management section on pages 14 to 16 of this report.

# Corporate Governance Report

## BOARD OF DIRECTORS *(Continued)*

The Board is collectively responsible for formulating the strategic business development, reviewing and monitoring the business performance of the Group. Key and important decisions shall be fully discussed at the board meetings. All Directors have been fully consulted about any matters proposed for inclusion in the notice of board meeting. Matters requiring the Board's approval include review of overall policies, corporate plan of the Company, investment plans which would involve significant risks for the Company, major organisation changes, significant sales, transfers, or other dispositions of property or assets, approval of the annual report, interim report, quarterly report and approval of interim dividend and recommendation of the final dividend, other matters relating to the Company's business which in the judgment of the executive Directors are of such significance as to merit the Board's consideration.

The Company has received from each of its independent non-executive Directors an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules and the Company considers that all independent non-executive Directors meet the guidelines for assessing independence set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with terms of the guidelines.

The attendance record of the Directors at the following meeting during the year is set out below:–

| | Number of meetings attended/held | | |
|---|---|---|---|
| Name of Director | Board | Annual General Meeting | Extraordinary General Meeting |
| **Executive Directors** | | | |
| Mr. Ma Chao | 8/10 | 1/1 | N/A |
| Mr. Zhang Shourong | 10/10 | 1/1 | N/A |
| Mr. Fu Yong | 10/10 | 1/1 | N/A |
| **Independent non-executive Directors** | | | |
| Mr. Chiu Wai Piu | 10/10 | 1/1 | N/A |
| Mr. Li Shiu Ki, Ernest | 10/10 | 1/1 | N/A |
| Mr. Miu Hon Kit *(resigned on 2 October 2018)* | 6/6 | 1/1 | N/A |
| Mr. Cheung Kwan Hung *(appointed on 2 October 2018)* | 4/4 | N/A | N/A |

All Directors have been provided with periodic updates by the Group's management, giving a balanced and understandable assessment of the Group's performance, position, recent developments and prospects in sufficient detail to keep them abreast of the Group's affairs and facilitate them to discharge their duties under the relevant requirements of the GEM Listing Rules.

# Corporate Governance Report

## DIRECTORS' LIABILITIES INSURANCE

The Company has arranged appropriate insurance cover for the Directors' and Officers' liabilities in respect of potential legal actions against the Directors and officers of the Company. Such Directors' and Officers' liability insurance was reviewed and renewed annually. Throughout the year ended 31 March 2019, no claims under the insurance policy were made.

## CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

The Group acknowledges the importance of adequate and ample continuing professional development for the Directors for a sound and effective internal control system and corporate governance. In this regard, the Group has always encouraged our Directors to attend relevant training courses to receive the latest news and knowledge regarding corporate governance.

During the Financial Year, the Company has encouraged all Directors to attend at least one training course on the updates of the GEM Listing Rules concerning good corporate governance practices. The Company will, if necessary, provide timely and regular trainings to the Directors to ensure that they are kept abreast with the latest requirements under the GEM Listing Rules. The Group has also adopted a policy to reimburse the Directors for any relevant training costs and expenses incurred concerning corporate governance and internal control.

## CHAIRMAN AND CHIEF EXECUTIVE

Under code provision A.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual.

The chairman is responsible for management of the Board and strategic planning of the Group, ensures that the Board works effectively and discharges its responsibilities, encourages all Directors to make a full and active contribution to the Board's affairs and taking the lead to ensure that the Board acts in the best interests of the Group. The role of chief executive officer is responsible to undertake the day-to-day management of the Group's business.

Mr. Ma Chao was the chairman of the Board during the year ended 31 March 2019. There was no chief executive officer appointed by the Company and the day-to-day management of the Group was led by Mr. Mr. Ma Chao during the year ended 31 March 2019 respectively. There is no time schedule to change this structure, as the Directors consider that this structure provides the Group with consistent leadership in the Company's decision making process and operational efficiency.

# Corporate Governance Report

## BOARD COMMITTEES

The Board has established three committees, namely the nomination committee (the "Nomination Committee"), the remuneration committee (the "Remuneration Committee") and the audit committee (the "Audit Committee") with defined terms of reference.

### Nomination Committee

The Nomination Committee was established on 30 March 2012. It currently comprises three independent non-executive Directors and one executive Director, namely Mr. Chiu Wai Piu (as Chairman), Mr. Mr. Li Shiu Ki, Ernest, Mr. Cheung Kwan Hung and Mr. Zhang Shourong.

The Nomination Committee is mainly responsible for reviewing the structure, the size and composition of the Board and making recommendations to the Board regarding any proposed changes; identifying individuals suitably qualified to become Board members and make recommendations to the Board in this regard; and assessing the independence of independent non-executive Directors.

During the year ended 31 March 2019, two Nomination Committee meeting was held. The respective attendance of each of the members of the Nomination Committee was as follows:–

| Name of Nomination Committee member | Number of meetings attended/held |
|---|---|
| Mr. Chiu Wai Piu | 2/2 |
| Mr. Zhang Shourong | 2/2 |
| Mr. Li Shiu Ki, Ernest | 2/2 |
| Mr. Miu Hon Kit *(resigned on 2 October 2018)* | 1/1 |
| Mr. Cheung Kwan Hung *(appointed on 2 October 2018)* | 1/1 |

### Remuneration Committee

The Remuneration Committee was established in May 2005. It currently comprises three independent non-executive Directors and one executive Director, namely Mr. Li Shiu Ki, Ernest (as Chairman), Mr. Chiu Wai Piu, Mr. Cheung Kwan Hung and Mr. Zhang Shourong.

The Remuneration Committee is mainly responsible for reviewing the management's remuneration proposal, and making recommendations to the Board on remuneration policy of the Company and remuneration packages of Directors and senior management.

# Corporate Governance Report

## BOARD COMMITTEES *(Continued)*

### Remuneration Committee *(Continued)*

During the year ended 31 March 2019, two Remuneration Committee meetings were held. The respective attendance of each of the members of the Remuneration Committee was as follows:

| Name of Remuneration Committee member | Number of meetings attended/held |
|---|---|
| Mr. Chiu Wai Piu | 2/2 |
| Mr. Zhang Shourong | 2/2 |
| Mr. Li Shiu Ki, Ernest | 2/2 |
| Mr. Miu Hon Kit *(resigned on 2 October 2018)* | 1/1 |
| Mr. Cheung Kwan Hung *(appointed on 2 October 2018)* | 1/1 |

The Remuneration Committee has adopted the model that it will review the proposals made by the management on the remuneration package of individual executive Directors and senior management and make recommendations to the Board.

During the year under review, work performed by the Remuneration Committee included (i) reviewing and approving the remuneration packages of the Directors and senior management and (ii) reviewing on the policy and structure of the remuneration package of the Directors and senior management.

Details of the remuneration of each of the Directors for the year under review are set out in note 15(a) to the consolidated financial statements.

### Audit Committee

The Audit Committee was established on 30 March 2002. It currently comprises three independent non-executive Directors, namely Mr. Cheung Kwan Hung (as Chairman), Mr. Chiu Wai Piu and Mr. Li Shiu Ki, Ernest.

The Audit Committee is mainly responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor, and any questions of resignation or dismissal of such auditor; reviewing and monitoring the external auditors' independence; reviewing the quarterly reports, interim report and annual report and accounts of the Group; and overseeing the Company's financial reporting system, risk management and internal control systems.

# Corporate Governance Report

## BOARD COMMITTEES *(Continued)*

### Audit Committee *(Continued)*

During the year ended 31 March 2019, five Audit Committee meetings were held. The respective attendance of each of the members of the Audit Committee was as follows:–

| Name of Audit Committee member | Number of meetings attended/held |
|---|---|
| Mr. Chiu Wai Piu | 5/5 |
| Mr. Li Shiu Ki, Ernest | 5/5 |
| Mr. Miu Hon Kit *(resigned on 2 October 2018)* | 2/2 |
| Mr. Cheung Kwan Hung *(appointed on 2 October 2018)* | 3/3 |

The following is a summary of work performed by the Audit Committee during the year ended 31 March 2019:

(i) reviewed of the annual report and the annual results announcement for the year ended 31 Mach 2018, with a recommendation to the Board for approval;

(ii) reviewed the effectiveness of the risk management and internal control systems of the Group;

(iii) reviewed the external auditor's independence, its report and the management letter for the year ended 31 March 2018, and recommended to the Board on the re-appointment of RSM Hong Kong at the 2018 annual general meeting;

(iv) reviewed of the quarterly report and the quarterly results announcement for the three months ended 30 June 2018, with a recommendation to the Board for approval;

(v) reviewed of the interim report and the interim results announcement for the six months ended 30 September 2018, with a recommendation to the Board for approval;

(vi) reviewed of the quarterly report and the quarterly results announcement for the nine months ended 31 December 2018, with a recommendation to the Board for approval; and

(vii) discussed/met with the external auditor the audit planning work (including the nature and scope of the audit and reporting obligations) in respect of the audit of the 2019 annual results of the Group.

Prior to the commencement of the audit of the Group's 2019 consolidated financial statements, the Audit Committee received written confirmation from the external auditor of its independence. The Audit Committee has approved the audit fees for the year ended 31 March 2019.

# Corporate Governance Report

## AUDITOR'S REMUNERATION

The analysis of the auditor's remuneration for the year ended 31 March 2019 is presented as follows:

| | Fees paid/ payable HK$ |
|---|---|
| Statutory audit services | 800,000 |
| Non-statutory audit services | Nil |

The non-statutory audit services included the taxation advisory services.

## ACCOUNTABILITY AND AUDIT

The Directors acknowledged its responsibility for preparing the financial statements of the Group. The Directors ensured the preparation of financial statements of the Group are in accordance with statutory requirements and applicable accounting standards.

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

## RISK MANAGEMENT AND INTERNAL CONTROL

The management identified and evaluated the significant risks relevant to the Group based on their experience in the business environment. They regularly met with frontline employees and continuously monitored business performance comparing to operational plan and financial forecasts. The risk management and internal control systems are in place to cope with potential risk in different areas including liquidity, fraud and financial reporting, operational and compliance risks.

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness on an ongoing basis. Such risk management and internal control systems are designed for managing risks rather than eliminating the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Group engaged an external consultant firm to conduct the selective reviews on the effectiveness of the Group's risk management and internal control system over financial reporting, operational risk, regulations compliance in respect of the year ended 31 March 2019, and made recommendations for improving and strengthening the risk management and internal control system. The results were reported to the Audit Committee, which then reviewed and reported the same to the Board.

The Board has conducted the annual review of the effectiveness of the risk management and internal control systems in respect of the year ended 31 March 2019 by considering the reviews performed by the Audit Committee and considers that the Group's risk management and internal control system is adequate and effective.

With respect to the monitoring and disclosure of inside information, the Group has adopted a policy on disclosure of inside information with the aim to ensure that the insiders are abiding by the confidentiality requirement and are fulfilling the disclosure obligation of the inside information.

# Corporate Governance Report

## COMPANY SECRETARY

The company secretary of the Company during the year was Ms. Tsang Ngo Yin. Ms. Tsang has duly complied with the relevant training requirement under Rule 5.09 of the GEM Listing Rules. Details of backgrounds and qualification of Ms. Tsang are set out in the “Biographical details of directors” of this annual report.

## SHAREHOLDERS’ RIGHTS

### Procedures to convene an extraordinary general meeting

Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company may request the Board to convene an extraordinary general meeting pursuant to the article 58 of the articles of association of the Company. The requisition must state the purposes of the meeting, and must be signed by the requisitionist(s) and deposited at the registered office of the Company for the attention of the company secretary of the Company.

If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may convene a meeting, but such meeting shall be held within two months after the deposit of requisition.

### Procedures by which enquiries may be put to the Board

Shareholders should direct their enquiries about their shareholdings to the Company’s branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

Other shareholders’ enquiries can be directed in writing with contact details (including name, address, telephone number and email address) to the Company’s principal place of business in Hong Kong.

### Procedures for putting forward proposals at a general meeting

Proposals shall be directed in writing with contact details (including name, address, telephone number and email address) to the Company’s principal place of business in Hong Kong.

The Board will verify the requisition and upon confirming that the requisition is proper and in order, the Board will proceed with the necessary procedures.

## INVESTORS RELATIONS

The Company’s website offers communication channel between the Company and its shareholders and investors. Apart from disclosure of all necessary information to the shareholders in compliance with the GEM Listing Rules, news update of Company’s business development and operation are available on the Company’s website.

## CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2019, there were no changes to the memorandum and articles of association of the Company. An up to date consolidated version of the memorandum and articles of association of the Company is available on the website of the Company and the GEM.

# Environmental, Social and Governance Report

## ABOUT THIS REPORT

Zhuoxin International Holdings Limited (the "Company"), together with its subsidiaries (collectively the "Group"), is pleased to present this Environmental, Social and Governance Report (the "Report") to provide an overview of the Group's management on significant issues affecting the operation, and the performance of the Group in terms of environmental and social aspects.

### Preparation Basis and Scope

This Report is prepared in accordance with Appendix 20 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules") – "Environmental, Social and Governance Reporting Guide" and has complied with "comply or explain" provision in the GEM Listing Rules.

This Report summarises the performance of the Group in respect of corporate social responsibility, covering its operating activities which are considered as material by the Group — (i) trading of electronic hardware components (display modules including mainly IC Drivers and LCD panel) with compatibility solutions advisory services; and (ii) property development and investment in the People's Republic of China ("PRC") and Hong Kong ("HK"). With the aim to optimise and improve the disclosure requirements in the Report, the Group has taken initiative to formulate policies, record relevant data as well as implement and monitor measures. This Report shall be published both in Chinese and English on the website of Stock Exchange. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

### Reporting Period

This Report demonstrates our sustainability initiatives during the reporting period from 1 April 2018 to 31 March 2019.

### Contact Information

The Group welcomes your feedback on this Report for our sustainability initiatives. Please contact us with contact details (including name, address, telephone number and email address) by post to our office, Suite 605, 6th Floor, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong.

# Environmental, Social and Governance Report

## INTRODUCTION

The Group is principally engaged in the trading of electronic hardware components in relation to display modules and touch panel modules including mainly IC Drivers and LCD panel with compatibility solutions advisory services, and the property development and investment in the PRC and Hong Kong. For the year ended 31 March 2019, the Group continued to concentrate on the trading of the electronic parts and components in relation to display modules and touch panel modules in Hong Kong. The Group also owns two vacant lands in the PRC and engaged in the property development in the PRC through its associates.

Sustainable development is an integral part of the Group's business strategy in order to achieve business excellence and enhance capabilities for long-term competitiveness. The Group is committed to operating in a manner that is economically, socially and environmentally sustainable while balancing the interests of our various stakeholders and fostering a positive impact on the society. Our sustainability strategy is based on the compliance with the applicable legal requirements, principle of sustainability and opinions from stakeholders. We have established and implemented various policies to manage and monitor the risks related to the environment, employment, operating practices and community. Details of the management approaches to sustainable development of different areas are illustrated in this ESG Report.

## STAKEHOLDERS ENGAGEMENT AND MATERIALITY ASSESSMENT

The Group understands the success of the Group's business depends on the support from its key stakeholders, who (a) have invested or will invest in the Group; (b) have the ability to influence the outcomes within the Group; and (c) are interested in or affected by or have the potential to be affected by the impact of the Group's activities, products, services and relationships. It allows the Group to understand risks and opportunities. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

Stakeholders are prioritised from time to time in view of the Group's roles and duties, strategic plan and business initiatives. The Group engages with its stakeholders to develop mutually beneficial relationships and to seek their views on its business proposals and initiatives as well as to promote sustainability in the marketplace, workplace, community and environment.

The Group acknowledges the importance of intelligence gained from the stakeholders' insights, inquiries and continuous interest in the Group's business activities. The Group has identified key stakeholders that are important to our business and established various channels for communication. The following table provides an overview of the Group's key stakeholders, and various platforms and methods of communication are used to reach, listen and respond.

