



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

(Incorporated in Bermuda with limited liability)

Stock Code : 918



ANNUAL REPORT
2019/20



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CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Mr. Zhang Jinbing (*Chairman*)

Mr. Tian Wenxi

Mr. Wu Tingjun

Independent Non-executive Directors:

Mr. Chow Hiu Tung

Ms. Yang Yanli

Mr. Zhao Hangen

COMPANY SECRETARY

Ms. Lee Eva

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL OFFICE

Unit 13, 5/F, Tower 1
Harbour Centre
1 Hok Cheung Street
Hung Hom, Kowloon
Hong Kong

AUDITOR

Cheng & Cheng Limited
Certified Public Accountants
Level 35, Tower 1
Enterprise Square Five
38 Wang Chiu Road
Kowloon Bay
Kowloon
Hong Kong

PRINCIPAL BANKERS

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

SOLICITORS

Bermuda:

Conyers Dill & Pearman

Hong Kong:

D. S. Cheung & Co.

SHARE REGISTRARS AND TRANSFER OFFICES

Bermuda:

MUFG Fund Services (Bermuda) Limited
4th Floor North
Cedar House
41 Cedar Avenue
Hamilton HM12
Bermuda

Hong Kong:

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

STOCK CODE

0918

CHAIRMAN'S STATEMENT



On behalf of the board (the "Board") of directors (the "Directors") of State Energy Group International Assets Holdings Limited (the "Company", together with its subsidiaries, the "Group"), I hereby present the audited annual results of the year ended 31 March 2020 of the Group to our shareholders.

During the year ended 31 March 2020, the Group is continuing its principal business of sourcing, subcontracting and trading of garments (the "Garment Business") and property investment (the "Property Investment Business"). The Group has recorded a turnover of approximately HK\$210.2 million, representing an increase of 118.0% as compared to that of approximately HK\$96.4 million in 2019. The turnover of the Garment Business and the Property Investment Business are approximately HK\$194.2 million and HK\$3.9 million respectively, representing an increase of 113.9% and a decrease of 31.6% from that of last year. The profit attributable to equity holders of the Company is HK\$9.4 million, compared to the loss of HK\$28.2 million last year. For the detailed overview of business, please refer to the "Management Discussion and Analysis" of this annual report.

In 2020, leveraging on the experience of the marketing division of the Garment Business of the Group in promoting its licensed brands ACCAPI and Super X, the Group has commenced to offer marketing and promotional services at online and offline platforms for external customers and a related company (the "Marketing and Promotional Services"). The Company expanded its marketing division, targeting to provide services including market analysis, planning of marketing and promotional campaigns, new product launching, product development and market positioning, setting up and management of online shops, design of advertisements and promotional materials, product packaging designs, and displays of physical and online shops, etc. The marketing division is also engaged in organising events such as annual meetings, product launch or marketing conferences, roadshows and exhibitions for external customers.

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

Zhang Jinbing
Chairman

Hong Kong, 22 May 2020



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Zhang Jinbing (“Mr. Zhang”)

Mr. Zhang, aged 48, is the chairman and executive Director and was appointed as the chairman of remuneration committee and nomination committee of the Company since October 2018. He is also the controlling shareholder (as defined in the Rules Governing the Listing of Securities in The Stock Exchange of Hong Kong Limited (the “Listing Rules”)) of the Company. Mr. Zhang graduated with a Bachelor of Arts degree from Guangzhou Foreign Language Institute in 1994. Mr. Zhang has extensive experience in corporate management. He has served as co-chairman of the board of directors and non-executive director of Apollo Future Mobility Group Limited (“Apollo FMG”) (formerly known as WE Solutions Limited), a company listed on the Stock Exchange (stock code: 860), since 24 November 2017. Prior to that, he was an executive director of Apollo FMG for the period from January 2015 to 23 November 2017 and chairman of Apollo FMG for the period from June 2015 to 23 November 2017. Mr Zhang is also an executive director, chairman of the board and chief executive officer of Chong Kin Group Holdings Limited, a company listed on the Stock Exchange (stock code: 1609) since January 2018. He was an executive director of Synertone Communication Corporation, a company listed on the Stock Exchange (stock code: 1613), for the period from August 2012 to April 2014.

Mr. Tian Wenxi (“Mr. Tian”)

Mr. Tian, aged 51, joined the Group in December 2019, is an executive Director of the Company. Mr. Tian obtained the Doctor of Finance from the Murdoch University in Australia and the qualification of economist in the People’s Republic of China (the “PRC”). Mr. Tian has extensive professional knowledge and experience in strategic planning, operation and business management in the marketing, trading and culture and tourism industry in the PRC. Mr. Tian has been working and is holding directorship at 廣州萬燕集團有限公司 (Guangzhou Wanyan Group Co., Ltd.*) since 2014. He is also holding senior management positions in other companies in the PRC, including but not limited to (i) director and chief executive officer at 廣州萬燕文化傳媒股份有限公司 (Guangzhou Wanyan Culture & Media Co., Ltd*), a company listed on the National Equities Exchange and Quotations from December 2016 to August 2018, which is principally engaged in market research, advertising, brand strategy promotion, brand effectiveness evaluation, theatrical performance business and film and television business; (ii) executive director at 廣州萬燕商貿有限公司 (Guangzhou Wanyan Trading Co., Ltd.*), a company principally engaged in wholesale trade and import and export of goods and technology; (iii) executive director at 九江萬燕置業有限公司 (Jiujiang Wanyan Real Estate Co., Ltd.*), a company principally engaged in tourism project development and management; (iv) executive director at 廣東萬燕網絡科技有限公司 (Guangdong Wanyan Network Technology Co., Ltd.*); (v) executive director at 廣東萬燕資產管理有限公司 (Guangdong Wanyan Asset Management Co., Ltd.*); and (vi) executive director at 廣州賽格投資發展有限公司 (Guangzhou Saige Investment Development Co., Ltd*).

* for identification purpose only

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS (CONTINUED)

EXECUTIVE DIRECTORS (CONTINUED)

Mr. Wu Tingjun (“Mr. Wu”)

Mr. Wu, aged 50, joined the Group in December 2019, is an executive Director of the Company. He obtained a Bachelor Degree in International Trade from Guangdong University of Foreign Studies in the PRC. Mr. Wu has over 25 years of experience in brand management business. He is the founder and CEO of 北京墨蘇科技有限公司 (Beijing Mosu Technology Co., Ltd.*), which is principally engaged in the distribution of branded apparel in the PRC, Hong Kong and Macau via direct selling through retail stores and online stores and provides top to bottom services to branded apparel owners including but not limited to the promotion, distribution and retailing their products in the PRC, Hong Kong and Macau. Prior to that, Mr. Wu served as the Partner and Vice President of 尚品網 (Shangpin Famous Brand*) for the period from 2015 to 2018, General Manager of 上海墨蘇貿易有限公司 (Shanghai Mosu Trading Co., Ltd.*) for the period from 2008 to 2010 and worked in the COFCO Group for the period from 1997 to 2007.

INDEPENDENT NON-EXECUTIVE DIRECTORS (“INEDs”)

Mr. Chow Hiu Tung (“Mr. Chow”)

Mr. Chow, aged 48, joined the Group in October 2018, is an independent non-executive Director of the Company. He is also the Chairman of the audit committee and member of the remuneration committee of the Company. Mr. Chow has over 20 years of experience in accounting and internal control. He is the company secretary for Neo-Neon Holdings Limited, a company listed on the Stock Exchange, (stock code: 1868). For the period from October 2013 to March 2015, Mr. Chow was an independent non-executive director of National United Resources Holdings Limited, a company listed on the Stock Exchange (formerly known as China Outdoor Media Group Limited) (stock code: 254). For the period from December 2014 to September 2018, Mr. Chow was an independent non-executive director of Future Bright Mining Holdings Limited, a company listed on the Stock Exchange (stock code: 2212). Mr. Chow obtained his bachelor’s degree in business administration in finance from Hong Kong University of Science and Technology in November 1995 and obtained his master’s degree in international business in December 2001 from the University of Sydney, Australia. Mr. Chow has been a member of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) since January 1999. Mr. Chow has also been a member of the Association of Chartered Certified Accountants since April 2000 and was admitted as its fellow member in April 2005.

* for identification purpose only



BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS (CONTINUED)

INDEPENDENT NON-EXECUTIVE DIRECTORS (“INEDs”) (CONTINUED)

Mr. Zhao Hangen (“Mr. Zhao”)

Mr. Zhao, aged 53, joined the Group in October 2018, is an independent non-executive Director of the Company. He is also a member of the audit committee and nomination committee of the Company. Mr. Zhao has substantial professional legal experience. He is proficient in civil law theory and jurisprudence, and good at contract, corporate, finance, construction, real estate, investment, competition, intellectual property, international arbitration, labour law litigation and non-litigation cases. Mr. Zhao was a legal director at Nanyue Law Office of Guangdong and Guangdong Bowen Law Office, and management committee member of Guangdong Fazhishengbang Law Office. Mr. Zhao is currently a deputy director and senior partner at Kings Law Firm in Guangdong, an arbitrator at China International Economic and Trade Arbitration Commission, Arbitration Centre Across the Straits, China Guangzhou Arbitration Commission, and Shantou Arbitration Commission, and a director of Arbitration Legal Affairs Committee of the Guangzhou Lawyers Association. Mr. Zhao obtained his bachelor’s degree in law majoring in economic law from the Renmin University of China Law School in July 1989. In January 2005, Mr. Zhao obtained his master’s degree in law majoring in economic law from Renmin University of China Law School.

Ms. Yang Yanli (“Ms. Yang”)

Ms. Yang, aged 49, joined the Group in October 2018, is an independent non-executive Director of the Company. She is also a member of the audit committee, remuneration committee and nomination committee of the Company. Ms. Yang has substantial experience in media management. Prior to joining the Group, Ms. Yang was the vice general manager of Planning and Publicizing Centre of Guangzhou Government and Guangzhou KAM-YIK Public Relations Agency. Since 2014, Ms. Yang has been an executive director of Guangzhou Holly’s International Auction Company Limited. Ms. Yang obtained her bachelor’s degree in education management from the Guangzhou University in July 2000.

SENIOR MANAGEMENT

Mr. Lau Tak Shing (“Mr. Lau”)

Mr. Lau joined the Group in February 2020, is currently the chief financial officer of the Company. Prior to joining the Company, Mr. Lau was a company secretary and financial controller of Link Holdings Limited, (stock code: 8237) from January 2016 to July 2019. He obtained his Bachelor’s degree of Business Administration with honours in Accountancy from City University of Hong Kong in November 2004. He was admitted as a member of Hong Kong Institute of Certified Public Accountants in March 2009. Mr. Lau has over 10 years’ working experience in various sizeable certified public accountants firms from May 2004 to January 2016. From January 2012 to January 2016, Mr. Lau worked in the audit department in Deloitte Touche Tohmatsu and his last position was a manager.

MANAGEMENT DISCUSSION AND ANALYSIS



BUSINESS OVERVIEW

GARMENT BUSINESS

The Group carries on the business of sourcing, subcontracting and trading of garments and sportswear products in the PRC which are then exported to overseas market. The Group has started the export of wax print clothes to Africa, which are fabric mostly used for traditional clothing in Africa, since December 2017.

In December 2018, the Group has expanded the garment business to sourcing, subcontracting, designing, selling and distribution of outwear garments and sportswear products in Hong Kong, especially licensed products under the brand of bearing the brand names "ACCAPI", an Italian brand and distribution of sportswear products under the brand name of "Super X", a Hong Kong brand respectively (the "ACCAPI Business").