# Environmental, Social and Governance Report

| Stakeholders | Expectations | Engagement channels |
|---|---|---|
| Government | – Compliance with the law and regulations<br>– Proper tax payment<br>– Promote regional economic development and employment | – On-site inspections and checks<br>– Research and discussion through work conferences, work reports preparation and submission for approval in the PRC<br>– Annual and interim reports<br>– Company website |
| Shareholders and Investors | – Low risk<br>– Return on the investment<br>– Information disclosure and transparency<br>– Protection of interests and fair treatment of shareholders | – Annual general meeting and other shareholder meetings<br>– Annual report and announcements<br>– Newsletter<br>– Meeting with investors<br>– Company website and The Stock Exchange of Hong Kong Limited |
| Employees | – Safeguard the rights and interests of employees<br>– Working environment<br>– Career development opportunities<br>– Self-actualisation<br>– Occupational health and safety | – Meetings and conferences<br>– Training, seminars and briefing sessions<br>– Entertainment<br>– Intranet, emails, circulars and manuals<br>– Safe and high-quality products |
| Customers | – Stable relationship<br>– Information transparency<br>– Integrity<br>– Business ethics | – Company website, brochures and annual report<br>– Email and customer service hotline<br>– Feedback forms |

# Environmental, Social and Governance Report

| Stakeholders | Expectations | Engagement channels |
|---|---|---|
| Suppliers/Partners | – Long-term partnership<br>– Honest cooperation<br>– Fair and open<br>– Information resources sharing<br>– Risk reduction | – Business meetings, supplier conferences, phone calls and interviews<br>– Review and assessment |
| Peers/Industry Associations | – Experience sharing<br>– Fair competition | – Industry conference<br>– Site visit |
| Financial Institutions | – Compliance with the law and regulations<br>– Information disclosure | – Consulting<br>– Information disclosure<br>– Reports<br>– Communication through relationship manager |
| Media | – Transparent information<br>– Communication with media | – Company website<br>– Media conference |
| Public and Communities | – Career opportunities<br>– Community involvement<br>– Environmental responsibilities<br>– Social responsibilities | – Volunteering<br>– Charity and social investment<br>– Annual reports and announcements |

Through general communication with stakeholders, the Group understands the expectations and concerns from stakeholders. The feedbacks obtained allow the Group to make more informed decisions, and to better assess and manage the resulting impact.

The Group has adopted the principle of materiality in the ESG reporting by understanding the key ESG issues that are important to the business of the Group. All the key ESG issues and key performance indicators (KPIs) are reported in the Report according to recommendations of the ESG Reporting Guide (Appendix 20 of the GEM Listing Rules) and the GRI Guidelines.

# Environmental, Social and Governance Report

The Group has evaluated the materiality and importance in ESG aspects through the following steps:

**Step 1: Identification – Industry Benchmarking**

- Relevant ESG areas were identified through the review of relevant ESG reports of the local and international industry peers.
- The materiality of each ESG areas was determined based on the importance of each ESG area to the Group through internal discussion of the management and the recommendation of ESG Reporting Guide (Appendix 20 of the GEM Listing Rules).

**Step 2: Prioritization – Stakeholder Engagement**

- The Group discussed with key stakeholders on key ESG areas identified above to ensure that all the key aspects were covered.

**Step 3: Validation – Determining Material Issues**

- Based on the discussion with key stakeholders and internal discussion among the management, the Group's management ensured that all the key and material ESG areas, which were important to the business development, were reported and in compliance with ESG Reporting Guide.

As a result of this process carried out in 2019, those important ESG areas to the Group were discussed in this Report.

## A. ENVIRONMENTAL ASPECTS

The Group is mainly involved in office operations and its business activities do not have significant impact on the environment or natural resources. In spite of this, we recognise that we have an obligation to reduce the impact of our operations on the environment and be accountable for the resources and materials that are used in our daily operations. We are committed to continuously improving our environmental sustainability by responsibly managing our operation, reducing our carbon footprint and using resources effectively.

Throughout the year, the Group fully complied with all of the relevant environmental laws and regulations in Hong Kong, such as the Air Pollution Control Ordinance (Cap. 311), the Sewage Services Ordinance (Cap. 463) and the Waste Disposal Ordinance (Cap. 354). Besides, during the reporting period, we were not aware of any non-compliance with relevant laws and regulations that had significant impact on the Group related to air and greenhouse gas emissions, discharges into water and land, generation of hazardous and non-hazardous waste. We also regularly update ourselves with the latest development of the applicable laws and regulations on environmental protection.

Apart from complying with the environmental protection rules and standards, the Group emphasises environmental protection and seeks ways to enhance efficiency in the use of natural resources and reduce the environmental impact of its business operation. We take the initiative to formulate and implement environmental activities to establish relevant emissions reduction and energy saving initiatives internal policies and campaigns to facilitate the effective use of natural resources and eco-friendly operation. We also encourage employees to build up environmentally friendly habits through notice and promotion to save resources and minimise pollution.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL ASPECTS *(Continued)*

### A1. EMISSIONS

As a trading company, the Group recognizes that it has ethical duties to reduce emissions. Given the nature of the Group's business, the impacts on the environment and nature resources are not significant. In spite of this, we are committed to minimizing our environmental impacts by responsibly managing our business operations, reducing our carbon footprint and using resources effectively. In the meantime, we fully comply with all of the relevant environmental laws and regulations where we operate such as the Atmospheric Pollution Prevention and Control Law of the People's Republic of China (2015) in the PRC, the Motor Vehicle Idling (Fixed Penalty) Ordinance (Cap. 611) and the Road Traffic Ordinance (Cap. 374) in Hong Kong. Besides, no concluded case regarding emissions brought against the Group or its employees during the year.

***Air Pollutant Emissions***

Air emission emissions control is essential to mitigate environmental impacts and to protect the health of employees. As the Group is mainly involved in general office activities, the amount of air pollutant emissions is insignificant. Our air pollutant emissions are mainly generated from the mobile sources. The decrease in air pollutant emissions in 2019 was mainly attributable to the disposal of two vehicles and decrease in sales of electronic parts and components during the year. The detail of air pollutant emissions of the Group during the reporting period was as follows:

| Type of air pollutants | Unit | 2019 | 2018 |
|---|---|---|---|
| Nitrogen oxides ($NO_x$) | kg | **3.97** | 8.77[1] |
| Sulphur dioxide ($SO_2$) | kg | **0.16** | 0.39[1] |
| Particulate matter (PM) | kg | **0.30** | 0.86[1] |

1 The amounts reported for the previous year 2018 have been restated in this report.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL ASPECTS *(Continued)*

### A1. EMISSIONS *(Continued)*

***Greenhouse Gas ("GHG") Emissions***

GHG is considered as one of the major contributors to the climate change and global warming. The Group recognises that climate change is gradually concerned by the community as it affects our daily life and poses a risk to its business. Hence, we are committed to mitigating the effects of climate change and to protecting the health of employees.

Regarding GHG emissions of the Group, direct emissions (scope 1) and indirect emissions (scope 2) are mainly resulted from combustion of fuels by mobile sources and purchased electricity respectively. Giving the majority of the GHG emissions of the Group comes from energy consumption, the Group tackles the GHG emission by lowering the energy consumption in our business operations. Policies and procedures as described in the section "Use of Resources" to encourage energy saving have been incorporated throughout the operations in order to reduce the carbon footprint. The decrease in GHG scope 1 emission in 2019 was mainly attributable to the disposal of two vehicles and decrease in sales of electronic parts and components during the year. The increase in GHG scope 2 emission in 2019 was mainly due to relocation of new office by the holding company during the year. The GHG emissions of the Group during the reporting period was as follows:

| GHG Emissions | Unit | 2019 | 2018 |
|---|---|---|---|
| Scope 1[2] | tonnes of $CO_2e$ | **26.45** | 42.19[1] |
| Scope 2[3] | tonnes of $CO_2e$ | **33.57** | 23.91[1] |
| Total GHG emission | tonnes of $CO_2e$ | **60.02** | 66.10[1] |
| GHG emission intensity | tonnes of $CO_2e$/sq. ft. | **0.16** | N/A[4] |

2 Scope 1: Direct emission from sources that are owned or controlled by our Group.
3 Scope 2: Indirect emissions from the generation of purchased electricity consumed by our Group.
4 The amount was not available in 2018.

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL ASPECTS *(Continued)*

### A1. EMISSIONS *(Continued)*

***Hazardous and Non-hazardous Wastes***

Waste management is considered as one of the material topics in environmental protection. The Group recognises the importance of waste reduction. Waste management measures have been introduced and implemented to minimise the amount of waste generated and the impact on the environment. With our business nature, no hazardous waste is generated or discharged during the office operation.

For non-hazardous waste, the waste is mainly generated from daily office operation. The Group takes initiative to reduce waste by formulating effective measures. Generally, we have engaged qualified recycling companies to collect and handle the waste in accordance to the Prevention and Control of Environmental Pollution by Solid Waste (2015 Amendment) in the PRC and the Waste Disposal Ordinance (Cap. 354) in Hong Kong. The major source of our non-hazardous waste is paper waste.

With the aim to reduce the amount of waste generated, the Group endeavours to cultivate environmental awareness among employees. In order to reduce the paper consumption, we encourage our employees to consider environmental-friendly printing such as double-sided printing and copying. We also encourage employees to reuse single sided non-confidential print out. The waste paper is re-used as fillers for packing when practicable. Recycling bags are available for paper collection. All paper boxes, paper, newspaper and magazines are collected for recycling purpose. The waste generated by the Group during the reporting period was as follows:

| Wastes | Unit | 2019 | 2018 |
|---|---|---|---|
| Non-hazardous waste disposal | kg | **60.00** | N/A[4] |
| Non-hazardous waste disposal intensity | kg/employee | **1.58** | N/A[4] |
| Non-hazardous waste recycled | kg | **11.08** | N/A[4] |
| Non-hazardous waste recycled intensity | kg/employee | **0.29** | N/A[4] |

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL ASPECTS *(Continued)*

### A2. USE OF RESOURCES

The Group considers environmental protection as an essential component of a sustainable and responsible business. We have an in-depth understanding of the importance of safeguarding sustainable development of the environment and this to attach importance to efficient utilization of resources by introducing various measures in daily business operations. We understand that staff participation is the key to achieve such goals. We have adopted energy and water efficiency initiatives policies to motivate our employees to participate in resource conservation activities.

***Energy***

The Group considers environmental protection as an essential component of a sustainable and responsible business. With aims of resource saving and implementation of energy saving measures, we actively promote the concept of energy saving and emission reduction into the entire process of its business development and operation and implements different energy saving measures. In order to improve efficiency of energy consumption, the Group strictly complies with the Energy Conservation Law of the People's Republic of China and the relevant documents and regulations in the countries and regions where we operate. The Group also encourages employees to turn off the electric equipment when it is not being used, turn off air-conditioners in unoccupied rooms/areas and switch off lighting while they are off duty. The decrease in the total energy consumption in 2019 was mainly due to the disposal of two vehicles and decrease in sales of electronic parts and components during the year. The energy consumption of the Group during the reporting period was as follows:

| Energy | Unit | 2019 | 2018 |
|---|---|---|---|
| Purchased electricity | MWh | **55.53** | 64.05[1] |
| Petrol | MWh | **87.14** | 177.47[1] |
| Total energy consumption | MWh | **142.67** | 241.52[1] |
| Energy intensity | MWh/sq. ft | **0.04** | N/A[4] |

# Environmental, Social and Governance Report

## A. ENVIRONMENTAL ASPECTS *(Continued)*

### A2. USE OF RESOURCES *(Continued)*

***Water***

Water is an important natural resource. For water consumption in Hong Kong and PRC offices, some water supplies are solely controlled and centrally managed by the property management company of the building. Hence, it is not feasible for the Group to provide water consumption data as there is no separate meter for each individual office unit on water usage record. However, we still actively seek ways to minimise water consumption. For example, the Group encourages water recycling by connecting the washbasin outlet pipe to a water storage tank to use wastewater for toilet flushing. Besides, the Group strives to prevent unnecessary water consumption by promptly reporting to the relevant department in case of leaking faucet. During the reporting period, the water consumption was as follows:

| Water | Unit | 2019 | 2018 |
|---|---|---|---|
| Water consumption | $m^3$ | **228.12** | N/A[4] |
| Water intensity | $m^3/m^2$ | **0.06** | N/A[4] |

### A3. THE ENVIRONMENT AND NATURAL RESOURCES

The Group understands that implementing environmental protection can reduce operational risk and increase business opportunities. Regarding the business nature of the Group, we are not aware of any significant impact of our business activities on the environment and natural resources. Despite this, we endeavour to consistently improve our environmental performance by implementing aforementioned waste reduction measures and resources saving initiatives. We will continue to seek opportunities to further reduce emission and resources consumption with the aim to reduce the impacts on environment and natural resources to minimal.

# Environmental, Social and Governance Report

## B. SOCIAL ASPECTS

### EMPLOYMENT AND LABOUR PRACTICES

#### *B1. EMPLOYMENT*

The Group believes that people are our most important asset to the continuing development and success of our Group. As such, we aim to attract and motivate talents, maintain a safe and equal working environment and promote health and well-being of our employees. We pay special attention to its employees' rights and strictly complies with the Employment Ordinance, the Minimum Wage Ordinance, and other relevant regulations in Hong Kong.

The Group strives to construct a diverse and inclusive workplace where all our employees are treated with dignity and respect. We strongly oppose to all discriminatory behaviours against any individual on their gender, age, nationality, race, colour, disability, creed, religion, sexual orientation, marital status or family status. The principle of equal opportunities is applied in all employment practices, including but not limited to recruitment, promotion and transfer, work allocation, benefits and training and development.

The Group has formulated competitive remuneration packages to retain and motivate employees in achieving key goals of our Group. We provide remuneration for its employees according to their qualifications, experience, performance, job duties and service years as well as to the market benchmark. We perform salary review on an annual basis to ensure its remuneration practices are competitive and aligned with market rate. In addition to salary, we provide mandatory provident fund, allowances, required social security benefits, medical benefits and variable incentive-based remuneration such as discretionary bonus to our employees. Employees are also entitled to various types of leave including annual leave, sick leave, maternity leave and paternity leave.

The Group acknowledges the importance of work-life balance and strives to maintain a supportive and relaxing working environment for our employees. We organise activities such as annual dinner for employees to relax and to strengthen their sense of belongings. In addition to those specified in the Employment Ordinance, we provide paid or partially paid leaves and support services or activities for our employees to handle urgent personal and family matters. We also provide family care and supports to our employees and/or their family members to bring a positive impact on their family life. We are committed to building a pleasant working environment to enhance the happiness of our employees. During the reporting period, the Group was not aware of any non-compliance with the relevant laws and regulations that had significant impact on our Group relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination and other benefits and welfare. Any changes of employment terms will be notified to staff and agreed in writing to protect the lawful rights and interests of all employees.

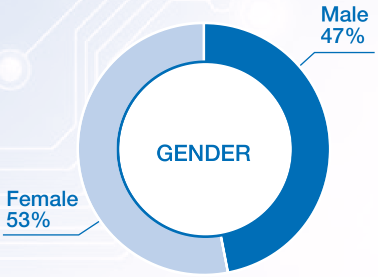
# Environmental, Social and Governance Report

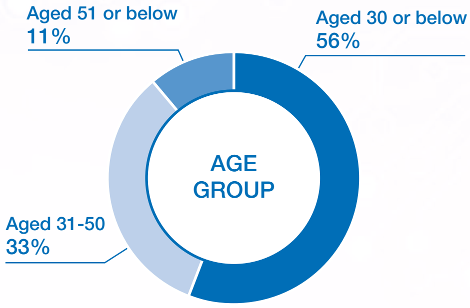
## B. SOCIAL ASPECTS *(Continued)*

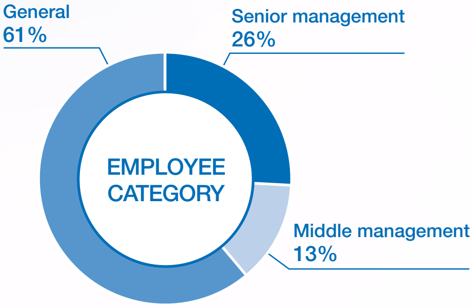
### EMPLOYMENT AND LABOUR PRACTICES *(Continued)*

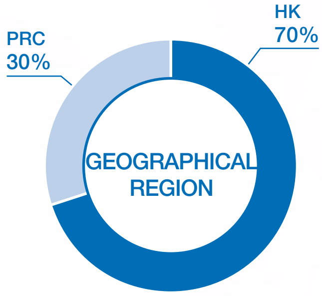
### *B1. EMPLOYMENT* *(Continued)*

At the end of the reporting period, the Group's employees are located in Hong Kong and PRC. Below is the employee breakdown by gender, age group, employment category and geographical region.




### *B2. HEALTH AND SAFETY*

The Group takes into consideration every precaution to establish a healthy and safe working environment for its employees. We place the highest priority on securing the health and safety of all employees. In order to ensuring occupational health and safety of our employees, we strictly comply with the rules and guidelines stipulated in the Occupational Safety and Health Ordinance by the Labour Department in Hong Kong, the Prevention and Treatment of Occupational Diseases in PRC and other applicable laws and regulations.

The Group supports a culture that enhances the health and safety awareness of our employees in order to minimise the risk of work-related injury. We provide medical benefits for our employees and establish work arrangement for typhoon and rainstorm warning. Besides, we place great emphasis on the employees' mental wellness. We provide information and services regarding stress management and mental wellness counselling for our employees to relieve stress and to promote mental wellness.

With the above measures implemented, there was no work-related fatal or injury during the reporting period. The Group was not aware of any non-compliance with relevant laws and regulations that had significant impact on the Group in providing a safe and healthy working environment during the reporting period.

# Environmental, Social and Governance Report

## B. SOCIAL ASPECTS *(Continued)*

### EMPLOYMENT AND LABOUR PRACTICES *(Continued)*

#### *B3. DEVELOPMENT AND TRAINING*

The Group believes that people development enacts a vital role of the fundamental basis for business growth. Other than on-the-job training, we encourage employees to actively take part in external training to strengthen their skills, knowledge, and professionalism. We also assist relevant employees in fulfilling the continuous professional training hour requirement.

#### *B4. LABOUR STANDARDS*

The Group is committed to protecting human rights in workplace and has zero tolerance to the use of child or forced labour during our operation. The Group understands that child labour and forced labour violate fundamental human rights and international labour conventions and may constitute threat to the social and economic sustainability.

The Group strictly complies with the law in its recruitment process to prohibit the hiring of individuals aged under 15 and any form of forced labour or involuntary labour. The Group will review the actual age of new hires by checking their identity documents and making detailed records. Under the overtime work management system of the Group, staff can receive rest periods or overtime subsidy based on the nature of overtime work to avoid involuntary overtime work. The Group respects staff's right of association and collective bargaining via legal and peaceful means.

The Group strictly complies with the Provisions on the Prohibition of Using Child Labor issued by the State Council of the People's Republic of China. According to the "Prohibition of Child Labour Control Procedure" of the Group, person under aged 16 is not allowed to work in the Group. The Group respects the right and freedom of employees as stipulated in "Prohibition of forced labour control procedure". During the reporting period, the Group did not have any cases related to child labour or forced labour.

### OPERATING PRACTICES

#### *B5. SUPPLY CHAIN MANAGEMENT*

As a trading company, the main products procured by the Group are LCD panels, LCD drivers and IC drivers. The Group mainly sources products from two suppliers which are situated in Taiwan, with whom the Group has maintained over 15 years of business relationship. The experienced management is responsible for managing and maintaining a healthy and good commercial partnership with them. For new suppliers, the management/sales personnel of the Group will interview with their responsible personnel. The supplier selection process is mainly based on the product's market demand and competitiveness, the supplier's financial status and corporate reputation. The Group also requires them to provide samples for review. The experienced management and sales personnel with market view is the key to the quality of the supply chain of the Group.

# Environmental, Social and Governance Report

## B. SOCIAL ASPECTS *(Continued)*

### EMPLOYMENT AND LABOUR PRACTICES *(Continued)*

#### *B6. PRODUCT RESPONSIBILITY*

The Group regards product quality as a key competitive advantage of its business. We continue to provide high-quality products in order to enhance customer satisfaction. We strictly comply with relevant laws and regulations, including but not limited to the Personal Data (Privacy) Ordinance in Hong Kong. The management has played a vital role in understanding and communicating with what its customers need. Thus, it has maintained years of business relationships with its key customers and ensured the end product fitting for the users. The Group has strictly abided by the relevant laws and regulations in order to protect data and privacy of customers. During the reporting period, our Group was not aware of any non-compliance regarding product responsibility.

#### *B7. ANTI-CORRUPTION*

The Group takes its fraud prevention or anti-corruption responsibilities very seriously. The Group has established a whistleblowing policy to direct employees to report to the Group's management on possible improprieties in any matter related to the Group. Once a misconduct case is discovered and confirmed, the employee will be subject to disciplinary action and the case will be reported to related governing body when necessary.

During the reporting period, the Group was not aware of any non-compliance with the relevant laws and regulations that had significant impact on the Group relating to bribery, extortion, fraud and money laundering.

### COMMUNITY

#### *B8. COMMUNITY INVESTMENT*

As a socially responsible company, the Group is committed to understanding the needs of the communities in which we operate. We encourage our employees to pursue their personal passions and dedicate their time and skills to supporting local communities. We strive to develop long-term relationships with our stakeholders and bring a positive impact on community development.

# Independent Auditor's Report

elite partners
CERTIFIED PUBLIC ACCOUNTANTS

10/F, 8 Observatory Road,
Tsimshatsui,
Hong Kong

**To the Shareholders of**
**Zhouxin International Holdings Limited**
*(Incorporated in the Cayman Islands with limited liability)*

## OPINION

We have audited the consolidated financial statements of Zhouxin International Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 55 to 61, which comprise the consolidated statement of financial position as at 31 March 2019, the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidate statement of change 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 December 2018, 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 (the "HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("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.

## 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. The key audit matters we identified are:

1) Impairment assessment of goodwill of trading of electronic parts and components segment; and

2) Impairment assessment of financial assets at FVTOCI.

# Independent Auditor's Report

## KEY AUDIT MATTERS *(Continued)*

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Impairment assessment of goodwill of trading of electronic parts and components segment** | **Our procedures regarding management's impairment assessment of goodwill of trading of electronic parts and components segment included:** |
| At 31 March 2019, the Group recorded goodwill of HK$24,911,000 arising from the acquisition of 75% equity interest in ETC Technology Limited and its subsidiaries in 2013. Goodwill was allocated to the trading of electronic parts and components segment. Goodwill is required to be tested for impairment on an annual basis.<br><br>Management concluded that no impairment should be made to the goodwill. The recoverable amount of goodwill was determined on the basis of value in use models that required significant management judgement in making assumptions about future revenues, profit margins and growth rates and in selecting an appropriate market discount rate. | • Assessing the integrity of the value in use model;<br><br>• Challenging the reasonableness of management's key assumptions based on our knowledge of the business and the industry;<br><br>• Reconciling input data to supporting evidence, such as approved budgets and considering the historical accuracy of those budgets;<br><br>• Assessing the appropriateness of the discount rates used with the assistance of our internal valuation specialists; and<br><br>• Assessing the adequacy of the disclosures in relation to the impairment assessment. |

# Independent Auditor's Report

## KEY AUDIT MATTERS *(Continued)*

| Key Audit Matter | How our audit addressed the Key Audit Matter |
|---|---|
| **Impairment assessment of financial assets at FVTOCI**<br><br>At 31 March 2019, the Group has financial assets at FVTOCI with carrying amount of HK$38,600,000 related to 7% equity interest in a private group engaging in sales and distribution of natural gas and provision of related services. Because of its significance to the consolidated financial statements and high degree of management judgement, such as making assumptions about the future revenues, profit margins and growth rates and selecting an appropriate market discount rate, involved in determining the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset, it was regarded as a key audit matter to the consolidated financial statements.<br><br>For the year ended 31 March 2019, the Group is recognised the fair value change of financial assets at fair value through other comprehensive income of HK$5,961,000. | **Our procedures regarding management's impairment assessment of available-for-sale financial assets included:**<br><br>• Discussing with management the financial performance of the investee company and their assessment of whether objective evidence of impairment existed;<br><br>• Evaluating the independent external valuer's competence, capabilities and objectivity;<br><br>• Assessing the integrity of the valuation models;<br><br>• Challenging the reasonableness of management's key assumptions based on our knowledge of the business and the industry;<br><br>• Reconciling input data to supporting evidence, such as approved budgets, reference market price and considering the historical accuracy of those budgets;<br><br>• Assessing the appropriateness of the discount rates used with the assistance of our internal valuation specialists; and<br><br>• Assessing the adequacy of the disclosures in relation to the impairment assessment. |

# Independent Auditor's Report

## OTHER INFORMATION

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

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

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

## RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the 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 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. We report our opinion solely to you, as a body, in accordance with our term of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

# Independent Auditor's Report

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with the Audit Committee, 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.

# Independent Auditor's Report

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

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.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Leung Man Kin with Practising Certificate number P07174.

**Elite Partners CPA Limited**
*Certified Public Accountants*
Hong Kong
24 June 2019

# Consolidated Statement of Profit or Loss

*For the year ended 31 March 2019*

| | Note | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| Revenue | 8 | **501,246** | 650,829 |
| Cost of sales | | **(481,921)** | (625,394) |
| **Gross profit** | | **19,325** | 25,435 |
| Other net income | 9 | **7,523** | 2,624 |
| Employment costs | 14 | **(27,299)** | (29,635) |
| Research and development expenses | | **(478)** | (1,573) |
| Depreciation | 19 | **(763)** | (912) |
| Transportation expenses | | **(783)** | (1,081) |
| Other operating expenses | | **(13,794)** | (19,370) |
| Expected credit loss on financial assets | | **(180)** | – |
| (Write-down)/Write-back of properties under development | 29 | **(1,149)** | 4,352 |
| **Loss from operations** | | **(17,598)** | (20,160) |
| Finance costs | 11 | **(4,551)** | (6,159) |
| Impairment losses on investments in associates | 25 | **(4,851)** | – |
| Share of losses of associates | | **(358)** | (569) |
| **Loss before tax** | | **(27,358)** | (26,888) |
| Income tax credit | 12 | **–** | 122 |
| **Loss for the year** | 13 | **(27,358)** | (26,766) |
| **Attributable to:** | | | |
| Owners of the Company | | **(26,865)** | (27,656) |
| Non-controlling interests | | **(493)** | 890 |
| | | **(27,358)** | (26,766) |
| **Loss per share (HK cents)** | 18 | | |
| Basic | | **(6.52)** | (6.71) |
| Diluted | | **N/A** | N/A |

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

*For the year ended 31 March 2019*

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| **Loss for the year** | **(27,358)** | (26,766) |
| **Other comprehensive income:** | | |
| *Item that will not be reclassified to profit or loss:* | | |
| Fair value change of financial assets at fair value through other comprehensive income | **(5,961)** | – |
| *Items that may be reclassified to profit or loss:* | | |
| Exchange differences on translating foreign operations | **(3,265)** | 7,310 |
| Exchange differences on disposal of foreign operations | **(1,774)** | – |
| **Other comprehensive income for the year, net of tax** | **(11,000)** | 7,310 |
| **Total comprehensive income for the year** | **(38,358)** | (19,456) |
| **Attributable to:** | | |
| Owners of the Company | **(40,276)** | (18,704) |
| Non-controlling interests | **1,918** | (752) |
| | **(38,358)** | (19,456) |

# Consolidated Statement of Financial Position

*As at 31 March 2019*

| | Note | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 19 | **1,068** | 1,168 |
| Investment property | 20 | **–** | 13,000 |
| Goodwill | 21 | **24,911** | 24,911 |
| Intangible asset | 22 | **4,054** | 1,718 |
| Available-for-sale financial assets | 24 | **–** | 45,652 |
| Financial asset at FVTOCI | 24 | **38,600** | – |
| Structured deposit | | **3,875** | – |
| Investments in associates | 25 | **14,035** | 19,245 |
| Deposit for acquisition of intangible asset | 26 | **–** | 374 |
| Deposit for acquisition of property, plant and equipment | | **–** | 872 |
| | | **86,543** | 106,940 |
| **Current assets** | | | |
| Inventories | 27 | **5,921** | 3,278 |
| Trade, bills and other receivables, deposits and prepayments | 28 | **65,302** | 205,459 |
| Properties under development | 29 | **39,532** | 40,734 |
| Pledged bank deposits | 30(a) | **27,197** | 27,807 |
| Bank and cash balances | 30(b) | **54,955** | 38,849 |
| | | **192,907** | 316,127 |
| **Current liabilities** | | | |
| Trade and other payables and receipt in advance | 31 | **103,097** | 112,398 |
| Due to an associate | 25(a) | **22,515** | 24,053 |
| Bank and other loans | 32 | **39,875** | 86,605 |
| Finance lease payable | 33 | **–** | 84 |
| Promissory note | 34 | **–** | 36,000 |
| | | **165,487** | 259,140 |
| **Net current assets** | | **27,420** | 56,987 |
| **Total assets less current liabilities** | | **113,963** | 163,927 |

# Consolidated Statement of Financial Position

*As at 31 March 2019*

| | Note | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **Non-current liabilities** | | | |
| Long term bonds | 35 | 40,000 | 40,000 |
| Deferred tax liabilities | 36 | – | – |
| | | 40,000 | 40,000 |
| **NET ASSETS** | | 73,963 | 123,927 |
| **Capital and reserves** | | | |
| Share capital | 37 | 32,194 | 32,194 |
| Reserves | 39 | 27,555 | 65,161 |
| Equity attributable to owners of the Company | | 59,749 | 97,355 |
| Non-controlling interests | | 14,214 | 26,572 |
| **TOTAL EQUITY** | | 73,963 | 123,927 |

Approved by the Board of Directors on 24 June 2019 and are signed on its behalf by:

**Ma Chao**
*Director*

**Fu Yong**
*Director*

# Consolidated Statement of Changes in Equity

*For the year ended 31 March 2019*

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital (note 37) *HK$'000* | Share Premium account (note 39(b)(i)) *HK$'000* | Contributed surplus (note 39(b)(ii)) *HK$'000* | Capital redemption reserve (note 39(b)(iii)) *HK$'000* | Foreign currency translation reserve (note 39(b)(iv)) *HK$'000* | Share-based payments reserve (note 40) *HK$'000* | FVTOCI reserve *HK$'000* | Accumulated losses *HK$'000* | Total *HK$'000* | Non-controlling interests *HK$'000* | Total equity *HK$'000* |
| At 1 April 2017 | 32,194 | 442,050 | 16,375 | 2,943 | (2,004) | 3,764 | – | (379,263) | 116,059 | 27,324 | 143,383 |
| Total comprehensive income for the year | – | – | – | – | 8,952 | – | – | (27,656) | (18,704) | (752) | (19,456) |
| Shares issued upon placement (note 37(a)) | – | – | – | – | – | (3,423) | – | 3,423 | – | – | – |
| Transactions costs attributable to issue of new shares | – | – | – | – | – | (341) | – | 341 | – | – | – |
| Changes in equity for the year | – | – | – | – | 8,952 | (3,764) | – | (23,892) | (18,704) | (752) | (19,456) |
| At 31 March 2018 and 1 April 2018 | 32,194 | 442,050 | 16,375 | 2,943 | 6,948 | – | – | (403,155) | 97,355 | 26,572 | 123,927 |
| Adjustment on initial application of HKFRS 9 | – | – | – | – | – | – | (18,668) | 21,338 | 2,670 | (37) | 2,633 |
| Restated balance at 1 April 2018 | 32,194 | 442,050 | 16,375 | 2,943 | 6,948 | – | (18,668) | (381,817) | 100,025 | 26,535 | 126,560 |
| **Comprehensive income for the year** | | | | | | | | | | | |
| Loss for the year | – | – | – | – | – | – | – | (26,865) | (26,865) | (493) | (27,358) |
| **Other comprehensive income/(loss)** | | | | | | | | | | | |
| Fair value change of financial assets at FVTOCI | – | – | – | – | – | – | (5,961) | – | (5,961) | – | (5,961) |
| Currency translation differences | | | | | | | | | | | |
| –Group | – | – | – | – | (5,676) | – | – | – | (5,676) | 2,411 | (3,265) |
| –Release upon disposal of subsidiaries | – | – | – | – | (1,774) | – | – | – | (1,774) | – | (1,774) |
| | – | – | – | – | (7,450) | – | (5,961) | (26,865) | (40,276) | 1,918 | (38,358) |
| Total transaction with owners, recognised directly in equity | | | | | | | | | | | |
| Decognition of non-controlling interests upon disposal of subsidiaries | – | – | – | – | – | – | – | – | – | (14,239) | (14,239) |
| At 31 March 2019 | 32,194 | 442,050 | 16,375 | 2,943 | (502) | – | (24,629) | (408,682) | 59,749 | 14,214 | 73,963 |