PROPERTY INVESTMENT

As at 31 March 2020, the Group held six investment properties located in the PRC and five investment properties (including three car parking spaces) located in Hong Kong for generating rental income purposes (the "Investment Properties"). As at 31 March 2020, all investment properties were fully leased out.

The value of the Investment Properties amounted to approximately HK\$121.8 million based on the independent valuation of the Investment Properties as at 31 March 2020 (31 March 2019: approximately HK\$156.2 million).


MARKETING AND PROMOTIONAL SERVICES

In 2020, leveraging on the experience of the marketing division of the Garment Business of the Group in promoting its licensed brands ACCAPI and Super X, the Group has commenced to offer marketing and promotional services at online and offline platforms for external customers and a related company. The Company expanded its marketing division, targeting to provide services including market analysis, planning of marketing and promotional campaigns, new product launching, product development and market positioning, setting up and management of online shops, design of advertisements and promotional materials, product packaging designs, and displays of physical and online shops, etc. The marketing division is also engaged in organising events such as annual meetings, product launch or marketing conferences, roadshows and exhibitions for external customers.

FINANCIAL REVIEW

TURNOVER

The Group recorded a turnover of approximately HK\$210.2 million for the year ended 31 March 2020, representing a significant increase of approximately 118% as compared to that of approximately HK\$96.4 million for the year ended 31 March 2019.





MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (CONTINUED)

TURNOVER (CONTINUED)

Turnover derived from the Garment Business increased by approximately 113.9% from approximately HK\$90.8 million for the year ended 31 March 2019 to approximately HK\$194.2 million for the year ended 31 March 2020. The increase was due to the full year operation of ACCAPI Business during the year ended 31 March 2020, while there was only approximately three months operation in 2019 when it was newly introduced.

Turnover derived from property investment decreased by approximately 31.6% from approximately HK\$5.7 million for the year ended 31 March 2019 to approximately HK\$3.9 million for the year ended 31 March 2020.

Turnover derived from the newly set up Marketing and Promotional Services was in the sum of approximately HK\$12.0 million for the year ended 31 March 2020.

GROSS PROFIT AND GROSS PROFIT MARGIN

The Group recorded a gross profit of approximately HK\$26.4 million in respect of the Garment Business for the year ended 31 March 2020, representing an increase of approximately 183.9% as compared to approximately HK\$9.3 million for the year ended 31 March 2019. The increase was in line with the increase in revenue.

The gross profit margin of the Garment Business was approximately 13.6% for the year ended 31 March 2020 compared to approximately 10.3% for the year ended 31 March 2019. The increase was due to higher profit margin generated from ACCAPI Business sold through online platform during the year.

The Group recorded a gross profit of approximately HK\$3.9 million in respect of the property investment business for the year ended 31 March 2020, representing a decrease of approximately 31.6% as compared to approximately HK\$5.7 million for the year ended 31 March 2019.

The Group recorded a gross profit of approximately HK\$5.8 million in respect of the Marketing and Promotional Services for the year ended 31 March 2020.

SELLING, DISTRIBUTION AND MARKETING EXPENSES

Selling, distribution and marketing expenses increased by approximately 66.7% from approximately HK\$3.0 million for the year ended 31 March 2019 to approximately HK\$5 million for the year ended 31 March 2020. The increase was mainly due to the increase in rental expenses for a retail shop for the ACCAPI Business opened during the year.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by approximately 45.2% from approximately HK\$33.0 million for the year ended 31 March 2019 to approximately HK\$18.1 million for the year ended 31 March 2020. The decrease was mainly due to the decrease in staff costs, legal and professional fee and rental expenses.

CHANGE IN FAIR VALUE OF INVESTMENT PROPERTIES

The net gain on fair value change of investment properties of approximately HK\$4.7 million (2019: approximately HK\$0.1 million) represented fair value adjustment of the Group's properties located in Hong Kong and the PRC as at 31 March 2020.

These properties were revalued based on their open market value as at 31 March 2020 by Avista Valuation Advisory Limited, an independent qualified professional valuer.

FINANCE COST

Finance cost decreased by approximately 6.4% from approximately HK\$7.8 million for the year ended 31 March 2019 to approximately HK\$7.3 million for the year ended 31 March 2020. This was mainly due to decrease in interest from amount due to a related company and bank borrowings for general working capital.

PROSPECTS

During the year, the Group successfully turned around to record net profit attributable to shareholders. This demonstrated the Group's great efforts in developing and materialising its business plan for the Garment Business, although the growth of the Garment Business had been unexpectedly hindered by the social unrest in Hong Kong during the second half of 2019 and the global outbreak of COVID-19 since early 2020. In response to the adverse impact of the aforesaid events on the consumer market, the Group has strengthened the ACCAPI Business by launching online sales channels. The Group will continue to expand the product range, develop and explore products with higher profit margins, expand its distribution channels and customer base and develop worldwide market for its Garment Business, with a view to promptly capturing sales opportunities following a recovery of the consumer market.

In 2020, leveraging on the experience of the marketing division of the Company in promoting its licensed brands ACCAPI and Super X, the Group has commenced the Marketing and Promotional Services, which is a natural expansion from the Garment Business.

The Group will continue to strengthen the manpower for the marketing division, to gradually build up its expertise and credentials to serve a wider range of customers. The Group will also continue to look for new business opportunities to diversify its business in order to generate better returns for the shareholders of the Company. The Board believes that the Group's business will grow gradually and the Company will be able to maintain the listing of the shares (the "Shares") on the Stock Exchange.



MANAGEMENT DISCUSSION AND ANALYSIS

UPDATE ON THE LISTING STATUS

Trading in the Shares of the Company on the Stock Exchange has been suspended since 1 February 2019.

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

On 27 November 2019, the Company received a letter from the Listing Committee stating that the Listing Committee upheld the Decision to place the Company in the second delisting stage pursuant to Practice Note 17 to the Listing Rules. The second delisting stage of the Company will expire on 8 June 2020. The Company plans to submit a viable resumption proposal to demonstrate that it has sufficient level of operations and/or assets before the expiry of the second delisting stage.

At the request of the Company, trading in the Shares has been suspended with effect from 9:00 a.m. on 1 February 2019. For details, please refer to the announcements of the Company dated 1 February 2019, 12 February 2019, 30 April 2019, 31 July 2019, 19 September 2019, 31 October 2019, 11 December 2019, 31 January 2020 and 29 April 2020.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCIAL RATIO

During the year ended 31 March 2020, the Group financed its operations and investments mainly by internally generated funds and debt financing.

CASH POSITION

The Group had total cash and bank balances (excluding pledged bank deposits of HK\$nil (2019: approximately HK\$0.5 million)) of approximately HK\$12.3 million as of 31 March 2020 (2019: approximately HK\$4.5 million).

BANK AND OTHER BORROWINGS

As of 31 March 2020, bank and other borrowings of the Group amounted to approximately HK\$220.5 million, including shareholder's loans of approximately HK\$147.7 million and loans from a related company of approximately HK\$72.8 million. All bank and other borrowings of approximately HK\$220.5 million are repayable within one year or on demand.

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

LEVERAGE

The ratio of current assets to current liabilities of the Group was approximately 0.54 as at 31 March 2020 compared to approximately 0.40 as at 31 March 2019. The deterioration in current ratio was due to the increase in trade and other payables, contract liabilities, amount due to a shareholder and amount due to a related company. The Group's gearing ratio as at 31 March 2020 was approximately 662.2% (31 March 2019: approximately 680.0%), which is calculated based on the Group's bank and other borrowings of approximately HK\$220.5 million (31 March 2019: approximately HK\$198.6 million) and the Group's total equity approximately HK\$33.3 million (31 March 2019: approximately HK\$29.2 million). The decrease in gearing ratio was due to the increase in total equity.

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



MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL RISKS AND UNCERTAINTIES

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

FOREIGN CURRENCY RISK

The monetary assets and liabilities and business transaction of the Group are mainly based on Hong Kong dollars, Renminbi and United States dollars ("USD"). In view of the stability of the exchange rate between these currencies, the directors of the Company did not consider that the Group was significantly exposed to foreign exchange risk for the year. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and mitigating the impact on exchange rate fluctuations by entering into currency hedge arrangement, if necessary. During the years ended 31 March 2019 and 2020, no forward foreign exchange or hedging contracts had been entered into by the Group. The Group will continue to evaluate the Group's foreign currency exposure and take actions as appropriate.

CREDIT RISK

The Group's credit exposure generally arises from counterparty risk in the course of engaging in the Garment Business, the property investment business and the provision of marketing service business. As at 31 March 2020, trade receivables and trade and bills payables of the Group were approximately HK\$87.2 million and approximately HK\$37.0 million (31 March 2019: approximately HK\$39.4 million and approximately HK\$1.8 million), respectively. The Group has a policy in financial risk management to ensure settlement of all receivables and payables during the credit period.

LIQUIDITY RISK

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

TREASURY POLICIES

As at 31 March 2020, bank and other borrowings of approximately HK\$220.5 million (31 March 2019: approximately HK\$198.6 million) were denominated in Hong Kong dollars. The Group's bank loans are subject to floating interest rates while loans from related company is subject to fixed interest rates.

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

CHARGE OF ASSETS

As at 31 March 2020, the Investment Properties and leasehold land and building in Hong Kong and the PRC held by the Group with an aggregate carrying value of approximately HK\$115.5 million (31 March 2019: approximately HK\$76.5 million) and a fixed deposit of approximately HK\$nil (31 March 2019: approximately HK\$0.5 million) were pledged as first legal charges for the Group's banking facilities.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2020.

SIGNIFICANT INVESTMENT

The Group had no significant investment during the year ended 31 March 2020.



MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

Except for the completion of disposal of subsidiaries as set out in note 6(A) to the consolidated financial statements, the Group had no material acquisition and disposal of subsidiaries or associated companies during the year ended 31 March 2020.

OPERATING SEGMENT INFORMATION

Details of the operating segment information of the Group in the year ended 31 March 2020 are set out in note 5 to the consolidated financial statements attached to this annual report.

CAPITAL COMMITMENTS

The Group did not have any material capital commitment as at 31 March 2020.

CONTINGENT LIABILITIES AND LITIGATION

The Company has executed guarantees for the banking facilities made by its subsidiaries. As at 31 March 2020, the utilised facilities amounted to approximately HK\$10.4 million (31 March 2019: approximately HK\$33.0 million).

Except for the foregoing, as at 31 March 2020, the Group had no other significant contingent liabilities or pending litigation.

SUBSEQUENT EVENTS

As at 31 March 2020, details of the subsequent events of the Group are set out in note 38 to the consolidated financial statements attached to this annual report.

STAFF AND REMUNERATION POLICIES

As of 31 March 2020, the Group had a total of 45 employees (31 March 2019: 26 employees). Total staff costs (including directors' emoluments) for the year ended 31 March 2020 amounted to approximately HK\$10.5 million (31 March 2019: approximately HK\$16.3 million). Primary means of remuneration include competitive wages, contributory provident funds, insurance and standard medical benefits. The emoluments of the directors are decided by the remuneration committee of the Company (the "Remuneration Committee") based on the Company's operating results, individual performance and comparable market statistics. The Group has also adopted an annual discretionary bonus scheme for management and staff subject to the performance of the Group and individual employees. As of 31 March 2020, the Group has no outstanding share options issued to the Directors and employees for the purpose of providing incentives or rewards to the eligible employees for their contribution to the Group.