# Consolidated Statement of Cash Flows

*For the year ended 31 March 2019*

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Loss before tax | **(27,358)** | (26,888) |
| Adjustments for: | | |
| Other receivables written off | **–** | 1,171 |
| Depreciation of property, plant and equipment | **763** | 912 |
| Fair value gain on investment property | **–** | (1,500) |
| Gain on disposal of subsidiary | **(7,673)** | – |
| Finance costs | **4,551** | 6,159 |
| Expected credit loss on financial assets | **180** | – |
| Impairment losses on investments in associates | **4,851** | – |
| Interest income | **(283)** | (74) |
| Loss/(gain) on disposal of property, plant and equipment | **(99)** | (1,086) |
| Loss on disposal of investment property | **1,000** | – |
| Write-off of property, plant and equipment | **–** | 1 |
| Inventories written off | **13** | 178 |
| Write-down/(write-back) of properties under development | **1,149** | (4,352) |
| Share of losses of associates | **358** | 569 |
| Operating loss before working capital changes | **(22,548)** | (24,910) |
| (Increase)/decrease in inventories | **(2,656)** | 3,998 |
| Decrease/(increase) in trade, bills and other receivables, deposits and prepayments | **42,751** | (4,907) |
| Increase in properties under development | **(499)** | (664) |
| Increase in trade and other payables and receipt in advance | **456** | 23,370 |
| Cash generated from/(used in) operations | **17,504** | (3,113) |
| Income taxes paid | **–** | (47) |
| **Net cash generated from/(used in) operating activities** | **17,504** | (3,160) |

# Consolidated Statement of Cash Flows

*For the year ended 31 March 2019*

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Purchases of property, plant and equipment | (961) | (16) |
| Proceeds from disposal of investment properties | 12,000 | – |
| Proceeds from disposal of property, plant and equipment | 378 | 5,500 |
| Net proceeds from disposal of subsidiaries | 78,997 | – |
| Purchases of intangible assets | (1,090) | – |
| Net decrease of amount due to an associate | (1,538) | – |
| Deposit for acquisition of property, plant and equipment | – | (872) |
| Deposit for acquisition of intangible asset | – | (374) |
| Decrease/(increase) in pledged bank deposits | 610 | (5,493) |
| Interest received | 283 | 74 |
| **Net cash generated from/(used in) investing activities** | 88,679 | (1,181) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Repayment of promissory note | (36,000) | (2,000) |
| Repayment of bank and other loans | (308,013) | (327,018) |
| Bank and other loans raised | 261,283 | 343,492 |
| Repayment of finance lease payable | (84) | (158) |
| Interest paid | (4,548) | (6,149) |
| Finance lease charges paid | (3) | (10) |
| **Net cash (used in)/generated from financing activities** | (87,365) | 8,157 |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | 18,818 | 3,816 |
| Effect of foreign exchange rate changes | (2,712) | 6,978 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | 38,849 | 28,055 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | 54,955 | 38,849 |
| **ANALYSIS OF CASH AND CASH EQUIVALENTS** | | |
| Bank and cash balances | 54,955 | 38,849 |

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 1. GENERAL INFORMATION

Zhuoxin International Holdings Limited ("the Company") was incorporated in the Cayman Islands with limited liability. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The address of its principal place of business is Suite 605, 6th Floor, Sino Plaza, 255-257 Gloucester Road, Causeway Bay, Hong Kong. The Company's shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 23 to the consolidated financial statements.

In the opinion of the directors of the Company, Pine Cypress Development Limited, a company incorporated in the British Virgin Islands (the "BVI"), is the immediate and ultimate parent and Mr. Ma Chao is the ultimate controlling party of the Company.

## 2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

### (a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 April 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) HKFRS 9 Financial Instruments; and

(ii) HKFRS 15 Revenue from Contracts with Customers

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

***HKFRS 9 Financial instruments***

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

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated loss and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

*(a) Classification*

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

- those to be measured subsequently at FVTOCI or FVTPL, and
- those to be measured at amortised cost.

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

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

### (a) Application of new and revised HKFRSs *(Continued)*

***HKFRS 9 Financial instruments*** *(Continued)*

*(a) Classification* ***(Continued)***

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVTOCI.

*(b) Measurement*

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

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

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

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

### (a) Application of new and revised HKFRSs *(Continued)*

***HKFRS 9 Financial instruments*** *(Continued)*

*(b) Measurement (Continued)*

- FVTOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognsied in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as separate line item in the statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognsied in profit or loss and presented net within other gains/(losses) in the period in which it arises.

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

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

*(c) Impairment*

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

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

### (a) Application of new and revised HKFRSs *(Continued)*

***HKFRS 9 Financial instruments*** *(Continued)*

*(c) Impairment (Continued)*

Set out below is the impact of the adoption of HKFRS 9 on the Group.

The following table summarises the impact on the Group's opening accumulated losses as at 1 April 2018 is as follows:

| | *Note* | *HK$'000* |
|---|---|---|
| Decrease in fair value loss for: | | |
| – Financial assets at FVTOCI | | 2,784 |
| Increase in impairment losses for: | *(e)* | |
| – Trade and other receivables | | (151) |
| Adjustment to accumulated losses from adoption of HKFRS 9 on 1 April 2018 | | 2,633 |

The following table and the accompanying notes below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 April 2018.

| Financial assets | *Note* | Classification under HKAS 39 | Classification under HKFRS 9 | Carrying amount under HKAS 39 *HK$'000* | Carrying amount under HKFRS 9 *HK$'000* |
|---|---|---|---|---|---|
| Unlisted equity securities | (i) | Available-for-sale | FVTOCI | 41,777 | 44,561 |
| Structured deposit | (ii) | Available-for-sale | FVTPL | 3,875 | 3,875 |
| Trade and other receivables | (ii) | Loans and receivables | Amortised cost | 205,459 | 205,308 |
| Pledged bank deposits | (iii) | Loans and receivables | Amortised cost | 27,807 | 27,807 |
| Bank and cash balance | (iii) | Loans and receivables | Amortised cost | 38,849 | 38,849 |

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

### (a) Application of new and revised HKFRSs *(Continued)*

***HKFRS 9 Financial instruments*** *(Continued)*

*(c) Impairment (Continued)*

The impact of these changes on the Group's equity is as follows:

| | Note | Effect on FVTOCI reserve HK$'000 | Effect on retained earnings HK$'000 |
|---|---|---|---|
| Opening balance – HKAS 39 | | | |
| Reclassify equity investments from available-for-sale to financial assets at FVTOCI | *(i)* | 18,668 | 2,784 |
| Trade and other receivables | *(iii)* | – | (151) |
| Total impact for opening balance – HKFRS 9 | | 18,668 | 2,633 |

*Note:*

(i) These equity investments represent investments that the Group intends to hold for the long term for strategic purposes. The Group elected to present in OCI changes in the fair value of these investments because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of HK$41,777,000 were reclassified from available-for-sale financial assets to financial assets at FVTOCI and fair value loss of HK$2,784,000 were reclassified from the accumulated losses to the FVTOCI reserve on 1 April 2018. Unlike HKAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

(ii) Structured deposits were reclassified from available-for-sale to financial assets at FVTPL as the contractual cash flows of these investments are not solely of payments of principal and interest. As a result, structured deposits with a fair value of HK$3,875,000 were reclassified from available-for-sale financial assets to financial assets at FVTPL. No fair value gains/(losses) were reclassified on 1 April 2018.

(iii) Trade and other receivables, pledged bank deposits and bank and cash balance that were classified as loans and receivables under HKAS 39 are now classified at amortised cost. An increase of HK$151,000 in the allowance for impairment of the trade receivables was recognised in opening retained earnings at 1 April 2018 on transition to HKFRS 9.

*(d) Hedge accounting*

The Group has elected to adopt the new general hedge accounting model in HKFRS 9. Depending on the complexity of the hedge, this new accounting model allows a more qualitative approach to assessing hedge effectiveness compared to HKAS 39 to be applied, and the assessment is always forward-looking. The adoption of HKFRS 9 has not had a significant impact on the Group's financial statements in this regard.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

### (a) Application of new and revised HKFRSs *(Continued)*

***HKFRS 15 Revenue from contracts with customers***

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognsied. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 April 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected at the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

The Group sells electronic parts and components the application of HKFRS 15 has not had any material impact on the consolidated financial statements-revenue continues to be recognised when goods are delivered to customers and customers have accepted the goods.

### (b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 April 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

| | **Effective for accounting periods beginning on or after** |
|---|---|
| HKFRS 16 Leases | 1 January 2019 |
| HK(IFRIC) 23 Uncertainty over Income Tax Treatments | 1 January 2019 |
| Annual Improvements to HKFRSs 2015 –2017 Cycle | 1 January 2019 |
| Amendments to HKAS 28 Long-term Interest in Associates and Joint Ventures | 1 January 2019 |

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

### (b) New and revised HKFRSs in issue but not yet effective *(Continued)*

The Group 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 Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending September 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

***HKFRS 16 Leases***

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or financing leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's office property leases are currently classified as operating leases and the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

### (b) New and revised HKFRSs in issue but not yet effective *(Continued)*

***HKFRS 16 Leases*** *(Continued)*

As disclosed in note 43, the Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to HK$3,225,000 as at 31 March 2019. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2019 onwards.

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

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

## 4. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. investment property that is measured at fair value).

The preparation of consolidated financial statements in conformity with HKFRS 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 5 to the consolidated financial statements.

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

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 March. Subsidiaries are entities over which the Group has control. 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. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (a) Consolidation *(Continued)*

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, investments in subsidiaries are stated at cost less impairment loss, unless the investment is classified as held for sale.

### (b) Business combinations and goodwill

The acquisition method is used to account for the acquisition of a subsidiary in a business combination. The consideration transferred in a business combination is measured at the acquisition-date fair value of the assets given, equity instruments issued, liabilities incurred and any contingent consideration. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received. Identifiable assets and liabilities of the subsidiary in the acquisition are measured at their acquisition-date fair values.

The excess of the sum of consideration transferred over the Group's share of the net fair value of the subsidiary's identifiable assets and liabilities is recorded as goodwill. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the sum of the consideration transferred is recognised in consolidated profit or loss as a gain on bargain purchase which is attributed to the Group.

In a business combination achieved in stages, the previously held equity interest in the subsidiary is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in consolidated profit or loss. The fair value is added to the sum of consideration transferred in a business combination to calculate the goodwill.

The non-controlling interests in the subsidiary are initially measured at the non-controlling shareholders' proportionate share of the net fair value of the subsidiary's identifiable assets and liabilities at the acquisition date.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (b) Business combinations and goodwill *(Continued)*

After initial recognition, goodwill is measured at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs") or groups of CGUs that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Group at which the goodwill is monitored for internal management purposes. Goodwill impairment reviews are undertaken annually, or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

### (c) Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (c) Associates *(Continued)*

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

### (d) Foreign currency translation

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

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

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

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (d) Foreign currency translation *(Continued)*

#### *(iii) Translation on consolidation*

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

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in the other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities and of borrowings are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

### (e) Property, plant and equipment

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

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 recognised in profit or loss during the period in which they are incurred.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (e) Property, plant and equipment *(Continued)*

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are as follows:

| | |
|---|---|
| Leasehold properties | 50 years |
| Computer hardware and software | 3-5 years |
| Furniture and fixtures | 5 years |
| Leasehold improvements | Over the lease term or 5 years |
| Office equipment | 5 years |
| Motor vehicles | 4-5 years |

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

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

### (f) Investment property

Investment property is land and/or buildings held to earn rentals and/or for capital appreciation. An investment property is measured initially at its cost including all direct costs attributable to the property.

After initial recognition, the investment property is stated at its fair value based on valuation by an external independent valuer. Gains or losses arising from changes in fair value of the investment property are recognised in profit or loss for the period in which they arise.

The gain or loss on disposal of an investment property is the difference between the net sales proceeds and the carrying amount of the property, and is recognised in profit or loss.

### (g) Cross boundary vehicle licence

Cross boundary vehicle licence with indefinite useful life is stated at cost less any impairment losses. Impairment is reviewed annually or when there is any indication that the license has suffered an impairment loss.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (h) Leases

***The Group as lessee***

*(i) Operating leases*

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

*(ii) Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the consolidated statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets over the shorter of the lease term and their estimated useful lives.

### (i) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

### (j) Properties under development

Properties for sale under development are stated at the lower of cost and net realisable value. Costs include acquisition costs, prepaid land lease payments, construction costs, borrowing costs capitalised and other direct costs attributable to such properties. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. On completion, the properties are reclassified to properties held for sale at the then carrying amount.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (k) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out basis. The cost of finished goods comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

### (l) Recognition and derecognition of financial instruments

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

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

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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement 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.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (m) Financial assets

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. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

***Debt investments***

Debt investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

– FVTOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

***Equity investments***

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (m) Financial assets *(Continued)*

***Equity investments*** *(Continued)*

*Policy prior to 1 April 2018*

Investments in securities held for trading were classified as financial assets measured at FVTPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities. Held-to-maturity securities were stated at amortised cost.

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Dividend income from equity investments and interest income from debt securities calculated using the effective interest method were recognised in profit or loss respectively. Foreign exchange gains and losses arising from debt securities were also recognised in profit or loss. When the investments were derecognised or impaired, the cumulative gain or loss recognised in equity was reclassified to profit or loss.

### (n) Trade and other receivables

A receivable is recognised when the group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. 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. Receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

### (o) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, 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 cash flow statement. Cash and cash equivalents are assessed for ECL.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (p) Financial liabilities and equity instruments

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

### (q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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 reporting period.

### (r) Financial guarantee contract liabilities

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

– the amount determined in accordance with the ECL model under HKFRS 9 and

– the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of HKFRS 15.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

### (s) Trade and other payables

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

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (t) Equity instruments

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

### (u) Revenue recognition

***Policy after 1 April 2018***

Revenue from sales of goods was generally recognised at a point in times when the following conditions were satisfied:

a) the Group had transferred to the buyer the significant risks and rewards of ownership of the goods;

b) the Group retained neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

c) the amount of revenue could be measured reliably;

d) it is probable that the economic benefit associated with the transaction would flow to the Group; and

e) the cost incurred or to be incurred in respect of the transaction could be measured reliably.

Under HKFRS 15, revenue is recognised in profit or loss when the Group satisfies a performance obligation by transferring a promised good or service (i.e. an assets) to a customer. An asset is transferred when the customer obtains control of that asset. Revenue may be over time or at a particular point in time. Revenue is recognised over time when one of the following criteria is satisfied:

a) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

b) the Group's performance creates or enhances an asset with alternative use to the Group and the created or enhanced; or

c) 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.