AUDIT COMMITTEE

The principal responsibilities of the audit committee of the Company (the "Audit Committee") include reviewing and supervising of the Group's financial reporting process, risk management and internal control. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2020 and decided that such statements were properly prepared in accordance with the statutory requirements and applicable accounting standards.

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

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited consolidated financial statements for the year ended 31 March 2020.

PRINCIPAL ACTIVITIES AND ANALYSIS OF OPERATIONS

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

The description of principal risks and uncertainties facing the Group are set out in the "Management Discussion and Analysis" on pages 7 to 15.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year ended 31 March 2020 attributable to the Group's major customers and suppliers are as follows:

	2020 %	2019 %
Sales		
– The largest customer	31	55
– Five largest customers combined	63	94
Purchases		
– The largest supplier	36	45
– Five largest suppliers combined	97	100

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

ANALYSIS OF THE GROUP'S PERFORMANCE

An analysis of the Group's performance is shown in the "Management Discussions and Analysis" on pages 7 to 15.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 48.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 March 2020 (2019: HK\$Nil).

DIVIDEND POLICY

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

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

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the annual general meeting of the Company to be held on Friday, 21 August 2020, the register of members of the Company will be closed from Tuesday, 18 August 2020 to Friday, 21 August 2020, both days inclusive, during which no transfer of Shares will be registered. In order to be eligible to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 17 August 2020.



REPORT OF THE DIRECTORS

RESERVES

Movements in the reserves of the Group and those of the Company during the year ended 31 March 2020 are set out in pages 51 to 52 and notes 34 to the consolidated financial statements respectively.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The consolidated statement of changes in equity of the Group during the year ended 31 March 2020 is shown on pages 51 to 52.

DONATIONS

The Group did not make any donations during the year ended 31 March 2020 (2019: HK\$Nil).

PROPERTY, PLANT AND EQUIPMENT

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

INVESTMENT PROPERTIES

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

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 25 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The Company had no distributable reserves as at 31 March 2020 (2019: HK\$Nil).

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five years ended 31 March 2020 is set out on page 149.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's Shares during the year ended 31 March 2020.

PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2020 are set out in note 35 to the consolidated financial statements.

ANALYSIS OF BANK LOANS AND OTHER BORROWINGS

The Group's bank loans and other borrowings including loans from a shareholder and a related company (disregarding the effect of any repayment on demand clause) as at 31 March 2020 were repayable over the following periods:

	Bank borrowings HK\$'000	Other borrowings HK\$'000
Within one year or on demand	–	220,473
In the second year	–	–
In the third to fifth year, inclusive	–	–
After the fifth year	–	–
	–	220,473



REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the year ended 31 March 2020 and up to the date of this report are as follows:

Executive Directors

Mr. Zhang Jinbing (*Chairman*)

Mr. Tian Wenxi (appointed as an executive Director on 24 December 2019)

Mr. Wu Tingjun (appointed as an executive Director on 24 December 2019)

Mr. Chau Tien Hsiang (resigned on 28 April 2019)

Independent non-Executive Directors

Mr. Chow Hiu Tung

Ms. Yang Yanli

Mr. Zhao Hangen

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

DIRECTORS' SERVICE CONTRACTS

Mr. Zhang has entered into a service agreement with the Company on 12 September 2018, pursuant to which he has been appointed for a term of two years as an executive Director with effect from 12 September 2018 and renewable automatically for a successive term of one year, subject to rotation, removal, vacation and termination in accordance with the Bye-laws. Each of Mr. Tian and Mr. Wu has entered into a service agreement with the Company on 24 December 2019, pursuant to which each of Mr. Tian and Mr. Wu has been appointed for a term of two years as an executive Director with effect from 24 December 2019, subject to rotation, removal, vacation and termination in accordance with the Bye-laws.

Each of the independent non-executive Directors (the "INEDs"), Mr. Chow, Ms. Yang and Mr. Zhao, has entered into a service agreement with the Company on 25 October 2018, pursuant to which each of the INEDs has been appointed for a term of two years as an INED with effect from 25 October 2018, and renewable automatically for a successive term of one year, subject to rotation, removal, vacation and termination in accordance with the Bye-laws.

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 by the Company within one year without payment of compensation, other than statutory compensation.

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

CONTRACT OF SIGNIFICANCE

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Except for the Directors' service contracts as mentioned above, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company, its subsidiaries, its holding companies or its fellow subsidiaries, was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at any time during the year ended 31 March 2020.

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

As at 31 March 2020, the interests and short positions of each Director and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to section 352 of Part XV of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

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

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

Note:

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

REPORT OF THE DIRECTORS

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

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

Name of Director or chief executive	Name of associated corporation	Nature of interest	Number of issued shares held	Approximate percentage of the issued share capital of the associated corporation
Mr. Zhang	Always Profit	Beneficial owner (Note 1)	1	100%
Mr. Tian	GBR (HK) Limited	Interest in controlled corporation (Note 2)	40	40%

Note:

- 1 Always Profit is a company incorporated in British Virgin Islands with limited liability which owned 547,042,493 Shares of the Company (representing 70.55% of the issued share capital of the Company), and thus was the direct holding company of the Company.
- 2 GBR(HK) Limited is a non wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability. The shares were held by Wenxi Investment Management Co., Ltd ("Wenxi Investment"), a company incorporated in the British Virgin Islands wholly owned by Mr. Tian. Hence, Mr. Tian was deemed to be interested in the 40 shares in GBR(HK) Limited held by Wenxi Investment pursuant to the SFO.

Save as disclosed above, none of the Directors or chief executives of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code as at 31 March 2020.

Save as disclosed above, as at 31 March 2020, none of the Directors or chief executives was a director or employee of a company which had an interest or short position in the Shares or underlying shares of the Company in which disclosure to the Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO is required.

ARRANGEMENTS FOR DIRECTORS TO PURCHASE SHARES OR DEBENTURES

At no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or chief executives of the Company to acquire benefits by means of an acquisition of Shares, or debentures of the Company or any other body corporate, and neither the Directors nor the chief executives of the Company, nor any of their spouses or children under the age of 18, had any right to subscribe for securities of the Company or had exercised such right during the year ended 31 March 2020.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to the Directors and the chief executives of the Company, as at 31 March 2020, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO:

LONG POSITIONS IN THE SHARES OR UNDERLYING SHARES OF THE COMPANY

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

Save as disclosed above, no other person (other than a Director or chief executive of the Company) had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 31 March 2020.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme approved and adopted by resolutions of the shareholders at the annual general meeting held on 28 September, 2016.

(1) Who may join?

(i) Any executive or non-executive director including independent non-executive director or any employee (whether full-time or part-time) of each member of the Group; (ii) any discretionary object of a discretionary trust established by any substantial shareholder of the Company or any employees, executive or non-executive director of each member of the Group; (iii) any consultant, professional and other adviser to each member of the Group; (iv) any chief executive or substantial shareholder of each member of the Group; (v) any associate of director, chief executive or substantial shareholder of each member of the Group; (vi) any employee (whether full-time or part-time) of any substantial shareholder of each member of the Group; (vii) any supplier of goods or services to any member of the Group; and (viii) any customer of any member of the Group, provided that the Board shall have absolute discretion to determine whether one falls within the aforesaid categories (collectively, the "Participants").

(2) Purpose

The purpose of the Share Option Scheme is for the Company to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to the Participants and for such other purposes as the Board may approve from time to time.

(3) Maximum number of shares subject to the share options

The shares which may be issued upon exercise of all right to subscribe for Shares (the "Options") to be granted under the Share Option Scheme and other share option schemes of the Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable) shall not exceed 77,540,600 Shares (representing 10% of the aggregate of the Shares in issue as at the date of approval of the Share Option Scheme on 28 September 2016 (the "Scheme Mandate Limit").

The overall limit on the number of shares which shall be issued upon exercise of all outstanding options granted, and yet to be exercised, under the Share Option Scheme, and other share option schemes of our Company (and to which the provisions of Chapter 17 of the Listing Rules are applicable), shall not exceed 30% of the Shares in issue from time to time ("Scheme Limit").

(4) Maximum entitlement of each Participant

The maximum number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised, cancelled and outstanding Options) in any 12-month period shall not exceed 1% of the total number of shares in issue. Any further grant of Options to any Participant must be separately approved by the shareholders in general meeting with such Participant and his associates abstaining from voting.

(5) Option period

The period within which the shares shall be taken up under an Option shall be a period to be notified by the Board to each grantee of the Option at the time of making an offer, which shall be determined by the Board in its absolute discretion at the date of grant of the relevant Option, but such period shall not expire later than 10 years from the date of grant of the relevant Option.

(6) Minimum period for which an option must be held before it can be exercised

The minimum period, if any, for which an Option must be held before it can be exercised shall be determined by the Board at its absolute discretion and notified by the Board to each grantee of the Option at the time of making an offer.

(7) Payment on acceptance of Option offer

An Option shall remain open for acceptance by the Participant concerned for a period of 28 days exclusive of the date on which the offer is made to the Participant. HK\$1.00 is payable by the grantee of the Option to the Company on acceptance of the offer of the Option.

(8) Subscription price

The subscription price shall be such price determined by the Board at its absolute discretion and notified to the Participant in the offer at the time of the offer, and shall be no less than the highest of:

- (a) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant of the relevant Option, which shall be a business day;
- (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant of the relevant Option; and
- (c) the nominal value of a Share on the date of grant of the relevant Option.

(9) Remaining life of the Share Option Scheme

Ten years from 28 September 2016, that is, up to 27 September 2026.



REPORT OF THE DIRECTORS

No Options under the above scheme were granted nor exercised during the year ended 31 March 2020 and no Options were outstanding as at 31 March 2020.

At no time during the year ended 31 March 2020 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors and chief executive of the Company or their spouse or children under 18 years of age to acquire benefits by means of an acquisition of Shares in, or debentures of, the Company or any other body corporate.

AUDIT COMMITTEE

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

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

The Audit Committee currently comprises of three INEDs, namely Mr. Chow Hiu Tung, Ms. Yang Yanli and Mr. Zhao Hangen. Two meetings were held during the year ended 31 March 2020.

ENVIRONMENTAL, SOCIAL AND GOVERNMENT REPORT

A separate environmental, social and governance report will be published on the respective websites of the Stock Exchange and the Company no later than three months after this annual report has been published.

PRE-EMPTIVE RIGHTS

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

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its suppliers and customers in order to meet its immediate and long term goals. During the year ended 31 March 2020, there is no material or significant dispute between the Group and its supplier and customers.

PERMITTED INDEMNITY PROVISION

Under the Bye-laws, every Director or other officer of the Company acting in relation to any of the affairs of the Company shall be entitled to be indemnified out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may incur or sustain in or about the execution of their duty in their respective offices.

MANAGEMENT CONTRACTS

No contracts, other than contracts of service with person engaged in the full-time employment of the Company, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2020.

CONNECTED TRANSACTIONS

During the year under review, there were no connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules. Details of related party transactions undertaken in the usual course of business are set out in Note 36 to the consolidated financial statement. None of these related party transactions constitute a discloseable connected transaction as defined under the Listing Rules.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Directors are aware, the Group has complied with the relevant laws and regulations that may cause a significant impact on the business and operations of the Group during the year under review.

CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the INEDs, namely Mr. Chow Hiu Tung, Ms. Yang Yanli and Mr. Zhao Hangan, an annual confirmation of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the INEDs are independent.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2020.