Revenue is recognised at a particular point in time (i.e. when the customer obtains control of the promised goods or service) when none of the abovementioned criteria are satisfied.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (u) Revenue recognition *(Continued)*

***Policy after 1 April 2018*** *(Continued)*

The Table below is a summary of how the Group's revenue from different types of operations is recognised under HKFRS 15.

| Type of revenue | Accounting policy under HKFRS 15 |
|---|---|
| Trading of electronic parts and components | Revenue is recognised at a particular point in time when customers have control over the promised goods, which is generally the time when goods are delivered to customers and customers have accepted the goods. |

Interest income is recognised as it accrues using the effective interest method.

***Policy prior to 1 January 2018***

Revenue is measured at the fair value of the consideration received or receivable and is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

Revenue from sales of finished goods is recognised on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the goods are delivered and the title has passed to the customers.

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

### (v) Employee benefits

***(i) 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.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (v) Employee benefits *(Continued)*

#### *(ii) Pension obligations*

The Group contributes to defined contribution retirement schemes which are available to employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

#### *(iii) Termination benefits*

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs and involves the payment of termination benefits.

### (w) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

### (x) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (x) Borrowing costs *(Continued)*

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

### (y) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (y) Taxation *(Continued)*

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured based on the expected manner as to how the properties will be recovered.

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

### (z) PRC land appreciation tax ("LAT")

LAT is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures including land costs, borrowing costs, business taxes and all property development expenditures. LAT is recognised as an income tax expense. LAT paid is a deductible expense for the People's Republic of China (the "PRC") enterprise income tax purposes.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (aa) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

### (bb) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI and trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix 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 as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (bb) Impairment of financial assets *(Continued)*

***Significant increase in credit risk***

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

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

- 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 for a particular financial instrument;
- 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;
- significant increases in credit risk on other financial instruments of the same 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 on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (bb) Impairment of financial assets *(Continued)*

***Significant increase in credit risk*** *(Continued)*

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) The financial instrument has a low risk of default,

(ii) The debtor 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 financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there are no past due amounts.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

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.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (bb) Impairment of financial assets *(Continued)*

***Definition of default***

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

– when there is a breach of financial covenants by the counterparty; or

– 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 analysis, 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.

***Credit-impaired financial assets***

A financial asset is credit-impaired when one or more events 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:

– significant financial difficulty of the issuer or the counterparty;

– a breach of contract, such as a default or past due event;

– the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or

– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

– The disappearance of an active market for that financial asset because of financial difficulties.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (bb) Impairment of financial assets *(Continued)*

***Write-off policy***

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, 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. Any recoveries made are recognised in profit or loss.

***Measurement and recognition of ECL***

The measurement of expected credit losses 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 as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 Leases.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (bb) Impairment of financial assets *(Continued)*

***Measurement and recognition of ECL*** *(Continued)*

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

***Policy prior to 1 January 2018***

At the end of each reporting period, the Group assesses whether its financial assets (other than those at fair value through profit or loss) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered also to be objective evidence of impairment.

For financial assets measured at cost, the amount of impairment loss is measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

In addition, for trade receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

In respect of available-for-sale equity securities, an increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated in revaluation reserve; impairment losses are not reversed through profit or loss.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### (cc) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

### (dd) Events after the reporting period

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

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

### Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

***(a) Property, plant and equipment and depreciation***

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

As at 31 March 2019, the carrying amount of property, plant and equipment was HK$1,068,000 (2018: HK$1,168,000).

***(b) Income taxes and deferred tax***

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, no income tax was credited (2018: HK$122,000 credited) to profit or loss based on the estimated assessable profits.

Deferred tax assets recognised to the extent that it is probable that future taxable profit will be available against the temporary differences or tax losses can be utilised. In the current year, deferred tax assets relating to certain temporary differences and tax losses are not recognised in the consolidated financial statements.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

**Key sources of estimation uncertainty** *(Continued)*

### *(c) Impairment of trade receivables*

Prior to the adoption of HKFRS 9 on 1 April 2018, the management of the Group assesses at the end of each reporting period whether there is any objective evidence that trade receivables are impaired.

The Group makes impairment of trade receivables based on assessments of the recoverability of the trade and other receivables, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of the trade and other receivables and doubtful debt expenses in the year in which such estimate has been changed.

As at 31 March 2018, the carrying amount of trade receivables is HK$61,451,000.

Since the adoption of HKFRS 9 on 1 April 2018, the management of the Group estimates the amount of impairment loss for ECL on trade receivables based on the credit risk of trade receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 March 2019, the carrying amount of trade receivables is HK$33,916,000.

### *(d) Impairment of investments in associates*

The directors determines whether investments in associates have suffered any impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable, according to their recoverable amounts determined by the cash-generating units based on value in use calculations. The determination of impairment indication requires significant judgement, and the calculations require the use of estimates which are subject to change of economic environment in future.

As at 31 March 2019, the carrying amount of investments in associates was HK$14,035,000 (2018: HK$19,245,000).

### *(e) Impairment of goodwill*

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value.

The carrying amount of goodwill at the end of the reporting period was HK$24,911,000 (2018: HK$24,911,000).

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 5. CRITICAL JUDGEMENTS AND KEY ESTIMATES *(Continued)*

### Key sources of estimation uncertainty *(Continued)*

#### *(f) Allowance for slow-moving inventories*

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. No allowance for slow-moving inventories was made for the year ended 31 March 2019 (2018: Nil).

#### *(g) Net realisable value of properties under development*

The Group writes down properties under development to net realisable value based on assessment of the realisability of properties under development which takes into account cost to completion based on past experience and net sales value based on prevailing market conditions. If there is an increase in cost to completion or a decrease in net sales value, the net realisable value will decrease which may result in writing down properties under development to net realisable value. Write-downs are recorded where events or changes in circumstances indicate that the balances may not be realised. The identification of write-downs requires the use of judgement and estimates. Where the expectation is different from the original estimate, the carrying value of properties under development is adjusted in the period in which such estimate is changed.

As at 31 March 2019, the carrying amount of the properties under development was HK$39,532,000 (2018: HK$40,734,000). Write-down of HK$1,149,000 was recognised for the year ended 31 March 2019 (2018: write-back of HK$4,352,000).

#### *(h) Fair value of financial assets at FVTOCI*

In the absence of quoted market prices in an active market, the directors estimate the fair value of the Group's 7% equity interest in an unlisted company, details of which are set out in note 4 to the consolidated financial statements, by considering information from a variety of sources, including the latest published financial information, the historical data on market volatility as well as the price and industry and sector performance of the unlisted company.

As at 31 March 2019, the carrying amount of financial assets at FVTOCI was HK$38,600,000 (2018: HK$41,777,000).

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate 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.

### (a) Foreign currency risk

The Group has certain exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in HK$, Renminbi ("RMB") and United States dollars ("US$"). The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

***Sensitivity analysis***

The Group's bank balances, pledged bank deposits, trade, bills and other receivables, bank loans, trade and other payables are exposed to fluctuation in a currency other than functional currency of the Group which they relate.

The Group does not expect any significant exposure to foreign currency risk as HK$ is pegged to the US$ and it is not considered likely that these will be a material fluctuation in the US$/HK$ exchange rate.

The following table indicates that the instantaneous change in the Group's loss after tax (and accumulated losses) that would arise if RMB/HK$ exchange rate to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. Other components of equity would not be affected by changes in foreign exchange rates. For presentation purposes, the amounts are shown in HK$, translated using the spot rate at the end of the reporting period.

| | **2019** | | 2018 | |
|---|---|---|---|---|
| | **Increase/ (decrease) in foreign exchange rates** | **Effect on loss after tax and accumulated losses *HK$'000*** | Increase/ (decrease) in foreign exchange rates | Effect on loss after tax and accumulated losses *HK$'000* |
| HK$/RMB | **5%** | **(15)** | 5% | (6) |
| | **(5%)** | **15** | (5%) | 6 |

The sensitivity analysis assumes that the change in RMB/HK$ had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 6. FINANCIAL RISK MANAGEMENT *(Continued)*

### (b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from pledged bank deposits and bank balances is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

***Trade and bill receivables***

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade and bill receivables are due within 90 days from the date of billing. Debtors with balances that are more than 3 months past due are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade and bill receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

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

| | Expected loss rate<br>*%* | Gross carrying amount<br>*HK$'000* | Loss allowance<br>*HK$'000* |
|---|---|---|---|
| Current (not past due) | 1.1 | 1,773 | 13 |
| 1 – 30 days past due | 1.4 | 19,920 | 143 |
| 31 – 60 days past due | 1.7 | 8,314 | 76 |
| 61 – 90 days past due | 3.6 | 3,528 | 41 |
| More than 90 days past due | 3.6 | 2,483 | 58 |
| | | | 331 |

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 6. FINANCIAL RISK MANAGEMENT *(Continued)*

### (b) Credit risk *(Continued)*

***Trade and bill receivables*** *(Continued)*

Expected loss rates are based on actual loss experience over the past 1 year. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

*Prior to 1 April 2018*

Prior to 1 April 2018, an impairment loss was recognised only when there was objective evidence of impairment. The aging analysis of trade debtors that were not considered to be impaired was as follows:

| | 2018<br>*HK$'000* |
|---|---|
| Neither past due nor impaired | 43,541 |
| 1 – 30 days past due | 17,886 |
| 31 – 60 days past due | 8 |
| Over 60 days | 16 |
| | 17,910 |

Receivables that were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, management believed that no impairment allowance was necessary in respect of these balances as there had been no significant change in credit quality and the balances were still considered fully recoverable.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 6. FINANCIAL RISK MANAGEMENT *(Continued)*

### (b) Credit risk *(Continued)*

***Trade and bill receivables*** *(Continued)*

*Prior to 1 April 2018 (Continued)*

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

| | 2019 |
|---|---|
| | *HK$'000* |
| At 31 March under HKAS 39 | – |
| Impact on initial application of HKFRS 9 (note 3) | 151 |
| Adjusted balance at 1 April | 151 |
| Recognised for the year | 180 |
| At 31 March | 331 |

***Financial assets at amortised cost***

All of the Group's investments at amortised cost are considered to have low credit risk, and the loss allowance recognised during the year was therefore limited to 12-month expected losses. Other instruments are considered to be low credit risk when they have a low of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 6. FINANCIAL RISK MANAGEMENT *(Continued)*

### (c) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's financial liabilities is as follows:

| | Less than 1 year and on demand *HK$'000* | Between 1 and 2 years *HK$'000* | Between 2 and 5 years *HK$'000* | Over 5 years *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|
| **At 31 March 2019** | | | | | |
| Trade and other payables | **103,097** | **-** | **-** | **-** | **103,097** |
| Bank and other loans | **39,875** | **-** | **-** | **-** | **39,875** |
| Long term bonds | **-** | **40,000** | **-** | **-** | **40,000** |
| Due to an associate | **22,515** | **-** | **-** | **-** | **22,515** |
| At 31 March 2018 | | | | | |
| Trade and other payables | 110,188 | – | – | – | 110,188 |
| Finance lease payable | 84 | – | – | – | 84 |
| Bank and other loans | 86,605 | – | – | – | 86,605 |
| Long term bonds | 2,000 | 2,000 | 42,000 | – | 46,000 |
| Due to an associate | 24,053 | – | – | – | 24,053 |
| Promissory note | 36,000 | – | – | – | 36,000 |

The following table summarises the maturity analysis of bank and other loans, promissory note and finance lease payable 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. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis contained above. Taking into account the Group's financial position, the directors do not consider that it is probable that the bank and note holder will exercise their discretion to demand immediate repayment. The directors believe that such bank and other loans, promissory note and finance lease payable will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 6. FINANCIAL RISK MANAGEMENT *(Continued)*

### (c) Liquidity risk *(Continued)*

The maturity analysis of the Group's financial liabilities that bank and other loans, finance lease payable and promissory note subject to a repayment on demand clause based on schedule repayments:

| | Less than 1 year and on demand *HK$'000* | Between 1 and 2 years *HK$'000* | Between 2 and 5 years *HK$'000* | Over 5 years *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|
| **At 31 March 2019** | | | | | |
| Bank and other loans | **39,875** | **-** | **-** | **-** | **39,875** |
| At 31 March 2018 | | | | | |
| Finance lease payable | 85 | – | – | – | 85 |
| Bank and other loans | 83,673 | 264 | 792 | 2,576 | 87,305 |
| Promissory note | 36,000 | – | – | – | 36,000 |

### (d) Interest rate risk

The Group's exposure to interest-rate risk arises from its bank and other loans. These bank and other loans bear interests at variable rates varied with the prevailing market condition and expose the Group to cash flow interest rate risk.

At 31 March 2019, if the interest rate had been 100 basis points lower, with all other variables held constant, the impact on consolidated loss after tax is summarised in the following table. The sensitivity analysis includes bank and other loans and adjusts the respective interest rates at the year end of 100 basis points. A positive number indicates a decrease in loss. If the interest rate had been 100 basis points higher, with all other variables held constant, there would be an equal and opposite impact on loss after tax, and the balances below would be negative.

| | At 31 March | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| Loss after tax | **454** | 597 |

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 6. FINANCIAL RISK MANAGEMENT *(Continued)*

### (e) Categories of financial instruments as at 31 March

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| **Financial assets:** | | |
| Amortised cost | **128,428** | – |
| Loans and receivables (including cash and cash equivalents) | **–** | 269,844 |
| Financial assets at FVTOCI | **38,600** | – |
| Financial assets at FVTPL | **3,875** | – |
| Available-for-sale financial assets | **–** | 45,652 |
| **Financial liabilities:** | | |
| Financial liabilities at amortised cost | **205,612** | 298,391 |

### (f) Fair values

Except as disclosed in note 24(a) to the consolidated financial statements, the carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

## 7. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categories into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 7. FAIR VALUE MEASUREMENTS *(Continued)*

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.

### (a) Disclosures of level in fair value hierarchy at 31 March:

| Description | Fair value measurements using level 3: 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Recurring fair value measurements | | |
| **Assets** | | |
| Investment property | | |
| Residential – Hong Kong | **–** | 13,000 |
| **Financial assets at FVTOCI** | **38,600** | – |

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

| Description | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Investment property | | |
| At beginning | **13,000** | 11,500 |
| Disposal | **(13,000)** | – |
| Total gains or losses recognised in profit or loss (#) | **–** | 1,500 |
| At end of year | **–** | 13,000 |
| **Financial assets at FVTOCI** | | |
| At beginning | **–** | – |
| Initial application of HKFRS 9 | **44,561** | – |
| Total gains or losses recognised in OCI | **(5,961)** | – |
| At end of year | **38,600** | – |
| (#) Include gains or losses for assets held at end of reporting period | **–** | 1,500 |

The total gains or losses recognised in profit or loss including those for assets held at the end of the reporting period is included in other net income (note 9) of the consolidated statement of profit or loss.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 7. FAIR VALUE MEASUREMENTS *(Continued)*

### (c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 March 2019:

The Group's financial controller is responsible for the fair value measurements of assets and liabilities required for financial reporting purposes, including level 3 fair value measurements. The financial controller reports directly to the board of Directors for these fair value measurements. Discussions of valuation processes and results are held between the financial controller and the board of Directors at least once a year.

For level 3 fair value measurements, the Group will normally engage external valuation experts with the recognised professional qualifications and recent experience to perform the valuations.

***Level 3 fair value measurements***

| Description | Valuation technique | Unobservable inputs | Range | Assets 2019 HK$'000 | Assets 2018 HK$'000 |
|---|---|---|---|---|---|
| Investment property in Mei Foo Sun Chuen, Hong Kong | Sales comparison approach | Premium (discount) on quality of properties | Increase or decrease 25% | – | 13,000 |
| Unlisted equity securities | Income approach | Discount rate | 13.97% | 38,600 | – |
| | | Long-term revenue growth rate | 3% | | |
| | | Discount for lack of marketability | 15% | | |

The fair value of investment property is determined using sales comparison approach by reference to recent sales price of comparable properties on a price per square foot basis, adjusted for a premium or a discount specific to the quality of the Group's properties compared to the recent sales. The valuation takes into account the characteristic of the property which included the location, size, floor level, year of completion and other factors collectively. Higher premium for higher quality properties will result in a higher fair value measurement.