AUDITOR

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

For and on behalf of the Board

Zhang Jinbing
Chairman & Executive Director

Hong Kong, 22 May 2020



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE CODE

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

The Company has applied the principles and complied with the Corporate Governance Code ("CG Code") as contained in Appendix 14 of the Listing Rules during the year ended 31 March 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiries of all Directors regarding any non-compliance with the Model Code during the year ended 31 March 2020, they have all confirmed their full compliance with the required standards as set out in the Model Code throughout the year ended 31 March 2020.

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

BOARD OF DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. Zhang Jinbing (*Chairman*)

Mr. Tian Wenxi (appointed as an executive Director on 24 December 2019)

Mr. Wu Tingjun (appointed as an executive Director on 24 December 2019)

Mr. Chau Tien Hsiang (resigned on 28 April 2019)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chow Hiu Tung

Mr. Zhao Hangen

Ms. Yang Yanli

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

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

In compliance with code provision A.6.5 of the CG Code, the Company encourages the Directors to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains relevant. All the Directors have confirmed with the Company that they have participated in appropriate continuous professional development activities, which relate to financial and general management, regulatory and compliance requirement and corporate governance, either by attending seminars or by reading materials relevant to the Group's business or Directors' duties and responsibilities during the year ended 31 March 2020.

CORPORATE GOVERNANCE REPORT

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT (CONTINUED)

The individual training records of each existing Director for the year ended 31 March 2020 are set out below:

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

INEDS

Throughout the year ended 31 March 2020, the Company has complied with the requirements under Rules 3.10A, 3.10(1) and (2) of the Listing Rules that require every board of directors of a listed issuer to include at least three INEDs and at least one of the INEDs must have appropriate professional qualifications or accounting or related financial management expertise. One INED is a qualified accountant.

The INEDs actively participated in board meetings of the Company. The members of Audit Committee, the Remuneration Committee, Nomination Committee of the Company comprise a majority of INEDs.

INEDS (CONTINUED)

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

RESPONSIBILITIES OF DIRECTORS AND MANAGEMENT

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

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

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

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



CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTION

According to Code Provision D.3.1 of the CG Code, the Board is responsible for performing the corporate governance duties of the Company. The Board has the following duties and responsibilities for performing the corporate governance duties of the Company:

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

BOARD DIVERSITY POLICY

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

SUMMARY OF THE BOARD DIVERSITY POLICY

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

MEASURABLE OBJECTIVES

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

MONITORING AND REPORTING

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

BOARD MEETING

The Board meets regularly to discuss the overall strategy as well as the operation and financial performance of the Group, in addition to the meetings for reviewing and approving the Group's annual and interim results. During the year ended 31 March 2020, 13 meetings have been held by the Board and the attendance of each of the Directors is as follows:

Name of Directors	Attendance/number of meetings held during the year ended 31 March 2020 (during appointment period)				
	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	Annual General Meetings
Executive Directors					
Mr. Zhang Jinbing (<i>Chairman</i>)	9/13	n/a	3/3	2/3	0/1
Mr. Tian Wenxi (<i>appointed on 24 December 2019</i>)	3/13	n/a	n/a	n/a	0/1
Mr. Wu Tingjun (<i>appointed on 24 December 2019</i>)	2/13	n/a	n/a	n/a	0/1
Mr. Chau Tien Hsiang (<i>resigned on 28 April 2019</i>)	1/13	n/a	n/a	1/3	0/1
INEDs					
Mr. Chow Hiu Tung	10/13	2/2	3/3	n/a	1/1
Ms. Yang Yanli	13/13	2/2	3/3	3/3	1/1
Mr. Zhao Hangen	13/13	2/2	3/3	3/3	1/1

AUDIT COMMITTEE

The Audit Committee currently comprises three INEDs:

Mr. Chow Hiu Tung (*Chairman*)

Ms. Yang Yanli

Mr. Zhao Hangen

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

During the year ended 31 March 2020, there was no disagreement between the Board and the Audit Committee on the selection and appointment of the external auditor. The Audit Committee is mandated to monitor the independence of the external auditor to ensure true objectivity in the financial statements.

During the year ended 31 March 2020, the Audit Committee held two meetings. Matters considered at the meetings included review of the Group's interim results for the six months ended 30 September 2019 and the annual results for the year ended 31 March 2020, the fees for engaging the external auditors to provide the audit for the relevant years, the independence of the external auditors, and the Company's financial control, internal control and risk management system. The attendance of each member at the Audit Committee meetings held during the year has been disclosed earlier in this report.

REMUNERATION COMMITTEE

The Remuneration Committee comprises two INEDs and one executive Director:

Mr. Zhang Jinbing (*Chairman*)

Mr. Chow Hiu Tung

Ms. Yang Yanli

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

During the year ended 31 March 2020, three Remuneration Committee meetings were held and the attendance of each of the members of the Remuneration Committee has been disclosed earlier in this report. The Remuneration Committee has considered the remuneration of the executive Directors and senior management and made recommendations to the Board. The Board has no disagreement with the Remuneration Committee on remuneration or compensation arrangements with regard to executive Directors and senior management.

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

Remuneration payable to senior managements who are not Directors for the year ended 31 March 2020 is set out below:

	Number of employees
HK\$1,000,001 to HK\$1,500,000	1
Below HK\$1,000,001	4
	5

NOMINATION COMMITTEE

The Nomination Committee comprises two INEDs and one executive Director:

Mr. Zhang Jinbing (*Chairman*) (appointed on 28 April 2019)

Mr. Zhao Hangen

Ms. Yang Yanli

Mr. Chau Tien Hsiang (*Chairman*) (resigned on 28 April 2019)

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

Nomination Policy

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

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

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

NOMINATION COMMITTEE (CONTINUED)

Nomination Procedures

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

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

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

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

During the year ended 31 March 2020, the Nomination Committee held three meetings to consider the revision of the structure, size and composition of the Board, qualifications of all Directors and senior management of the Group and independence of the INEDs. The attendance of each of the members of the Nomination Committee has been disclosed earlier in this report.

COMPANY SECRETARY

Ms. Lee Eva ("Ms. Lee") was appointed as the Company Secretary of the Company (the "Company Secretary") on 5 September 2019. The role of the Company Secretary is to ensure that the Directors have access to all necessary information and that all Board procedures are followed. She also advises the Board on corporate governance matters and facilitates induction and professional development of the Directors. Ms. Lee reports directly to the chairman and the senior management of the Company, and all Directors have access to the advice and services of the Company Secretary at any time in relation to their duties and operation of the Board. Ms. Lee has confirmed that she has fulfilled the requirement of taking no less than 15 hours of relevant professional training during the year ended 31 March 2020.



CORPORATE GOVERNANCE REPORT

AUDITOR'S REMUNERATION

The fees paid to the external auditor of the Company, for audit and non-audit services including taxation services for the year ended 31 March 2020 amounted to approximately HK\$580,000 and approximately HK\$130,000. The fees payable to the external auditor for non-audit services for the year are listed below:

1) Review of financial statements	HK\$130,000
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In considering the re-appointment of the external auditor, the Audit Committee has taken into consideration their relationship with the Company and their independence in the provision of non-audit services. Based on the results of the review and after taking into account the opinion of the management of the Group, the Audit Committee recommended the Board to re-appoint Cheng & Cheng Limited as the external auditor of the Company for the year ending 31 March 2021, subject to approval by the shareholders of the Company at the forthcoming annual general meeting to be held on 21 August 2020. There is no external auditor of the Company acting as a member of the Audit Committee within one year commencing on the date of his cessation of being a partner of the firm. In addition, the Audit Committee is of the view that the auditor's independence is not affected by the non-audit services rendered.

ACCOUNTABILITY

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

ACCOUNTABILITY (CONTINUED)

In preparing the consolidated financial statements for the year ended 31 March 2020, the Directors have:

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

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

The statement by the auditor of the Company about their reporting responsibilities are set out on pages 41 to 47 of this report.

INTERNAL CONTROL AND RISK MANAGEMENT

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

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

The Company has engaged C&C Risk Advisory Services Limited ("C&C") to perform a review of the procedures, systems, controls and potential risk areas for the Group. C&C has submitted its internal control review and risk assessment reports for the Group to the Audit Committee and the Board in May 2020. Findings and recommendations concerning improvements to the Group's internal controls have been reviewed by the Audit Committee and the Board. The Board considered the Group's internal control system to be effective and adequate, and to further enhance the effectiveness of the internal control and risk management, the Company has implemented an ongoing internal control and risk management review measure suggested by C&C.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

SHAREHOLDERS' RIGHTS

PROCEDURES FOR NOMINATION OF A DIRECTOR

A notice in writing of the intention to propose a person for election as a director of the Company and a notice in writing by that person of his/her willingness to be elected together with his/her personal particulars and information required to be disclosed under Rule 13.51(2) of the Listing Rules shall be lodged at the Company's principal place of business (Unit 13, 5/F, Tower 1, Harbour Centre, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong (with effect from 1 September 2019)) or at its branch share registrar in Hong Kong, Tricor Abacus Limited (Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong). The period for lodgment of the notices required will commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting, and the minimum length of the period during which such notices to the Company may be given will be at least 7 days.

RIGHT AND PROCEDURES FOR SHAREHOLDERS TO CONVENE A GENERAL MEETING

Special general meetings shall be convened on the written requisition of one or more shareholders of the Company holding, at the date of requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board of Directors or the Company Secretary (Unit 13, 5/F, Tower 1, Harbour Centre, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong) for the purpose of requiring a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

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

INDEPENDENT AUDITOR'S REPORT



CHENG & CHENG LIMITED

CERTIFIED PUBLIC ACCOUNTANTS

Level 35, Tower 1,
Enterprise Square Five,
38 Wang Chiu Road,
Kowloon Bay, Kowloon,
Hong Kong

TO THE SHAREHOLDERS OF STATE ENERGY GROUP INTERNATIONAL ASSETS HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of State Energy Group International Assets Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 48 to 148, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

BASIS FOR OPINION

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



INDEPENDENT AUDITOR'S REPORT

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1 to the financial statements which indicates that the Group had net operating cash outflow of approximately HK\$15,193,000 for the year ended 31 March 2020 and the Group had current liabilities exceeded its current assets by approximately HK\$124,519,000 as at 31 March 2020. As stated in note 2.1, these events or conditions, along with other matters as set forth in note 2.1, indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation of investment properties</i></p> <p>Refer to notes 2, 4 and 17 to the consolidated financial statements</p> <p>As at 31 March 2020, the fair value of investment properties of the Group was approximately HK\$121,785,000. Increase in fair value of investment properties of approximately HK\$4,673,000 were recognised in profit or loss for the year.</p> <p>To support management's determination of the fair value, the Group engaged an external valuer to perform valuations on the investment properties at the end of the reporting period.</p> <p>Given that the valuation was significant to the Group and significant estimation and judgement are required by management to determine the fair value of the investment properties, we have identified the valuation of the investment properties as key audit matter.</p>	<p>We have performed the following procedures to address this key audit risk:</p> <ul style="list-style-type: none">• Evaluating the objectivity, independence and competency of the valuer;• Assessing the methodologies used and the appropriateness of the key assumptions being used in determining the fair value of the investment properties; and• Checking on a sample basis, the accuracy and relevance of the input data used.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="180 513 791 577"><i>Valuation of land and building included in property, plant and equipment</i></p> <p data-bbox="180 592 791 657">Refer to notes 2, 4 and 16 to the consolidated financial statements</p> <p data-bbox="180 672 791 823">As at 31 March 2020, the fair value of land and building included in property, plant and equipment of the Group was approximately HK\$36,500,000.</p> <p data-bbox="180 860 791 1011">To support management's determination of the fair value, the Group engaged an external valuer to perform valuations on the land and building at the end of the reporting period.</p> <p data-bbox="180 1047 791 1265">Given that the valuation was significant to the Group and significant estimation and judgement are required by management to determine the fair value of the land and building, we have identified the valuation of the land and building as key audit matter.</p>	<p data-bbox="818 672 1418 737">We have performed the following procedures to address this key audit risk:</p> <ul data-bbox="818 774 1418 1131" style="list-style-type: none"><li data-bbox="818 774 1418 845">• Evaluating the objectivity, independence and competency of the valuer;<li data-bbox="818 881 1418 1032">• Assessing the methodologies used and the appropriateness of the key assumptions being used in determining the fair value of the land and building; and<li data-bbox="818 1069 1418 1131">• Checking on a sample basis, the accuracy and relevance of the input data used.



INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment assessment of trade receivables</i></p> <p>Refer to notes 2, 3(D), 4 and 20 to the consolidated financial statements</p> <p>As at 31 March 2020, the Group had trade receivables of approximately HK\$87,216,000 (net of allowance of HK\$613,000).</p> <p>Management recognises a loss allowance for lifetime expected credit losses ("ECL") on the trade receivables. Lifetime ECL are estimated based on a number of factors which include aging of overdue trade receivables, historical payment profiles and the corresponding historical credit losses rate of the Group's customers, current market conditions and forecast of future economic conditions, and with reference to expected credit loss rates of comparable companies at the end of each reporting period. Such assessment involves a significant degree of management judgment and estimation. The Group engaged an independent external valuer to assist in estimation of ECL for trade receivables.</p> <p>We identified the impairment assessment of trade receivables as a key audit matter due to the involvement of significant management judgement and estimates in evaluating the ECL of the Group's trade receivables.</p>	<p>We have performed the following procedures to address this key audit risk:</p> <ul style="list-style-type: none">• Evaluating the objectivity, independence and competency of the valuer;• Assessing the methodologies used and the appropriateness of the key assumptions used in ECL calculation by valuer;• Evaluating the design, implementation and operating effectiveness of key internal controls which govern credit control, debt collection and estimation of ECL;• Testing the aging analysis of the trade receivables, on a sample basis, to the sales invoices;• Conducting a detailed discussion with management on overdue trade receivables as to whether these aged receivables were impaired; and• Tracing of the subsequent settlements to the bank receipts, on a sample basis.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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



INDEPENDENT AUDITOR'S REPORT

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with Section 90 of Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

CHENG & CHENG LIMITED

Certified Public Accountants

Chan Shek Chi

Practising Certificate number P05540

Hong Kong, 22 May 2020



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Turnover	5	210,179	96,434
Cost of sales		(173,997)	(81,459)
Gross profit		36,182	14,975
Other net gain/(loss)	5	701	(697)
Other income	5	1,331	434
Selling, distribution and marketing expenses		(4,909)	(3,023)
Administrative expenses		(18,126)	(32,961)
Loss allowance on trade and other receivables		(252)	(401)
Changes in fair value of investment properties	17	4,673	105
Operating profit/(loss)		19,600	(21,568)
Finance costs	7	(7,336)	(7,778)
Profit/(loss) before taxation	8	12,264	(29,346)
Income tax expense	11	(1,339)	(725)
Profit/(loss) for the year		10,925	(30,071)
Other comprehensive (expense)/income for the year (net of tax)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries	13	(91)	(1,328)
Release of translation reserve upon disposal of subsidiaries	13	(393)	1,011
Items that will not be reclassified to profit or loss:			
Loss on revaluation of land and building held for own use	13	(1,785)	–
Total comprehensive income/(expense) for the year		8,656	(30,388)
Profit/(loss) for the year attributable to:			
Equity holders of the Company		9,376	(28,249)
Non-controlling interests		1,549	(1,822)
		10,925	(30,071)
Total comprehensive income/(expense) attributable to:			
Equity holders of the Company		7,144	(28,004)
Non-controlling interests		1,512	(2,384)
		8,656	(30,388)
Earnings/(loss) per share attributable to equity holders of the Company			
- basic (HK cents)	14	1.21	(3.64)
- diluted (HK cents)	14	1.21	(3.64)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	37,755	1,405
Right-of-use assets	18	4,083	–
Investment properties	17	121,785	156,212
Rental deposit		680	–
		164,303	157,617
Current assets			
Inventories	19	21,546	16,001
Trade and other receivables	20	112,407	46,764
Pledged bank deposit	21	–	522
Cash and cash equivalents	21	12,272	4,543
		146,225	67,830
Assets classified as held for sale	22	–	14,339
		146,225	82,169
Total assets		310,528	239,786
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Share capital	25	77,540	77,540
Reserves		(46,088)	(54,628)
		31,452	22,912
Non-controlling interests		1,516	6,296
Total equity		32,968	29,208
LIABILITIES			
Non-current liabilities			
Lease liabilities	27	2,366	–
Rental deposit received		489	–
Deferred tax liabilities	30	3,961	4,358
		6,816	4,358

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	<i>Notes</i>	2020 HK\$'000	2019 HK\$'000
Current liabilities			
Trade and other payables	23	45,741	7,049
Contract liabilities	24	766	–
Bank borrowings	26	–	32,972
Amounts due to a shareholder	28	147,673	95,971
Amounts due to a related company	29	72,800	69,666
Lease liabilities	27	1,842	–
Tax payable		1,922	214
		270,744	205,872
Liabilities directly associated with assets classified as held for sale	22	–	348
		270,744	206,220
Total liabilities		277,560	210,578
Total equity and liabilities		310,528	239,786
Net current liabilities		(124,519)	(124,051)
Total assets less current liabilities		39,784	33,566

Approved and authorised for issue by the Board of Directors on 22 May 2020 and are signed on its behalf by:

Zhang Jinbing
Chairman

Chow Hiu Tung
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Attributable to equity holders of the Company										
	PRC								Non-		Total
	Share	Share	Revaluation	Consolidation	Statutory	Translation	Capital	Accumulated	Controlling		
	Capital	Premium	Reserve	Reserve	Reserve	Reserve	Reserve	Losses	Sub Total	Interests	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Balance at 1 April 2018	77,540	66,894	11,855	2,214	-	148	3,285	(116,613)	45,323	8,680	54,003
Loss for the year	-	-	-	-	-	-	-	(28,249)	(28,249)	(1,822)	(30,071)
Other comprehensive income/(expense) for the year	-	-	-	-	-	245	-	-	245	(562)	(317)
Total comprehensive income/(expense) for the year	-	-	-	-	-	245	-	(28,249)	(28,004)	(2,384)	(30,388)
Equity contribution from a shareholder	-	-	-	-	-	-	5,593	-	5,593	-	5,593
Balance at 31 March 2019	77,540	66,894	11,855	2,214	-	393	8,878	(144,862)	22,912	6,296	29,208
Profit for the year	-	-	-	-	-	-	-	9,376	9,376	1,549	10,925
Other comprehensive expense for the year	-	-	(1,785)	-	-	(447)	-	-	(2,232)	(37)	(2,269)
Total comprehensive (expense)/income for the year	-	-	(1,785)	-	-	(447)	-	9,376	7,144	1,512	8,656
Transfer of reserve	-	-	-	-	226	-	-	(226)	-	-	-
Equity contribution from a shareholder	-	-	-	-	-	-	1,376	-	1,376	-	1,376
Disposal of subsidiaries	-	-	-	-	-	-	-	-	-	(6,296)	(6,296)
Partial disposal of subsidiaries to non-controlling interests during the year (note 37)	-	-	-	-	-	-	-	20	20	4	24
Balance at 31 March 2020	77,540	66,894	10,070	2,214	226	(54)	10,254	(135,692)	31,452	1,516	32,968

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

Note:

a) Share premium

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

b) Revaluation reserve

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

c) Consolidation reserve

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

d) PRC statutory reserve

According to the relevant requirements in the Articles of Association of the Group's subsidiaries in the People's Republic of China ("PRC"), a portion of their profits after taxation is transferred to PRC statutory reserve. The transfer must be made before the distribution of a dividend to equity owners. The PRC statutory reserve can be used to make up the prior year losses, if any. The PRC statutory reserve is non-distributable other than upon liquidation.

e) Translation reserve

It represents all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2.5 (C).

f) Capital reserve

It represents the differences between the loans nominal amount of approximately HK\$183,162,000 and the fair value of approximately HK\$172,908,000 of loans granted by a shareholder in between the year ended 31 March 2018 and year ended 31 March 2020. At origination, the Group calculated its present value using the current market rate for similar instruments, the difference between the loans nominal amount and present value of approximately HK\$10,254,000 is treated as equity contribution from the shareholder and credited to the capital reserve account.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Notes	2020 HK\$'000	2019 HK\$'000
Operating activities			
Cash used in operations	32(A)	(15,193)	(68,616)
Net cash flows used in operating activities		(15,193)	(68,616)
Investing activities			
Release of pledged bank deposit		522	–
Interest received		25	323
Net cash outflow from disposal of subsidiaries	6	(4,240)	(114)
Purchases of plant and equipment		(1,361)	(449)
Proceeds from disposal of plant and equipment		475	2,213
Net cash flows (used in)/from investing activities		(4,579)	1,973
Financing activities			
Proceeds from bank borrowings		–	35,000
Repayment of bank borrowings		(32,972)	(10,246)
Proceeds from other loan		–	8,000
Repayment of other loan		–	(8,000)
Capital element of finance lease obligations paid		–	(365)
Proceeds from loans from a shareholder		76,355	100,800
Repayment of loans from a shareholder		(26,529)	–
Interest paid		(950)	(6,444)
Repayment of loan from a related company		–	(55,991)
Repayment of lease liabilities		(1,236)	–
Cash inflow from partial disposal of subsidiaries without loss of control	37	24	–
Net cash flow from financing activities	32(B)	14,692	62,754
Net decrease in cash and cash equivalents		(5,080)	(3,889)
Cash and cash equivalents at the beginning of the year		17,206	22,280
Effects of exchange rate changes, net		146	(1,185)
Cash and cash equivalents at the end of the year	32(C)	12,272	17,206

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in Bermuda and its shares (the “Share”) are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of its principal place of business is Unit 13, 5/F, Tower 1, Harbour Centre, 1 Hok Cheung Street, Hung Hom, Kowloon, Hong Kong.

During the year ended 31 March 2020, the Group was principally engaged in the sourcing, subcontracting, marketing and selling of garments and sportswear products, property investment and provision of marketing services.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

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

The Group had net operating cash outflow of approximately HK\$15,193,000 for the year ended 31 March 2020 and had net current liabilities of approximately HK\$124,519,000 as at 31 March 2020. The directors are taking steps to improve the Group’s liquidity and financial performance including active cost-saving and other measures to improve the Group’s operating cash flows and financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

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

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

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

(A) OVERVIEW

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

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and on the disclosures set out in these consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

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

(B) HKFRS 16, LEASES

The Group has applied HKFRS 16 for the first time in the year ended 31 March 2020. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 April 2019. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review; and
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

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

(B) HKFRS 16, LEASES (CONTINUED)

As a lessee (continued)

The Group did not recognise lease liabilities and right-of-use assets as at 1 April 2019.

	At 1 April 2019 HK\$'000
Operating lease commitments disclosed as at 31 March 2019	2,602
Less: Recognition exemption – short-term leases	<u>(2,602)</u>
Lease liabilities as at 1 April 2019	<u>–</u>

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Effective on 1 April 2019, the Group has applied HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") to allocate consideration in the contract to each lease and non-lease components.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 BASIS OF PREPARATION (CONTINUED)

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

(C) NEW AND REVISED HKFRSs ISSUED BUT NOT YET EFFECTIVE

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

HKFRS 17	Insurance Contracts ³
Amendments to HKFRS 3	Definition of a Business ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ¹

^{1.} Effective for annual periods beginning on or after 1 January 2020.

^{2.} Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

^{3.} Effective for annual periods beginning on or after 1 January 2021.

^{4.} Effective for annual periods beginning on or after a date to be determined.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in HKFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of all these new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and all of its subsidiaries made up for the year ended 31 March 2020.

SUBSIDIARIES

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

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 CONSOLIDATION (CONTINUED)

SUBSIDIARIES (CONTINUED)

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

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

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 owners of the Company.

2.3 SEPARATE FINANCIAL STATEMENTS

Investments in subsidiaries are accounted for at cost less impairment losses. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2.4 SEGMENT REPORTING

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 FOREIGN CURRENCY TRANSLATION

(A) FUNCTIONAL AND PRESENTATION CURRENCY

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

(B) TRANSACTIONS AND BALANCES

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

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

(C) GROUP COMPANIES

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 FOREIGN CURRENCY TRANSLATION (CONTINUED)

(C) GROUP COMPANIES (CONTINUED)

- (iii) all resulting exchange differences are recognised directly in other comprehensive income.

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

2.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses except for land and building which are stated at revalued carrying amount. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are included in the profit or loss during the financial year in which they are incurred.

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

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

	Depreciation rates	Method
- Land and building	over the lease terms	straight-line
- Leasehold improvements	15-20% or over the lease terms, whichever is shorter	straight-line
- Furniture and fixtures	15-20%	reducing balance
- Motor vehicles	15-25%	reducing balance
- Office and computer equipment	15-33%	reducing balance

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

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

2.7 INVESTMENT PROPERTIES

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Construction costs incurred for investment properties under construction are capitalised as part of the carrying amount of the investment properties under construction.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

2.8 FINANCIAL INSTRUMENTS

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 FINANCIAL INSTRUMENTS (CONTINUED)

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

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

(A) FINANCIAL ASSETS

CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL ASSETS (CONTINUED)

CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS (CONTINUED)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of HKFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is held for trading if:

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

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

AMORTISED COST AND INTEREST INCOME

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL ASSETS (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO IMPAIRMENT ASSESSMENT UNDER HKFRS 9

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

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

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

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

(i) Significant increase in credit risk

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL ASSETS (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO IMPAIRMENT ASSESSMENT UNDER HKFRS 9 (CONTINUED)

(i) Significant increase in credit risk (continued)

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL ASSETS (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO IMPAIRMENT ASSESSMENT UNDER HKFRS 9 (CONTINUED)

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

(iv) Write-off policy

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL ASSETS (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO IMPAIRMENT ASSESSMENT UNDER HKFRS 9 (CONTINUED)

(v) Measurement and recognition of ECL

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

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

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

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

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 FINANCIAL INSTRUMENTS (CONTINUED)

(A) FINANCIAL ASSETS (CONTINUED)

IMPAIRMENT OF FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO IMPAIRMENT ASSESSMENT UNDER HKFRS 9 (CONTINUED)

DERECOGNITION OF FINANCIAL ASSETS

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

(B) FINANCIAL LIABILITIES AND EQUITY

CLASSIFICATION AS DEBT OR EQUITY

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

(i) Equity instruments

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

(ii) Financial liabilities

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL LIABILITIES AND EQUITY (CONTINUED)

DERECOGNITION/SUBSTANTIAL MODIFICATION OF FINANCIAL LIABILITIES

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

The Group accounts for an exchange with a lender of a financial liability with substantially different terms as an extinguishment of the original financial liability and the recognition of a new financial liability. A substantial modification of the terms of an existing financial liability or a part of it (whether or not attributable to the financial difficulty of the Group) is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

When the contractual terms of a financial liability are modified, the revised terms would result in a substantial modification from the original terms, after taking into account all relevant facts and circumstances including qualitative factors, such modification is accounted for as derecognition of the original financial liability and the recognition of new financial liability. The difference between the carrying amount of financial liability derecognised and the fair value of consideration paid or payable, including any liabilities assumed and derivative components recognised, is recognised in profit or loss.

NON-SUBSTANTIAL MODIFICATIONS OF FINANCIAL LIABILITIES

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 IMPAIRMENT ON RIGHT-OF-USE ASSETS, TANGIBLE AND INTANGIBLE ASSETS

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

The recoverable amount of right-of-use assets, tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash generating unit) for which the estimates of future cash flows have not been adjusted.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 IMPAIRMENT ON RIGHT-OF-USE ASSETS, TANGIBLE AND INTANGIBLE ASSETS (CONTINUED)

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

2.10 LEASES

(A) DEFINITION OF A LEASE (UPON APPLICATION OF HKFRS 16 IN ACCORDANCE WITH TRANSITIONS IN NOTE 2.1(B))

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

(B) THE GROUP AS A LESSEE (UPON APPLICATION OF HKFRS 16 IN ACCORDANCE WITH TRANSITIONS IN NOTE 2.1(B))

ALLOCATION OF CONSIDERATION TO COMPONENTS OF A CONTRACT

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 LEASES (CONTINUED)

(B) THE GROUP AS A LESSEE (UPON APPLICATION OF HKFRS 16 IN ACCORDANCE WITH TRANSITIONS IN NOTE 2.1(B)) (CONTINUED)

SHORT-TERM LEASES AND LEASES OF LOW-VALUE ASSETS

The Group applies the short-term lease recognition exemption to leases of offices and warehouse that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

RIGHT-OF-USE ASSETS

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2.9), except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value in accordance with note 2.7; and
- right-of-use assets related to leasehold self-occupied building where the Group is the registered owner of the leasehold interest are carried at fair value in accordance with note 2.6.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 LEASES (CONTINUED)

(B) THE GROUP AS A LESSEE (UPON APPLICATION OF HKFRS 16 IN ACCORDANCE WITH TRANSITIONS IN NOTE 2.1(B)) (CONTINUED)

RIGHT-OF-USE ASSETS (CONTINUED)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

REFUNDABLE RENTAL DEPOSITS

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

LEASE LIABILITIES

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 LEASES (CONTINUED)

(B) THE GROUP AS A LESSEE (UPON APPLICATION OF HKFRS 16 IN ACCORDANCE WITH TRANSITIONS IN NOTE 2.1(B)) (CONTINUED)

LEASE LIABILITIES (CONTINUED)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

(C) THE GROUP AS A LESSEE (PRIOR TO 1 APRIL 2019)

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

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Lease incentives relating to operating leases are considered as integral part of lease payments, the aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

(D) THE GROUP AS A LESSOR

CLASSIFICATION AND MEASUREMENT OF LEASES

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 LEASES (CONTINUED)

(D) THE GROUP AS A LESSOR (CONTINUED)

CLASSIFICATION AND MEASUREMENT OF LEASES (CONTINUED)

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which is derived from the Group's ordinary course of business is presented as revenue.

(E) THE GROUP AS A LESSOR (UPON APPLICATION OF HKFRS 16 IN ACCORDANCE WITH TRANSITIONS IN NOTE 2.1(B))

ALLOCATION OF CONSIDERATION TO COMPONENTS OF A CONTRACT

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

REFUNDABLE RENTAL DEPOSITS

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

LEASE MODIFICATION

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 INVENTORIES

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

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

2.12 CASH AND CASH EQUIVALENTS

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

2.13 BORROWINGS

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

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

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

2.14 SHARE CAPITAL

Ordinary shares are classified as equity.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 INCOME TAX

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

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

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 EMPLOYEE BENEFITS

(A) PENSION OBLIGATION

(i) HONG KONG

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

(ii) THE PRC

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

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

(B) EMPLOYEE LEAVE ENTITLEMENTS

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

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

2.17 PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 REVENUE RECOGNITION

(A) REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

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

Marketing service income is recognised at a point in time when service is rendered to customers with customer’s acceptance.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 REVENUE RECOGNITION (CONTINUED)

(A) REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

CONTRACTS WITH MULTIPLE PERFORMANCE OBLIGATIONS (INCLUDING ALLOCATION OF TRANSACTION PRICE)

For contracts that contain more than one performance obligations (including releases of the promotional products to the online channels), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

PRINCIPAL VERSUS AGENT

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

(B) REVENUE FROM OTHER SOURCES

INTEREST INCOME

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

RENTAL INCOME FROM OPERATING LEASES

Rental income receivable under operating leases is recognised in the consolidated statement of profit or loss and other comprehensive income on a straight-line basis over the period of lease.

OTHER INCOME

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 RELATED PARTIES

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 NON-CURRENT ASSETS HELD FOR SALE

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

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

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

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

2.21 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 added to 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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. FINANCIAL RISK MANAGEMENT

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

(A) FOREIGN EXCHANGE RISK

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

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

(B) LIQUIDITY RISK

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(B) LIQUIDITY RISK (CONTINUED)

The Group relies on bills payables, loans from a shareholder and a related company as significant sources of liquidity. As at 31 March 2020, the Group has available unutilised banking facilities of approximately HK\$49,596,000 (2019: HK\$Nil). Details of which are set out in note 31. The following tables show the remaining contractual maturities at the end of the reporting period of the Group's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the end of the reporting period) and the earliest date the Group can be required to pay:

	2020					Carrying amount at 31 March HK\$'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	More than 5 years HK\$'000	Total HK\$'000	
Trade and bills payables	37,002	–	–	–	37,002	37,002
Other payables and accrued charges	8,739	–	–	–	8,739	8,739
Amounts due to a shareholder	147,673	–	–	–	147,673	147,673
Amounts due to a related company	72,800	–	–	–	72,800	72,800
Lease liabilities	2,040	2,040	417	–	4,497	4,208
	268,254	2,040	417	–	270,711	270,422

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(B) LIQUIDITY RISK (CONTINUED)

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(C) CASH FLOW AND FAIR VALUE INTEREST RATE RISK

The Group's exposure to changes in interest rates is mainly attributable to its cash and cash equivalents and amount due to a related company. Cash and cash equivalents that are subject to floating rates expose the Group to cash flow interest rate risk while amounts due to a related company that are subject to fixed rates expose the Group to fair value interest rate risk. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances (2019: fluctuation of interest rates on bank balances, prime rate and HIBOR arising from the bank borrowings). The Group has not hedged its exposure to interest rate risk. The Group regularly seeks out the most favorable interest rates available for its borrowings.

The following table indicates the approximate change in the profit/loss after tax in response to reasonably possible changes in interest rate to which the Group has significant exposure at the end of the reporting period. In determining the effect on profit/loss after tax in the next accounting year, the management of the Group assumed that the change in interest rate had occurred at the end of the reporting period and all other variables remain constant. There is no change in the methods and assumptions used in 2020 and 2019.

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

	2020 Effect on profit after tax	2019 Effect on loss after tax
Increase by 100 basis point	–	Loss after tax increase by HK\$275,000
Decrease by 100 basis point	–	Loss after tax decrease by HK\$275,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(D) CREDIT RISK

The Group is exposed to concentrations of credit risk. At 31 March 2020, the Group had a concentration of credit risk as 34% (2019: 89%) of the Group's trade receivables were due from two major customers (2019: three major customers). Furthermore, 95% (2019: Nil) of the Group's other receivables were due from three debtors (2019: Nil).