During the two years, there were no changes in the valuation techniques used.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 8. REVENUE

An analysis of the Group's revenue for the year is as follows:

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| Sales of electronic parts and components | **501,246** | 650,829 |

## 9. OTHER NET INCOME

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| Interest income | **283** | 74 |
| Net foreign exchange gains/(losses) | **361** | (36) |
| Fair value gain on investment property | **–** | 1,500 |
| Gain on disposal of property, plant and equipment | **99** | 1,086 |
| Loss on disposal of investment property | **(1,000)** | – |
| Gain on disposal of subsidiary | **7,673** | – |
| Sundry income | **107** | – |
| | **7,523** | 2,624 |

## 10. SEGMENT INFORMATION

The Group has three (2018: three) reportable segments as follows:

| | | |
|---|---|---|
| Trading of electronic parts and components | – | trading of electronic parts and components and provision of professional solution with engineering services |
| Property development | – | sale of developed properties |
| Property investment | – | rental income and property appreciation |

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The accounting policies of the operating segments are the same as those described in note 4 to the consolidated financial statements. Segment profit or loss do not include unallocated corporate results.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 10. SEGMENT INFORMATION *(Continued)*

Information about reportable segment profit or loss:

| | Trading of electronic parts and components HK$'000 | Property development HK$'000 | Property investment HK$'000 | Total HK$'000 |
|---|---|---|---|---|
| **Year ended 31 March 2019** | | | | |
| Revenue from external customers | **501,246** | **-** | **-** | **501,246** |
| Segment (loss)/profit | **916** | **(4,406)** | **(2,225)** | **(5,715)** |
| Depreciation | **64** | **72** | **-** | **136** |
| Impairment losses on investments in associates | **-** | **4,851** | **-** | **4,851** |
| Write-down of properties under development | **-** | **–** | **1,149** | **1,149** |
| Year ended 31 March 2018 | | | | |
| Revenue from external customers | 650,829 | – | – | 650,829 |
| Segment (loss)/profit | (2,280) | (10,144) | 5,737 | (6,687) |
| Depreciation | 151 | 263 | – | 414 |
| Write-back of properties under development | – | – | 4,352 | 4,352 |

Reconciliations of reportable segment revenue and profit or loss:

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| **Revenue** | | |
| Total revenue | **501,246** | 650,829 |
| **Profit or loss** | | |
| Total loss of reportable segments | **(5,715)** | (6,687) |
| Unallocated corporate results | **(21,643)** | (20,079) |
| Consolidated loss for the year | **(27,358)** | (26,766) |
| **Reconciliation of other material items:** | | |
| **Other material items – depreciation and amortisation** | | |
| Total depreciation of reportable segments | **137** | 414 |
| Unallocated amounts: | | |
| Depreciation of property, plant and equipment for corporate use | **626** | 498 |
| Consolidated depreciation | **763** | 912 |

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 10. SEGMENT INFORMATION *(Continued)*

### Geographical information

| | Non-current assets | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| Hong Kong | **30,012** | 41,882 |
| The PRC except Hong Kong | **19,131** | 19,406 |
| Consolidated total | **49,143** | 61,288 |

Geographical information excluded available-for-sale financial assets.

Majority of the revenue generated by the Group for the years ended 31 March 2019 and 2018 were attributable to customers based in the PRC. In presenting the geographical information, revenue is based on the location of the customers.

### Revenue from major customers

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Customer A | **95,802** | 92,801 |
| Customer B | **73,517** | 156,071 |
| Customer C | **–** | 98,560 |
| Customer D | **57,015** | – |
| Customer E | **54,023** | – |

Revenue from four (2018: three) customers generated from the Group's trading of components segment.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 11. FINANCE COSTS

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Wholly repayable within five years | | |
| – Interest on bank loans | **2,484** | 2,910 |
| – Interest on other loan | **–** | 1,162 |
| – Finance lease charges | **3** | 10 |
| – Interest on long term bonds | **2,000** | 2,000 |
| Not wholly repayable within five years based on repayment schedule | | |
| – Interest on bank loans | **64** | 77 |
| | **4,551** | 6,159 |

## 12. INCOME TAX CREDIT

Income tax has been recognised in profit or loss as following:

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Current tax – PRC Enterprise Income Tax | | |
| – Provision for the year | **–** | 44 |
| Deferred tax liabilities (note 36) | **–** | (166) |
| Income tax credit | **–** | (122) |

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 12. INCOME TAX CREDIT *(Continued)*

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements since the Group has sufficient tax losses brought forward to set off against current year's assessable profit (2018: Nil).

PRC Enterprise Income Tax has been provided at a rate of 25% (2018: 25%).

The reconciliation between the income tax expense and the product of loss before tax multiplied by the Hong Kong Profits Tax rate is as follows:

| | **2019** **HK\$'000** | 2018 HK\$'000 |
|---|---|---|
| Loss before tax | **(27,358)** | (26,888) |
| Tax at the domestic income tax rate of 16.5% (2017: 16.5%) | **(4,514)** | (4,437) |
| Tax effect of a two-tier tax regime | **(165)** | – |
| Tax effect of income that is not taxable | **(1,478)** | (1,005) |
| Tax effect of expenses that are not deductible | **1,666** | 5,061 |
| Tax effect of temporary differences not recognised | **–** | 127 |
| Tax effect of tax losses not recognised | **4,954** | 828 |
| Tax effect of utilisation of tax losses not previously recognised | **(134)** | (223) |
| PRC withholding tax | **–** | 44 |
| Effect of different tax rates of subsidiaries | **(329)** | (517) |
| Income tax credit | **–** | (122) |

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 13. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:

| | 2019 *HK$'000* | 2018 *HK$'000* |
|---|---|---|
| Auditor's remuneration | | |
| – Current year | **800** | 1,550 |
| – Under-provision in prior year | **–** | 150 |
| | **800** | 1,700 |
| Cost of inventories sold | **481,921** | 625,394 |
| Depreciation of property, plant and equipment | **763** | 912 |
| Direct operating expense of investment property that did not generate rental income | **25** | 38 |
| Fair value gain on investment property | **–** | (1,500) |
| Inventories written off | **13** | 178 |
| Other receivables written off | **–** | 1,171 |
| Gain on disposal of property, plant and equipment | **(99)** | (1,086) |
| Loss on disposal of investment property | **1,000** | – |
| Write-off of property, plant and equipment | **–** | 1 |
| Operating lease charges | | |
| – Premises | **3,569** | 3,229 |
| Net foreign exchange (gains)/losses | **(361)** | 36 |
| Research and development expenses | | |
| – Other expenses | **478** | 1,573 |

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 14. EMPLOYEE BENEFITS EXPENSE

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Employee benefits expense (including directors' emoluments): | | |
| Salaries, bonuses and allowances | **26,865** | 29,070 |
| Retirement benefit scheme contributions | **434** | 565 |
| | **27,299** | 29,635 |

### Five highest paid individuals

The five highest paid individuals in the Group during the year include one (2018: one) director whose emoluments are reflected in the analysis presented in note 15. The emoluments of the remaining four (2018: four) individuals are set out below:

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Basic salaries and allowances | **5,070** | 9,989 |
| Retirement benefits scheme contributions | **72** | 72 |
| | **5,142** | 10,061 |

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 14. EMPLOYEE BENEFITS EXPENSE *(Continued)*

The emoluments fell within the following band:

| | Number of individuals 2019 | 2018 |
|---|---|---|
| HK$1,000,001 to HK$1,500,000 | 1 | – |
| HK$1,500,001 to HK$2,000,000 | 1 | – |
| HK$2,000,001 to HK$2,500,000 | 1 | 4 |
| | 3 | 4 |

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

## 15. BENEFITS AND INTERESTS OF DIRECTORS

### (a) Emoluments of directors

The emoluments of each director were as follows:

| Name of director | Directors' fees *HK$'000* | Salaries and allowances *HK$'000* | Total *HK$'000* |
|---|---|---|---|
| **Year ended 31 March 2019** | | | |
| *Executive directors* | | | |
| Mr. Ma Chao (note (c)) | – | 2,400 | 2,400 |
| Mr. Fu Yong (note (c)) | – | 600 | 600 |
| Mr. Zhang Shourong (note (c)) | – | 600 | 600 |
| *Independent non-executive directors* | | | |
| Mr. Chiu Wai Piu | 120 | – | 120 |
| Mr. Miu Hon Kit (note (a)) | 60 | – | 60 |
| Mr. Li Shiu Ki, Ernest | 120 | – | 120 |
| Mr. Cheung Kwan Hung (note (b)) | 60 | | 60 |
| **Total for 2019** | 360 | 3,600 | 3,960 |

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 15. BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

### (a) Emoluments of directors *(Continued)*

| Name of director | Directors' fees *HK$'000* | Salaries and allowances *HK$'000* | (note (e)) Estimated money value of the benefit *HK$'000* | Retirement benefit scheme contributions *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|
| **Year ended 31 March 2018** | | | | | |
| *Executive directors* | | | | | |
| Mr. Ma Chao (note (c)) | – | 671 | – | – | 671 |
| Mr. Fu Yong (note (a)) | – | 168 | – | – | 168 |
| Mr. Zhang Shourong (note (a)) | – | 168 | – | – | 168 |
| Mr. So Loi Fat (note (d)) | – | 1,350 | 510 | 14 | 1,874 |
| Mr. Su Minzhi (note (d)) | – | 450 | – | – | 450 |
| Mr. Chen Dongquan (note (d)) | – | 1,458 | – | 14 | 1,472 |
| *Independent non-executive directors* | | | | | |
| Mr. Chiu Wai Piu | 140 | – | – | – | 140 |
| Mr. Miu Hon Kit | 140 | – | – | – | 140 |
| Mr. Li Shiu Ki, Ernest | 140 | – | – | – | 140 |
| Total for 2018 | 420 | 4,265 | 510 | 28 | 5,223 |

*Note:*

(a) Resigned on 2 October 2018

(b) Appointed on 2 October 2018

(c) Appointed on 21 December 2017

(d) Resigned on 1 January 2018

(e) Represented rent paid

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2018: Nil).

### (b) Directors' material interests in transactions, arrangement or contracts

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

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 16. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,500 (2018: HK$1,500) per employee and vest fully with employees when contributed into the MPF Scheme.

Subsidiaries established in the PRC participate in various defined contribution retirement plans ("Plans") organised by local authorities for the Group's employees in the PRC. The subsidiaries are required to contribute, based on a certain percentage of the basic payroll, to the Plans. The Group has no other material obligation for the payment of pension benefits associated with these Plans beyond the annual contributions described above.

## 17. DIVIDENDS

The Directors have not declared nor proposed any dividends in respect of the year ended 31 March 2019 (2018: Nil).

## 18. LOSS PER SHARE

### (a) Basic loss per share

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK$26,865,000 (2018: approximately HK$27,656,000) and the weighted average number of ordinary shares of 412,089,994 (2018: 412,089,994) in issue during the year.

2018 comparative figure has been re-presented with the effect of share consolidation as presented in note 37(b) to the consolidated financial statements.

### (b) Diluted loss per share

As the exercise of the Group's outstanding share options for the years ended 31 March 2019 and 2018 would be anti-dilutive, no diluted loss per share was presented in both years.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 19. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold properties *HK$'000* | Computer hardware and software *HK$'000* | Leasehold improvements, furniture and fixtures *HK$'000* | Office equipment *HK$'000* | Motor vehicles *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 April 2017 | 5,000 | 301 | 1,623 | 32 | 2,325 | 9,281 |
| Additions | – | 14 | 2 | – | – | 16 |
| Written off | – | – | (3) | – | – | (3) |
| Disposal | (5,000) | – | – | – | – | (5,000) |
| Exchange differences | – | 7 | 5 | 2 | 25 | 39 |
| At 31 March 2018 and at 1 April 2018 | – | 322 | 1,627 | 34 | 2,350 | 4,333 |
| Additions | – | – | 113 | 13 | 835 | 961 |
| Disposal | – | (113) | (80) | – | (1,554) | (1,747) |
| Disposal of subsidiary *(note 46)* | – | – | – | – | (153) | (153) |
| Exchange differences | – | (2) | (1) | – | – | (3) |
| At 31 March 2019 | – | 207 | 1,659 | 47 | 1,478 | 3,391 |
| **Accumulated depreciation** | | | | | | |
| At 1 April 2017 | 504 | 193 | 789 | 20 | 1,308 | 2,814 |
| Charge for the year | 82 | 50 | 309 | 6 | 465 | 912 |
| Written off | – | – | (2) | – | – | (2) |
| Disposal | (586) | – | – | – | – | (586) |
| Exchange difference | – | 4 | 4 | 1 | 18 | 27 |
| At 31 March 2018 and at 1 April 2018 | – | 247 | 1,100 | 27 | 1,791 | 3,165 |
| Charge for the year | – | 34 | 306 | 5 | 418 | 763 |
| Disposal | – | (113) | (77) | (1) | (1,277) | (1,468) |
| Disposal of subsidiary *(note 46)* | – | – | – | – | (134) | (134) |
| Exchange difference | – | – | (2) | – | – | (2) |
| At 31 March 2019 | – | (168) | (1,327) | (31) | (798) | (2,324) |
| **Carrying amount** | | | | | | |
| At 31 March 2019 | – | 39 | 332 | 16 | 680 | 1,067 |
| At 31 March 2018 | – | 75 | 527 | 7 | 559 | 1,168 |

At 31 March 2018, the carrying amount of a motor vehicle held by the Group under finance leases amounted to approximately HK$87,000 (note 33).

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 20. INVESTMENT PROPERTY

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| At beginning of year | **13,000** | 11,500 |
| Disposed | **(13,000)** | – |
| Fair value gain | **–** | 1,500 |
| At end of year | **–** | 13,000 |

Investment property was revalued at 31 March 2018 on the open market value basis by reference to market evidence of recent transactions for similar properties by Savills Valuation and Professional Services Limited, an independent firm of valuers.

The Group's investment property is situated in Hong Kong and is held under medium-leases.

At 31 March 2018, the carrying amount of investment property pledged as security for the Group's bank and other loans amounted to HK$13,000,000.

## 21. GOODWILL

| | HK$'000 |
|---|---|
| **Cost** | |
| At 1 April 2017, at 31 March 2018, at 1 April 2018 and at 31 March 2019 | 24,911 |
| **Accumulated impairment losses** | |
| At 1 April 2017, at 31 March 2018, at 1 April 2018 and at 31 March 2019 | – |
| **Carrying amount** | |
| **At 31 March 2019** | **24,911** |
| At 31 March 2018 | 24,911 |

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 21. GOODWILL *(Continued)*

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit ("CGU") that are expected to benefit from that business combination. The carrying amount of goodwill, before impairment loss, had been allocated to ETC Technology Limited ("ETC") in trading of electronic parts and components segment.

The recoverable amount of the CGU has been determined on the basis of its value in use using discounted cash flow method.

The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the CGU operates. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using 3% (2018: 3%) growth rate. This rate does not exceed the average long-term growth rate for the relevant markets.

The pre-tax rate used to discount the forecast cash flows is 13% (2018: 12%) for the CGU of ETC.

## 22. INTANGIBLE ASSET

The Group's intangible asset solely represented cross-boundary vehicle licence of HK$4,054,000 (2018: HK$1,718,000). The licence is assessed as having indefinite useful life because there is no time limit that the Group can enjoy the services provided by that licence.

No impairment was made as the management considered the realisable value of the licence was closed to the cost at 31 March 2019 (2018: Nil).

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 23. INTERESTS IN SUBSIDIARIES

Details of the subsidiaries at 31 March 2019 are as follows:

| Name | Place of incorporation/ establishment | Principal activities | Particulars of issued share capital/ registered capital | Interest held |
|---|---|---|---|---|
| **Directly held:** | | | | **2019**/2018 |
| Full Rich Human Resources Limited | Hong Kong | Human resources management in Hong Kong | HK$100 | **100%**/100% |
| Gold Continental Investments Limited | The BVI | Investment holding | 100 ordinary shares of US$1 each | **100%**/100% |
| Golden Kingtex Limited | The BVI | Investment holding | 100 ordinary shares of US$1 each | **100%**/100% |
| Gold Basin Capital Limited | The BVI | Investment holding | 100 ordinary shares of US$1 each | **100%**/100% |
| Hao Cheng Global Limited | The BVI | Investment holding | 10 ordinary shares of US$1 each | **100%**/100% |
| **Indirectly held:** | | | | |
| Best Team International Investment Limited | Hong Kong | Investment holding | HK$2,000 | **100%**/100% |
| 深圳市鑫泰溢投資發展有限公司 ("Xintaiyi") (note (b)) | The PRC | Investment holding | RMB50,000,000 | **100%**/100% |
| 陽江市永聯房地產開發有限公司 | The PRC | Property investment | RMB1,000,000 | **66.66%**/66.66% |
| ETC | Hong Kong | Trading of electronic parts | HK$2,000,000 | **75%**/75% |
| 超豐科技(深圳)有限公司 (note (b)) | The PRC | Trading of electronic parts | HK$2,000,000 | **100%**/100% |

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 23. INTERESTS IN SUBSIDIARIES *(Continued)*

| Name | Place of incorporation/ establishment | Principal activities | Particulars of issued share capital/ registered capital | Interest held |
|---|---|---|---|---|
| **Indirectly held:** *(Continued)* | | | | **2019**/2018 |
| China Town Development Limited | Hong Kong | Not yet commence business | HK$1 | **100%**/100% |
| Top Wealth Holdings Limited | Hong Kong | Investment holding | HK$1 | **100%**/100% |
| Joyful Concord Limited | Hong Kong | Investment holding | HK$1 | **100%**/100% |
| Sky Goal International Limited | Hong Kong | Not yet commence business | HK$1 | **100%**/100% |

*Note:*

(a) The amounts due from/(to) subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

(b) These subsidiaries are Wholly-Owned Foreign Enterprises established in the PRC.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 23. INTERESTS IN SUBSIDIARIES *(Continued)*

The following table shows information of subsidiaries that have non-controlling interests ("NCI") material to the Group. The summarised financial information represents amounts before inter-company eliminations.

| Name | Best Worldwide | ETC |
|---|---|---|
| Principal place of business/ country of incorporation | Hong Kong/Hong Kong | Hong Kong/Hong Kong |
| % of ownership interests/voting rights held by NCI | 30%/30% | 25%/25% |

| | **2019 HK$'000** | 2018 HK$'000 | **2019 HK$'000** | 2018 HK$'000 |
|---|---|---|---|---|
| **At 31 March:** | | | | |
| Non-current assets | **–** | 46,490 | **4,039** | 16,980 |
| Current assets | **–** | – | **154,181** | 176,401 |
| Current liabilities | **–** | (886) | **(137,953)** | (172,858) |
| Net assets | **–** | 45,604 | **20,267** | 20,523 |
| Accumulated NCI | **–** | 13,681 | **5,067** | 5,130 |
| Year ended 31 March: | | | | |
| (Loss)/profit | **–** | (170) | **(160)** | 1,979 |
| (Loss)/profit allocated to NCI | **–** | (51) | **(40)** | 495 |
| Net cash generated from/ (used in) operating activities | **–** | – | **34,948** | (8,726) |
| Net cash generated from investing activities | **–** | – | **11,899** | 64 |
| Net cash (used in)/generated from financing activities | **–** | – | **(27,729)** | 16,473 |
| Net changes in cash and cash equivalents | **–** | – | **19,118** | 7,811 |

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 23. INTERESTS IN SUBSIDIARIES *(Continued)*

As at 31 March 2019, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to HK$1,926,000 (2018: HK$308,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

## 24. AVAILABLE-FOR-SALE FINANCIAL ASSETS/FINANCIAL ASSETS AT FVTOCI/STRUCTURED DEPOSIT

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| Unlisted equity securities *(note (a))* | **38,600** | 41,777 |
| Structured deposit *(note (b))* | **3,875** | 3,875 |
| | **42,475** | 45,652 |
| Available-for-sale financial assets | **–** | 45,652 |
| Financial asset at FVTOCI | **38,600** | – |
| Financial asset at FVTPL | **3,875** | – |
| | **42,475** | 45,652 |
| Analysed as: | | |
| Non-current assets | **42,475** | 45,652 |

*Note:*

(a) The unlisted equity securities represented an investment of 7% equity interest in a private company incorporated in the BVI and its non-wholly owned subsidiaries principally engaged in the operations of natural gas business, including construction of pipeline, selling and distribution of natural gas, installation of natural gas equipment and operation of fuel station in the PRC.

At 31 March 2018, the investment was carried at cost less impairment as it did not have a quoted market price in an active market and its value could not be reliably measured.

During the year ended 31 March 2019, these investments were designated by management as financial asset at FVTOCI as at the date of initial application of HKFRS 9. These investments are not held-for-trading and held for long-term strategic purpose. Accordingly, management believes that the financial asset at FVTOCI classification is appropriate for these investments.

During the year ended 31 March 2019, the actual performance of the investee company was less favourable than the projections of its management and indication of impairment existed. The Group engaged independent external valuation experts, DTZ Cushman & Wakefield Limited to determine the recoverable amount. The management of the Group worked closely with the valuation experts to establish the appropriate valuation techniques and inputs to the model.

The recoverable amount of the investment has been determined on the basis of the present value of estimated future cash flows discounted at the current market rate of return for similar financial assets.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 24. AVAILABLE-FOR-SALE FINANCIAL ASSETS/FINANCIAL ASSETS AT FVTOCI/STRUTURED DEPOSIT *(Continued)*

*Note: (Continued)*

(a) *(Continued)*

The key assumptions for estimating the present value of estimated future cash flows calculations are those regarding the discount rates, growth rates and budgeted gross margin and turnover of the investee company during the period. The management of the Company estimates discount rates using rate of return on similar investments that reflect current market conditions. The management of the Company estimate the growth rates based on long-term average economic growth rate of the geographical area in which the businesses of the investee company operates. Budgeted gross margin and turnover are based on past practices and expectations on market development.

During the year, the fair value change of financial assets at fair value through other comprehensive income is HK$5,961,000 (2018: Nil).

This unlisted equity securities are denominated in HK$.

(b) At 31 March 2019, the Group's structured deposit represented collared floating rate note ("CFRN") issued by a high-credit rating bank. The CFRN interest rate linked non-equity product with variable interest ranging from 1% to 3% indexed to 3-month USD LIBOR, and will be matured on 5 July 2020. The directors considered that the carrying value of the CFRN approximate its fair value at end of the reporting period. The CFRN is denominated in US$.

The structured deposit with an aggregate carrying amount of HK$3,875,000 (2018: HK$3,875,000) has been pledged to a bank to secure bank loans for the Group (note 32).

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 25. INVESTMENTS IN ASSOCIATES

| | Fuli | |
|---|---|---|
| | 2019 HK$'000 | 2018 HK$'000 |
| Unlisted investments: | | |
| Share of net assets | 21,316 | 21,675 |
| Impairment losses on investments in associates *(note (b))* | (7,281) | (2,430) |
| | 14,035 | 19,245 |

*Notes:*

(a) The amount due to an associate is unsecured, interest-free and repayable on demand.

(b) The recoverable amount of the investment in an associate, 陽江市陽東富力房地產發展有限公司 ("Fuli"), is determined from the value in use calculations. The key assumptions for the value in use calculation are those regarding the discount rate, growth rate and budgeted turnover. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the investment in Fuli. The growth rates are based on long-term average economic growth rate of the geographical area in which the businesses of the associate operates. Budgeted turnover is based on expectations on market development of related operations.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors covering a five-year period with the pre-tax rate of 27% (2018: 29%).

As at 31 March 2019, accumulated impairment losses of HK$7,281,000 (2018: HK$2,430,000) was made on the investment in Fuli with reference to the recoverable amount of the associate.

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

| Name | Place of establishment | Particulars of registered capital | Percentage of ownership interest 2019 | 2018 | Principal activities |
|---|---|---|---|---|---|
| Fuli | The PRC | RMB1,000,000 | **25%** | 25% | Property development |

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 25. INVESTMENTS IN ASSOCIATES *(Continued)*

The following table shows information of associates that are material to the Group. These associates are accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on the HKFRS financial statements of the associates.

| Name | Fuli | |
|---|---|---|
| | **2019** | 2018 |
| Principal place of business/country of establishment | **The PRC**/The PRC | |
| Principal activities | Property development in the PRC | |
| % of ownership interests/voting rights held by the Group | **25%/25%** | 25%/25% |

| | Fuli | |
|---|---|---|
| | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* |
| **At 31 March:** | | |
| Non-current assets | **9** | 14 |
| Current assets | **131,267** | 143,430 |
| Non-current liabilities | **(10,772)** | (12,180) |
| Current liabilities | **(78,736)** | (85,160) |
| Net assets | **41,768** | 46,104 |
| Group's share of net assets | **10,442** | 11,526 |
| Goodwill | **3,593** | 7,719 |
| Group's share of carrying amount of interests | **14,035** | 19,245 |
| Year ended 31 March | | |
| Revenue | **3,928** | 34,445 |
| Loss from operations | **(1,435)** | (2,277) |
| Other comprehensive income | **(2,900)** | 4,601 |
| Total comprehensive income | **(4,335)** | 2,324 |

As at 31 March 2019, the bank and cash balances of the Group's associates in the PRC denominated in RMB amounted to HK$1,162,000 (2018: HK$4,708,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 26. DEPOSIT FOR ACQUISITION OF INTANGIBLE ASSET

At 31 March 2018, the Group paid RMB300,000 (equivalent to HK$374,000) to acquired a cross-boundary vehicle licence. The licence has been delivered to the Group on 17 April 2018.

The Company's subsidiary, Xintaiyi, entered into a contract ("Intangible Assets Development Contract") in 2015 to engage a service provider for the development of a smart home system for the Group's residential properties development. The total contract sum was RMB25,000,000 (equivalent to HK$28,188,000). As at 31 March 2017, the deposit paid amounted to RMB9,806,000 (equivalent to HK$11,056,000)).

Pursuant to an agreement dated 27 June 2017 ("Assignment Agreement") entered among Xintaiyi, Zhongyu and the service provider, Zhongyu has taken up the rights, risks and benefits in the Intangible Assets Development Contract and, in return, Zhongyu would reimburse to Xintaiyi all the costs incurred by Xintaiyi in relation to the Intangible Assets Development Contract up to the date of the Assignment Agreement. This amount was included in other receivables as at 31 March 2018.

## 27. INVENTORIES

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| Finished goods | **5,921** | 3,278 |

## 28. TRADE, BILLS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| Trade receivables *(notes (a), (b) and (c))* | **33,916** | 61,451 |
| Bills receivables | **1,773** | 46,172 |
| Other receivables | **5,170** | 93,779 |
| Deposits and prepayments | **24,443** | 4,057 |
| | **65,302** | 205,459 |

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 28. TRADE, BILLS AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

*Notes:*

(a) The ageing analysis of trade receivables, based on the goods delivery date, and net of allowance, is as follows:

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| 0 to 30 days | **19,590** | 29,227 |
| 31 to 60 days | **8,314** | 8,227 |
| 61 to 90 days | **3,528** | 16,334 |
| Over 90 days | **2,484** | 7,663 |
| | **33,916** | 61,451 |

The credit terms granted by the Group to its customers are generally cash on delivery to 90 days.

The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by directors.

(b) The carrying amounts of the Group's trade receivables are denominated in US$.

(c) Trade receivables past due but not impaired

As at 31 March 2019, trade debtors of approximately HK$1,063,000 (2018: approximately HK17,910,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

| | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|
| Up to 30 days | **1,031** | 17,886 |
| 31 to 60 days | **32** | 8 |
| Over 60 days | **–** | 16 |
| | **1,063** | 17,910 |

Receivables that were past due but not impaired relate to customers having a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 29. PROPERTIES UNDER DEVELOPMENT

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| At 1 April | **40,734** | 34,727 |
| Additions | **499** | 664 |
| (Write-down)/write-back | **(1,149)** | 4,352 |
| Exchange difference | **(552)** | 991 |
| At 31 March | **39,532** | 40,734 |

The properties under development mainly represented costs of acquiring rights to use certain lands, which are located in Yangjiang City, Guangdong Province, the PRC. Land use rights are held on leases of 36 years.

## 30. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

(a) The carrying amounts of the pledged deposits of the Group are denominated in US$.

The pledged bank deposits represented deposits pledged to banks to secure banking facilities granted to the Group (note 32).

(b) The bank and cash balances of the Group are as follows:

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Cash on hand | **88** | 123 |
| Cash at bank | **54,867** | 38,726 |
| | **54,955** | 38,849 |

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 30. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES *(Continued)*

The bank and cash balances of the Group are denominated in the following currencies:

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| US$ | **47,761** | 29,568 |
| HK$ | **6,297** | 8,848 |
| RMB | **897** | 433 |
| | **54,955** | 38,849 |

## 31. TRADE AND OTHER PAYABLES AND RECEIPT IN ADVANCE

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Trade payables *(notes (a) and (b))* | **64,375** | 79,112 |
| Other payables | **35,021** | 31,076 |
| Receipt in advance | **2,240** | 749 |
| Bond interest payable | **1,461** | 1,461 |
| | **103,097** | 112,398 |

*Notes:*

(a) The ageing analysis of trade payables of the Group, based on the goods receipt date, is as follows:

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| 0 to 30 days | **16,274** | 43,796 |
| 31 to 60 days | **34,302** | 25,142 |
| 61 to 90 days | **13,799** | 10,174 |
| | **64,375** | 79,112 |

(b) The carrying amounts of the Group's trade payables are denominated in US$.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 32. BANK AND OTHER LOANS

The analysis of the carrying amount of bank and other loans are as follow:

| | 2019 *HK$'000* | 2018 *HK$'000* |
|---|---|---|
| Current liabilities | | |
| Secured bank loans subject to repayable on demand clause *(i)* | – | 3,121 |
| Secured bank loans on demand or within one year *(i)* | – | 10,937 |
| Bank invoice loans *(iii)* | **39,875** | 72,547 |
| | **39,875** | 86,605 |

The interest bearing bank and other loans, including the bank and other loans repayable on demand, are carried at amortised cost.

The bank and other loans are repayable as follows based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause:

| | 2019 *HK$'000* | 2018 *HK$'000* |
|---|---|---|
| On demand or within one year | **39,875** | 83,484 |
| In the second year | – | 195 |
| In the third to fifth years, inclusive | – | 615 |
| After five years | – | 2,311 |
| | **39,875** | 86,605 |
| *Less:* Amount due for settlement within 12 months | **(39,875)** | (83,484) |
| Amount due for settlement after 12 months | – | 3,121 |

Movement of bank and other loans is as follow:

| | 2019 *HK$'000* | 2018 *HK$'000* |
|---|---|---|
| At 1 April | **86,605** | 70,131 |
| Proceed from new bank loan | **261,283** | 343,492 |
| Accured interest | **2,348** | 4,149 |
| Interest paid | **(2,348)** | (4,149) |
| Repayment | **(308,013)** | (327,018) |
| At 31 March | **39,875** | 86,605 |

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 32. BANK AND OTHER LOANS *(Continued)*

The carrying amounts of the bank and other loans are denominated in the following currencies:

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| HK$ | – | 14,058 |
| US$ | 39,875 | 72,547 |
| | 39,875 | 86,605 |

The ranges of interest rates paid were as follows:

| | 2019 | 2018 |
|---|---|---|
| (i) Bank loans | – | 2.25% to 2.97% |
| (ii) Other loan – unsecured | – | 1% to 1.8% per month |
| (iii) Bank invoice loans | 4.5% to 5.76% | 2.56% to 4.5% |

Except for unsecured other loan which is arranged at fixed rate and expose the Group to fair value interest rate risk, all bank loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

At 31 March 2019, the above bank and other loans are secured by the following:

(a) legal charge over properties owned by the directors of a subsidiary and a related person of the Group;

(b) personal guarantees with unlimited amount given by directors of subsidiaries;

(c) corporate guarantees provided by the Company;

(d) pledged bank deposits of a subsidiary (note 30(a)); and

(e) structured deposit of a subsidiary (note 24(b)).