The Group's maximum exposure to credit risk in the event of the counterparties failure to perform their obligations as at 31 March 2020 in relation to each class of recognised financial assets is the carrying amount of these assets as stated in the consolidated statement of financial position.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group regularly reviews the credit terms and credit limits granted to individual customers. There are policies in place to ensure that sales are made to customers with satisfactory credit record.

The Group performs impairment assessment under ECL model on trade balances individually or based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significant reduced. The Group does not hold any collaterals over these balances.

For other receivables, the management of the Group make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management of the Group believe that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. Impairment loss of approximately HK\$40,000 (2019: Nil) was recognised during the year.

The Group engaged an independent external valuer to assist in estimation of ECL.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(D) CREDIT RISK (CONTINUED)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL - not credit impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit impaired	Lifetime ECL - not credit impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Internal credit rating	12m or lifetime ECL	2020 Gross carrying amount		2019 Gross carrying amount
			HK\$'000	HK\$'000	
Financial assets at amortised cost					
Other receivables	Low risk	12m ECL		17,359	4,956
Trade receivables	Note	Lifetime ECL - not credit impaired	87,512		
	Loss	Credit-impaired	317	87,829	39,506

Note: For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. Except for debtors with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items by using a provision matrix grouped by customer portfolio and past due status.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(D) CREDIT RISK (CONTINUED)

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL (not credit-impaired) for garment business and marketing services. The ECL on trade receivables for the business segment of property investment are insignificant and thus no loss allowance was recognised. Debtors with credit-impaired with gross carrying amounts of HK\$317,000 as at 31 March 2020 (2019: Nil) were assessed individually.

	Garment business					
	2020			2019		
	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current	0.23%	49,404	116	0.83%	37,851	316
0 to 30 days past due	0.34%	18,652	64	–	–	–
31 to 60 days past due	0.45%	5,951	27	–	–	–
61 to 90 days past due	–	–	–	5.02%	697	35
Over 91 days past due	–	–	–	5.22%	958	50
		<u>74,007</u>	<u>207</u>		<u>39,506</u>	<u>401</u>

	Marketing services					
	2020			2019		
	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Expected loss rate %	Gross carrying amount HK\$'000	Loss allowance HK\$'000
Current	0.42%	8,320	35	N/A	N/A	N/A
0 to 30 days past due	–	–	–	N/A	N/A	N/A
31 to 60 days past due	–	–	–	N/A	N/A	N/A
61 to 90 days past due	1.31%	4,127	54	N/A	N/A	N/A
		<u>12,447</u>	<u>89</u>		<u>N/A</u>	<u>N/A</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

(D) CREDIT RISK (CONTINUED)

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

During the year ended 31 March 2020, the Group reversed approximately HK\$105,000 (2019: provided approximately HK\$401,000) loss allowance for trade receivable based on the provision matrix. Loss allowance of approximately HK\$317,000 (2019: HK\$Nil) was made on a credit impaired debtor.

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

	2020 Lifetime ECL (Not-credit impaired) HK\$'000	2020 Lifetime ECL (Credit impaired) HK\$'000	2020 Lifetime ECL Total HK\$'000	2019 Total and Lifetime ECL (Not-credit impaired) HK\$'000
Balance at 1 April	401	–	401	–
Impairment losses (reversed)/recognised during the year	(105)	317	212	401
Balance at 31 March	296	317	613	401

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

	2020 Total and 12m ECL HK\$'000	2019 Total and 12m ECL HK\$'000
Balance at 1 April	–	–
Impairment loss recognised during the year	40	–
Balance at 31 March	40	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

3. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(A) DEFERRED TAXATION ON INVESTMENT PROPERTIES

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(B) ESTIMATE OF FAIR VALUE OF INVESTMENT PROPERTIES AND LAND AND BUILDING

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

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

The Group engages external independent and qualified valuer to determine the fair value of the Group’s land and building and investment properties (2019: investment properties) at the end of every financial year. The valuation of the Group’s land and building and investment properties located in Hong Kong is derived by Market Approach for the years ended 31 March 2020 and 2019. The valuation of the Group’s investment properties located in PRC is derived by Income Approach (2019: Market Approach). In determining the methodology for the measurement of the fair value of investment properties located in PRC, the directors are of the opinion that Income Approach has less unobservable inputs and more appropriate for current year’s situation.

The valuations were dependent on certain key assumptions that require significant management judgement, including marketing selling price for land and building and investment properties located in Hong Kong and fair market rents for investment properties located in PRC (2019: marketing selling price for investment properties located in Hong Kong and PRC).

During the year ended 31 March 2020, a fair value gain on investment properties of approximately HK\$4,673,000 (2019: HK\$105,000) and a decrease in the revaluation reserve arising on the revaluation of the Group’s land and building of approximately HK\$1,785,000 (2019: Nil) were recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(C) PROVISION OF ECL FOR TRADE RECEIVABLES

The Group engaged external independent and qualified valuer to assist in estimation of the ECL. The ECL is provided under adoption of the simplified approach, which permits the use of the lifetime expected losses for the trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics. Future cash flows for each group of receivables are estimated on the basis of historical loss experience, adjusted to reflect the effects of current conditions as well as forward looking information. Management has closely monitored the credit qualities and the collectability of the trade receivables. Trade receivables in financial difficulties are assessed individually for impairment to determine whether specific loss allowance provisions are required.

Included in the above provision for impairment of trade receivables is a provision for credit impaired trade receivables of approximately HK\$317,000 (2019: HK\$Nil). The credit impaired trade receivables related to a customer that was in financial difficulties.

The information about provision of ECL for the Group's trade receivables is disclosed in notes 3(D) and 20.

(D) INCOME RECOGNITION - PRINCIPAL OR AGENT

The Group had a few transactions in relation to trading of electronic parts during the year. The goods are shipped from suppliers to an agreed destination where the customers can pick up directly or delivered to the Group's warehouse for a short period and to be picked up by the customers. The customers initiate the trade by placing purchase orders to the Group. Determination of principal or agent for income recognition purpose involves significant judgement. The Group is considered as an agent and recognises the income from trading of electronic parts at net amount which is presented as commission income included in other income based on the below fact pattern and judgement:

- (i) The Group has a limited inventory risk as the Group had narrow control of the goods throughout the transactions; and
- (ii) The Group does not have primary responsibility for fulfilling the contract.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

5. TURNOVER AND SEGMENT INFORMATION

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

	2020	2019
	HK\$'000	HK\$'000
Turnover		
Revenue from contracts with customers - at point in time		
Export sales	73,767	57,260
Local sales	120,472	33,503
Marketing services income	12,042	-
Revenue from other sources		
Rental income	3,898	5,671
	210,179	96,434
Other net gain/(loss)		
Gain/(loss) on disposal of subsidiaries (note 6)	1,121	(1,011)
Gain on disposal of plant and equipment	-	332
Plant and equipment written off	(420)	(18)
	701	(697)
Other income		
Interest income	25	323
Commission income	870	-
Sundry income	436	111
	1,331	434

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

5. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

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

- i) Garment business - Sales of garments to both local and overseas customers

The Group satisfies its performance obligation upon delivery of the goods sold to the customers.

- ii) Property investment - Investing and letting of properties

- iii) Marketing services - Provision of marketing services.

The Group organises marketing and promotional events. The Group satisfies its performance obligations upon completion of the events. In addition, the Group also provides promotional services for the advertised products specified by the customers in a wide range of online channels. The Group satisfies its obligations upon releases of the promotional products to the online channels.

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

5. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

PRIMARY REPORTING FORMAT - BUSINESS SEGMENTS

	2020			
	Garment business HK\$'000	Property investment HK\$'000	Marketing services HK\$'000	Total HK\$'000
Turnover	194,239	3,898	12,042	210,179
Segment operating profit	13,498	8,138	4,785	26,421
Unallocated corporate income				742
Unallocated corporate expenses				(8,264)
Plant and equipment written off				(420)
Gain on disposal of subsidiaries				1,121
Operating profit				19,600
Finance costs				(7,336)
Profit before taxation				12,264
Income tax expense				(1,339)
Profit for the year				10,925
Segment assets	157,549	122,907	12,538	292,994
Unallocated assets				17,534
Total assets				310,528
Segment liabilities	41,038	489	7,674	49,201
Unallocated liabilities				2,003
Tax payable				1,922
Amounts due to a shareholder				147,673
Amounts due to a related company				72,800
Deferred tax liabilities				3,961
Total liabilities				277,560

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

5. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

PRIMARY REPORTING FORMAT - BUSINESS SEGMENTS (CONTINUED)

	Garment business HK\$'000	Property investment HK\$'000	Marketing service HK\$'000	Corporate HK\$'000	Total HK\$'000
Capital expenditure	1,361	–	–	–	1,361
Depreciation of property, plant and equipment	1,105	233	–	93	1,431
Depreciation of right-of-use assets	1,361	–	–	–	1,361
Changes in fair value change of investment properties	–	(4,673)	–	–	(4,673)
Gain on disposal of subsidiaries	–	–	–	(1,121)	(1,121)
Plant and equipment written off	–	–	–	420	420
Loss allowance on trade and other receivables	123	–	89	40	252

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

5. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

PRIMARY REPORTING FORMAT - BUSINESS SEGMENTS (CONTINUED)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

5. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

PRIMARY REPORTING FORMAT - BUSINESS SEGMENTS (CONTINUED)

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

SECONDARY REPORTING FORMAT - GEOGRAPHICAL SEGMENTS

	2020	
	Turnover HK\$'000	Specified non-current assets HK\$'000
Africa	72,152	–
Hong Kong	124,242	120,838
PRC	13,785	42,785
	210,179	163,623

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

5. TURNOVER AND SEGMENT INFORMATION (CONTINUED)

SECONDARY REPORTING FORMAT - GEOGRAPHICAL SEGMENTS (CONTINUED)

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

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

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from customers in the corresponding years contributing over 10% of the total sales of the Group from the garment business (2019: Garment business) is as follows:

	2020 HK\$'000	2019 HK\$'000
Customer A	66,019	52,879
Customer B	22,948	15,968
Customer C ¹	N/A	15,076

¹ The corresponding revenue did not contribute over 10% of the total sales of the Group for the year ended 31 March 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. GAIN/(LOSS) ON DISPOSAL OF SUBSIDIARIES

(A) DISPOSAL OF SUBSIDIARIES DURING THE YEAR ENDED 31 MARCH 2020

In November 2018, the Group entered into an agreement with an independent third party to dispose the entire equity interest in a subsidiary, Takson Logistics Limited ("TCL"), at a consideration of approximately RMB7,408,000 (approximately HK\$8,423,000). Completion of the disposal was taken place on 16 May 2019.

TCL holds 55% equity interests in Jiangsu Youyi International Logistics Co., Ltd. ("Jiangsu Youyi"), which was disposed upon the completion of disposal of TCL on 16 May 2019.

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

	2020 HK\$'000
Property, plant and equipment	1,251
Other receivables	425
Cash and cash equivalents	12,663
Other payables	(348)
	13,991
Release of translation reserve upon disposal of subsidiaries	(393)
Release of non-controlling interests upon disposal of subsidiaries	(6,296)
Gain on disposal	1,121
Consideration satisfied by cash	8,423
Net cash outflow arising on disposal:	
Cash consideration received	8,423
Less: Cash and cash equivalents disposed of	(12,663)
	(4,240)

The subsidiaries disposed of during the year ended 31 March 2020 did not contribute significantly to the results and cash flows of the Group during the year ended 31 March 2020 prior to the disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

6. GAIN/(LOSS) ON DISPOSAL OF SUBSIDIARIES (CONTINUED)

(B) DISPOSAL OF SUBSIDIARIES DURING THE YEAR ENDED 31 MARCH 2019

During the year ended 31 March 2019, State Energy Capital Limited, Global Sportswear Inc., State Energy Finance Limited, State Energy Properties Investment (Europe) Holdings Limited, Takson Sourcing Limited, Takson Warehouse Limited, in which the Group had effective interest of 100%, were disposed of. The total consideration was HK\$6.