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 33. FINANCE LEASE PAYABLE

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Within one year | – | 85 | – | 84 |
| *Less:* Future finance charges | – | (1) | – | – |
| Present value of lease obligation | – | 84 | – | 84 |
| *Less*: Amount due for settlement within 12 months (shown under current liabilities) | | | – | (84) |
| Amount due for settlement after 12 months | | | – | – |

It is the Group's policy to lease its motor vehicle under finance lease. The lease term is 4 years. As at 31 March 2018, the effective borrowing rate was 5.70%. Interest rates are fixed at the contract dates. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of lease term, the Group has the option to purchase the motor vehicle at nominal price.

The finance lease payable is denominated in HK$.

The Group's finance lease payable is secured by the lessor's title to the leased asset (note 19).

## 34. PROMISSORY NOTE

On 2 February 2018, a new promissory note with principal amount of HK$36,000,000 was issued upon expiry of old promissory note on 28 January 2018.

At 31 March 2018, the promissory note was unsecured, interest free and with maturity date on 30 January 2019. The note holder may, at any time before 28 January 2019 by serving at least three months prior written notice on the Company for the repayment of whole principal amount of promissory note or any part of it in amounts of not less than HK$1,000,000 or other amounts as agreed mutually. The principal amount of the promissory note is denominated in HK$.

The whole amount has been repaid on 2 May 2018.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 35. LONG TERM BONDS

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| Unsecured long term bonds, repayable: | | |
| Between 2 and 5 years | **40,000** | 40,000 |

Long term bonds as at 31 March 2018 and 2019 comprised:

(i) Long term bonds with an aggregate principal amount of HK$20,000,000 issued by the Company to certain investors on 3 April 2013 and 20 June 2013 pursuant to the subscription agreement dated 18 February 2013, of which (i) HK$10,000,000 is due on 2 April 2020 and bears interest at the rate of 5% per annum, and (ii) HK$10,000,000 is due on 19 June 2020 and bears interest at the rate of 5% per annum; and

(ii) Long term bonds with an aggregate principal amount of HK$20,000,000 issued by the Company to certain investors on 5 September 2013 pursuant to the subscription agreement dated 29 August 2013 which is due on 4 September 2020 and bears interest at the rate of 5% per annum.

The long term bonds will mature on the date falling on the seventh anniversary of the date of first issue of the long term bonds.

The effective interest rate of the long term bonds is approximately 5.12% per annum.

## 36. DEFERRED TAX

The followings are the major deferred tax liabilities recognised by the Group, and the movements thereon, during the year:

| | Revaluation of leasehold properties<br>*HK$'000* |
|---|---|
| At 1 April 2017 | 166 |
| Credit to profit or loss for the year *(note 12)* | (166) |
| At 31 March 2018, 1 April 2018 and 31 March 2019 | – |

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 36. DEFERRED TAX *(Continued)*

At the end of the reporting period, the Group has unused tax losses of approximately HK$8,556,000 (2018: HK$8,690,000) available for offset against future profits. No deferred tax asset has been recognised in 2019 and 2018 due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$4,512,000 (2018: HK$4,043,000) that will expire within 5 years. Other tax losses may be carried forward indefinitely.

## 37. SHARE CAPITAL

| | Authorised | | | |
|---|---|---|---|---|
| | Ordinary shares of US$0.01 each | | Ordinary shares of US$0.001 each | |
| | Number of shares | Amount HK$'000 | Number of shares | Amount HK$'000 |
| At 1 April 2017 | – | – | 40,000,000 | 312,000 |
| Share consolidation *(note (a))* | 4,000,000,000 | 312,000 | (40,000,000) | (312,000) |
| At 31 March 2018, 1 April 2018 and 31 March 2019 | **4,000,000,000** | **312,000** | **–** | **–** |

A summary of the movements in the Company's authorised and issued share capital during the year is as follows:

| | Number of shares | Amount *HK$'000* |
|---|---|---|
| At 1 April 2017 | 4,120,899,946 | 32,194 |
| Shares issued upon placement *(note (a))* | (3,708,809,952) | – |
| At 31 March 2018 and 1 April 2018 and 31 March 2019 | 412,089,994 | 32,194 |

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 37. SHARE CAPITAL *(Continued)*

*Note:*

(a) Pursuant to an ordinary resolution passed on 26 March 2018, every ten ordinary shares of US$0.001 each in issue and unissued share capital of the Company were consolidated into one ordinary share of US$0.01 each in issued and unissued share capital of the Company with effective on 27 March 2018.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 37. SHARE CAPITAL *(Continued)*

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, accumulated losses and other reserves).

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| Debt *(i)* | **79,875** | 162,689 |
| *Less:* Bank and cash balances | **(55,242)** | (38,849) |
| Pledged bank deposits | **(27,197)** | (27,807) |
| Net debt | **(2,564)** | 96,033 |
| Equity *(ii)* | **68,691** | 97,355 |
| Net debt to equity ratio | **N/A** | 99% |

(i) Debt is defined as bank and other loans, financial lease payable, promissory note and long term bonds, as detailed in notes 32, 33, 34 and 35 to the consolidated financial statements.

(ii) Equity includes all capital and reserves before non-controlling interests of the Group.

It is the Group's strategy to keep the net debt-to-adjusted capital ratio as low as feasible.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares.

The Group checks the substantial share interests showing the non-public float through the Stock Exchange's website and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 March 2019, 36.4% (2018: 36.40%) of shares were in public hands.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 38. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

### (a) Statement of financial position

| | Note | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | 217 | 495 |
| Investments in subsidiaries | | 82,606 | 82,217 |
| | | 82,823 | 82,712 |
| **Current assets** | | | |
| Due from subsidiaries | | 45,247 | 72,045 |
| Prepayments and other receivables | | 345 | 338 |
| Bank and cash balances | | 3 | 3,056 |
| | | 45,595 | 75,439 |
| **Current liabilities** | | | |
| Due to subsidiaries | | 19,221 | 465 |
| Other payables | | 7,846 | 3,773 |
| Promissory note | | – | 36,000 |
| | | 27,067 | 40,238 |
| **Net current assets** | | 18,528 | 35,201 |
| **Total assets less current liabilities** | | 101,351 | 117,913 |
| **Non-current liabilities** | | | |
| Long term bonds | | 40,000 | 40,000 |
| **NET ASSETS** | | 61,351 | 77,913 |
| **Capital and reserves** | | | |
| Share capital | 37 | 32,194 | 32,194 |
| Reserves | 38(b) | 29,157 | 45,719 |
| **TOTAL EQUITY** | | 61,351 | 77,913 |

Approved by the Board of Directors on 24 June 2019 and are signed on its behalf by:

**Ma Chao**
*Director*

**Fu Yong**
*Director*

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 38. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

### (b) Reserve movement of the Company

| | Share premium account HK$'000 | Contributed surplus HK$'000 | Capital redemption reserve HK$'000 | Share-based payments reserve HK$'000 | Foreign translation reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| At 1 April 2017 | 442,050 | 16,375 | 2,943 | 3,764 | 46 | (397,021) | 68,157 |
| Loss for the year | – | – | – | – | (106) | (22,332) | (22,438) |
| Issue of placing | – | – | – | (3,423) | – | 3,423 | – |
| Transactions costs attributable to issue of new shares | – | – | – | (341) | – | 341 | – |
| Changes in equity for the year | – | – | – | (3,764) | (106) | (18,568) | (22,438) |
| At 31 March 2018 and 1 April 2018 | 442,050 | 16,375 | 2,943 | – | (60) | (415,589) | 45,719 |
| Loss for the year | – | – | – | – | 87 | (16,649) | (16,562) |
| Changes in equity for the year | – | – | – | – | 87 | (16,649) | (16,562) |
| At 31 March 2019 | 442,050 | 16,375 | 2,943 | – | 27 | (432,238) | 29,157 |

## 39. RESERVES

### (a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 39. RESERVES *(Continued)*

### (b) Nature and purpose of reserves

#### *(i) Share premium account*

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

#### *(ii) Contributed surplus*

The contributed surplus represents the difference between the net asset value of a subsidiary acquired and the nominal value of the ordinary shares issued by the Company in connection with an acquisition.

#### *(iii) Capital redemption reserve*

The capital redemption reserve arose when the Company repurchased 37,742,300 ordinary shares of US$0.01 each from a former director of the Company on 4 September 2001.

#### *(iv) Foreign currency translation reserve*

The foreign currency translation reserve comprises 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 4(d) to the consolidated financial statements.

#### *(v) Share-based payments reserve*

The share-based payments reserve represents the fair value of the actual or estimated number of unexercised share options granted to eligible participants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(w) to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 40. SHARE-BASED PAYMENTS

The Company operates a Share Option Scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company's subsidiaries. The Share Option Scheme became effective on 27 March 2003 and remained in force for 10 years from that date.

On 25 March 2013, an ordinary resolution was passed to terminate the Share Option Scheme due to its expiry. A new share option scheme (the "New Share Option Scheme") is adopted to replace the Share Option Scheme. The New Share Option Scheme will remain in force for 10 years from that date.

The maximum number of unexercised share options permitted to be granted under all share option schemes are a number equivalent, upon their exercise, to 10% of the shares of the Company on grant date. The maximum number of shares issuable under all share options to each eligible participant in all share options schemes within any 12-month period, is limited to 1% of the shares of the Company on grant date. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

The share options granted to director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company on grant date or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 40. SHARE-BASED PAYMENTS *(Continued)*

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

### (a) Share Option Scheme

Details of the specific categories of options are as follows:

| | Date of grant | Vesting period | Exercise period | Exercise price HK$ |
|---|---|---|---|---|
| 2010A | 17.2.2010 | 17.2.2010 to 16.2.2011 | 17.2.2011 to 16.2.2020 | 0.107 |
| 2012A | 29.6.2011 | N/A | 29.6.2011 to 28.6.2021 | 0.140 |

Details of the share options outstanding during the year are as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | **Number of share options** | **Weighted average exercise price *HK$*** | Number of share options | Weighted average exercise price *HK$* |
| Outstanding at beginning of year | – | – | 7,500,000 | 0.140 |
| Cancelled | – | – | (6,500,000) | 0.140 |
| Lapsed | – | – | (1,000,000) | 0.140 |
| Outstanding at end of year | – | – | – | N/A |
| Exercisable at end of year | – | – | – | N/A |

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 40. SHARE-BASED PAYMENTS *(Continued)*

### (a) Share Option Scheme *(Continued)*

All options were lapsed or cancelled during the year ended 31 March 2018, no share options have been exercised during the years ended 31 March 2018.

Share options granted to consultants were incentives for helping the Group to expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

### (b) New Share Option Scheme

Details of the specific categories of options are as follows:

| | Date of grant | Vesting period | Exercise period | Exercise price *HK$* |
|---|---|---|---|---|
| 2013A | 28.3.2013 | N/A | 28.3.2013 to 27.3.2023 | 0.150 |

Details of the share options outstanding during the year are as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| | Number of share options | Weighted average exercise price *HK$* | Number of share options | Weighted average exercise price *HK$* |
| Outstanding at beginning of year | – | – | 35,650,000 | 0.150 |
| Cancelled | – | – | (32,650,000) | 0.150 |
| Lapsed | – | – | (3,000,000) | 0.150 |
| Outstanding at end of year | – | – | – | N/A |
| Exercisable at end of year | – | – | – | N/A |

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 40. SHARE-BASED PAYMENTS *(Continued)*

During the years ended 31 March 2019 and 2018, no options were granted.

Share options granted to consultants were incentives for helping the Group to expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

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

### Reconciliation of liabilities arising from financing activities

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

| | 1 April 2018<br>*HK$'000* | Cash flows<br>*HK$'000* | Interest expenses<br>*HK$'000* | 31 March 2019<br>*HK$'000* |
|---|---|---|---|---|
| Import invoice financing, secured | 72,547 | (35,050) | 2,378 | 39,875 |
| Revolving loan, secured | 14,058 | (14,228) | 170 | – |
| Promissory note | 36,000 | (36,000) | – | – |
| Long term bonds | 40,000 | (2,000) | 2,000 | 40,000 |
| Finance lease payable | 84 | (87) | 3 | – |
| | 162,689 | (87,365) | 4,551 | 79,875 |

## 42. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2019 (2018: Nil).

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 43. OPERATING LEASE COMMITMENTS

### The Group as lessee

As at 31 March 2019, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Within one year | **3,225** | 4,038 |
| In the second to fifth years inclusive | **2,030** | 4,628 |
| | **5,255** | 8,666 |

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of three years (2018: three years) and rentals are fixed over the lease terms and do not include contingent rentals.

## 44. CAPITAL COMMITMENT

The Group's capital commitment at the end of the reporting period are as follows:

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Intangible asset | | |
| Contracted but not provided for | **–** | 1,974 |

## 45. RELATED PARTY TRANSACTIONS

(a) The compensation to the Group's key management personnel, including amounts paid to the Company's directors and certain of the highest paid employees, are disclosed in notes 14 and 15 to the consolidated financial statements.

(b) Details of guarantees and legal charge over properties provided by related parties for banking facilities granted to the Group are set out in note 32 to the consolidated financial statements.

# Notes to the Consolidated Financial Statements

*For the year ended 31 March 2019*

## 46 DISPOSAL OF A SUBSIDIARY

### a) Details of the disposal

On 14 May 2018, the Group Disposed of Best Worldwide Corporation Limited and its subsidiaries that carried out the Group's investment holding. The results of Best Worldwide Corporation Limited up to the date of disposal as well as the gain or loss on disposal of Best Worldwide Corporation Limited has been included in the consolidated statement of profit or loss and comprehensive income. 2018 Comparative figures have been re-presented to achieve consistent presentation.

### b) Consideration received or receivable by the Group

| | *HK$'000* |
|---|---|
| Consideration received in cash and cash equivalents | 79,000 |
| Total consideration received | 79,000 |

### c) Assets and liabilities derecognised at the date when the Group lost control over Best Worldwide Corporation Limited

| | *HK$'000* |
|---|---|
| Property, plant and equipment | 19 |
| Cash and cash equivalents | 3 |
| Other receivables | 97,075 |
| Other payables and accruals | (9,757) |
| Net assets disposed of | 87,340 |
| Non-controlling interests | (14,239) |
| Exchange difference | (1,774) |
| Gain on disposal of subsidiaries | 7,673 |
| Total consideration | 79,000 |

### d) Net cash flow on disposal of Best Worldwide Corporation Limited

| | *HK$'000* |
|---|---|
| Cash consideration received | 79,000 |
| Less: cash and cash equivalents disposal of | (3) |
| | 78,997 |

# Five Fiscal Years Financial Summary

## RESULTS

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements is set out below:

| | For the year ended 31 March | | | | |
|---|---|---|---|---|---|
| | **2019** | 2018 | 2017 | 2016 | 2015 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| | | | | (Restated) | |
| Turnover | **501,246** | 650,829 | 567,406 | 666,873 | 1,190,641 |
| Loss before tax | **(27,358)** | (26,888) | (115,852) | (119,831) | (4,021) |
| Taxation | **–** | 122 | (7) | (129) | (1,436) |
| Loss for the year | **(27,358)** | (26,766) | (115,859) | (119,960) | (5,457) |
| Non-controlling interests | **(493)** | 890 | (25,114) | (9,349) | 2,141 |
| Loss attributable to owners of the Company | **(26,865)** | (27,656) | (90,745) | (110,611) | (7,598) |

## ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

| | At 31 March | | | | |
|---|---|---|---|---|---|
| | **2019** | 2018 | 2017 | 2016 | 2015 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Total assets | **279,450** | 423,067 | 403,016 | 477,387 | 604,994 |
| Total liabilities and non-controlling interests | **(219,701)** | (325,712) | (286,957) | (305,368) | (408,597) |
| Total equity attributable to owners of the Company | **59,749** | 97,355 | 116,059 | 172,019 | 196,397 |