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

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

The subsidiaries disposed of during the year ended 31 March 2019 did not contribute significantly to the results and cash flows of the Group during the year ended 31 March 2019 prior to the disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

7. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on bank loans and overdrafts	733	1,510
Interest element of finance lease obligations	–	7
Interest on lease liabilities	217	–
Interest on loans from a shareholder	3,252	764
Interest on loans from a related company (Note)	3,134	5,379
Interest on other loan	–	118
	7,336	7,778

Note: On 6 November 2018, the amounts of approximately HK\$125,087,000 and its related interests payable due to the Company's then immediate holding company, State Energy HK Limited ("State Energy HK") was assigned to a related company of the Group by a court order.

The interest expense was accrued in accordance with the loan agreements carrying contracted interest rates from nil to 4.25% signed with State Energy HK and the effective interest rates were ranged from 4.25% to 5.75% during the years ended 31 March 2019 and 2020.

8. PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is stated after charging/(crediting) the following:

	2020 HK\$'000	2019 HK\$'000
Cost of inventories sold	167,799	81,459
Auditor's remuneration	710	630
Depreciation - property, plant and equipment	1,431	813
Depreciation - right-of-use assets	1,361	–
Loss allowance on trade and other receivables	252	401
Changes in fair value of investment properties	(4,673)	(105)
Legal and professional fees	1,780	8,182
Plant and equipment written off	420	18
Net exchange loss	410	361
Minimum lease payments for leases previously classified as operating leases under HKAS17 in respect of land and buildings	–	3,725
Rental receivables from investment properties less direct outgoings	(3,708)	(5,453)
Staff costs, including directors' emoluments	10,480	16,295
Gain on disposal of plant and equipment	–	(332)
(Gain)/loss on disposal of subsidiaries	(1,121)	1,011

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

9. STAFF COSTS

	2020 HK\$'000	2019 HK\$'000
Salaries, wages and other benefits (including directors' emoluments)	10,137	15,625
Retirement benefit costs	343	670
	10,480	16,295

10. DIRECTORS' AND SENIOR MANagements' EMOLUMENTS

(A) DIRECTORS' EMOLUMENTS

The remuneration of each director of the Company for the year ended 31 March 2020 is set out below:

	Fee HK\$'000	Salaries HK\$'000	Other benefits HK\$'000	Contributions to defined contribution scheme HK\$'000	Total (Note 2) HK\$'000
Executive directors:					
Zhang Jinbing	–	–	–	–	–
Tian Wenxi ¹	–	98	–	–	98
Wu Tingjun ¹	–	8	–	–	8
Chau Tien Hsiang ²	–	72	–	–	72
Niu Fang ³	–	–	–	–	–
Independent non-executive directors:					
Yang Yanli	120	–	–	–	120
Chow Hiu Tung	120	–	–	–	120
Zhao Hangen	120	–	–	–	120
Total	360	178	–	–	538

¹ Appointed on 24 December 2019.

² Resigned on 28 April 2019.

³ Vacated on 20 November 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

(A) DIRECTORS' EMOLUMENTS (CONTINUED)

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

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

¹ Appointed on 29 May 2018 and resigned on 25 October 2018.

² Resigned on 25 October 2018.

³ Vacated on 20 November 2018.

⁴ Appointed on 12 September 2018.

⁵ Appointed on 12 September 2018 and resigned on 28 April 2019.

⁶ Resigned on 23 April 2018.

⁷ Appointed on 25 October 2018.

Note 1: This represents rental reimbursements, including domestic services and electricity charges for director's quarter.

Note 2: The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group while the independent non-executive directors' emoluments shown above were for their services as directors of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

(B) FIVE HIGHEST PAID INDIVIDUALS

The five individuals whose emoluments were the highest in the Group for the year include none of (2019: one) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the five (2019: four) individuals during the year are as follows:

	2020 HK\$'000	2019 HK\$'000
Salaries and other benefits	3,211	4,534
Retirement benefit costs	84	65
	3,295	4,599

The emoluments fell within the following bands:

Emolument bands	Number of individuals	
	2020	2019
Below HK\$1,000,000	4	1
HK\$1,000,000 - HK\$1,500,000	1	3
HK\$1,500,001 - HK\$2,000,000	–	–
HK\$2,000,001 - HK\$2,500,000	–	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

11. INCOME TAX

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

	2020 HK\$'000	2019 HK\$'000
Current tax		
Hong Kong	624	214
PRC Enterprise Income tax (the "EIT")	1,112	–
	1,736	214
Deferred tax		
Current year	(397)	511
	1,339	725

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

Accordingly, during the years ended 31 March 2020 and 2019, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% (2019: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

11. INCOME TAX (CONTINUED)

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

	2020 HK\$'000	2019 HK\$'000
Profit/(loss) before taxation	12,264	(29,346)
Tax at Hong Kong profits tax rate (Note)	1,859	(5,007)
Effect of different tax rate in other countries	409	(480)
Tax effect of non-taxable revenue	(1,426)	(2,090)
Tax effect of non-deductible expenses	1,286	5,147
Tax effect of unused tax losses not recognised	285	3,008
Tax effect of prior year's unrecognised tax losses utilised in this year	(467)	–
Tax effect of deductible temporary differences not recognised	73	–
Tax effect of origination and reversal of temporary differences	(625)	167
Tax relief for the year	(60)	(20)
Others	5	–
Income tax	1,339	725

Note: During the years ended 31 March 2020 and 2019, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

12. DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 March 2020 (2019: Nil).

13. OTHER COMPREHENSIVE (EXPENSE)/INCOME

Tax effect relating to each component of other comprehensive expense/(income) is as follows:

	2020			2019		
	Before tax	Tax	Net of tax	Before tax	Tax	Net of tax
	amount	expense	amount	amount	expense	amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Exchange differences on translation of financial statements of overseas subsidiaries	(91)	–	(91)	(1,328)	–	(1,328)
Release of translation reserve upon disposal of subsidiaries	(393)	–	(393)	1,011	–	1,011
Loss on revaluation of a building held for own use	(1,785)	–	(1,785)	–	–	–
Other comprehensive expense	(2,269)	–	(2,269)	(317)	–	(317)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

14. EARNINGS/(LOSS) PER SHARE

	2020	2019
Profit/(Loss) attributable to equity holders of the Company (HK\$'000)	9,376	(28,249)
Weighted average number of ordinary shares in issue for the purpose of basic earnings/(loss) per share (thousands)	775,406	775,406
Basic earnings/(loss) per share (HK cents)	1.21	(3.64)
Diluted earnings/(loss) per share (HK cents)	1.21	(3.64)

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

15. RETIREMENT BENEFIT COSTS

The retirement benefit costs charged to the consolidated statement of profit or loss and other comprehensive income represent gross contributions payable by the Group to the retirement scheme of approximately HK\$343,000 (2019: approximately HK\$670,000). At the end of the reporting period, there was no forfeited contribution available to reduce future contributions in both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

16. PROPERTY, PLANT AND EQUIPMENT

	Land and building HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Office and computer equipment HK\$'000	Total HK\$'000
Year ended 31 March 2019						
Opening net book amount	-	1,214	610	2,608	605	5,037
Exchange adjustment	-	(44)	(18)	(47)	(9)	(118)
Additions	-	263	19	-	167	449
Disposals/write off	-	(24)	(51)	(4,562)	-	(4,637)
Depreciation	-	(288)	(100)	(227)	(198)	(813)
Depreciation eliminated on disposal/write off	-	4	9	2,725	-	2,738
Transfer to assets classified as held for sale (note 22)	-	(485)	(179)	(497)	(90)	(1,251)
Closing net book amount	-	640	290	-	475	1,405
At 31 March 2019						
Cost or valuation	-	885	406	-	835	2,126
Accumulated depreciation	-	(245)	(116)	-	(360)	(721)
Net book amount	-	640	290	-	475	1,405

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and building HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Office and computer equipment HK\$'000	Total HK\$'000
Year ended 31 March 2020						
Opening net book amount	–	640	290	–	475	1,405
Additions	–	1,317	–	–	44	1,361
Transferred from investment properties	39,100	–	–	–	–	39,100
Disposals/write off	–	(885)	(397)	–	(409)	(1,691)
Depreciation	(815)	(493)	(16)	–	(107)	(1,431)
Depreciation eliminated on disposal/write off	–	465	130	–	201	796
Loss upon revaluation	(1,785)	–	–	–	–	(1,785)
Closing net book amount	36,500	1,044	7	–	204	37,755
At 31 March 2020						
Cost or valuation	36,500	1,317	9	–	470	38,296
Accumulated depreciation	–	(273)	(2)	–	(266)	(541)
Net book amount	36,500	1,044	7	–	204	37,755
Analysis of cost or valuation:						
At cost	–	1,317	9	–	470	1,796
Valuation - 2020	36,500	–	–	–	–	36,500
	36,500	1,317	9	–	470	38,296

The Group's land and building were revalued on 31 March 2020 by an independent valuer on the basis of their open market value. Valuations were carried out by Avista Valuation Advisory Limited, an independent firm of The Hong Kong Institute of Surveyors. If the buildings were stated on the historical cost basis, the amounts would be as follows:

	2020 HK\$'000	2019 HK\$'000
Cost	39,100	–
Accumulated depreciation	(815)	–
Impairment loss	(1,785)	–
	36,500	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

17. INVESTMENT PROPERTIES

The Group leases out offices under operating leases with rentals payable monthly. The leases typically run for an initial period of 2 to 3 years.

The Group is exposed to foreign currency risk as a result of the lease arrangements, as certain leases are denominated in the currency other than functional currency of the group entity. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term. The financial risk management objectives and policies of the Group in managing the currency risk are set out in note 3 to the consolidated financial statements.

	2020 HK\$'000	2019 HK\$'000
At the beginning of the year	156,212	156,107
Transferred to land and building	(39,100)	–
Changes in fair value included in profit or loss	4,673	105
At the end of the year	121,785	156,212

- (A) The fair value of the Group's investment properties as at 31 March 2020 and 31 March 2019 has been arrived at on the basis of a valuation carried out on the respective dates by Avista Valuation Advisory Limited and Global Appraisal Advisory Limited, independent qualified professional valuers not connected to the Group, respectively. Changes in fair value recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2020 amounted to approximately HK\$4,673,000 (2019: approximately HK\$105,000).
- (B) Certain investment properties were pledged to secure banking facilities (note 31) granted to the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

17. INVESTMENT PROPERTIES (CONTINUED)

(C) During the year, an investment property, which was previously held for rental income purpose, was transferred to land and building from investment properties as the property is currently used as office of the Group. The fair value of the said investment property of approximately HK\$37,700,000 was revalued at date of reclassification on the basis of their open market value by Avista Valuation Advisory Limited, an independent qualified professional valuer. Accordingly, the fair value adjustment has been recognised in respect of the said investment property at the date of reclassification and the change in fair value of investment property of approximately HK\$1,400,000 was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2020.

(D) FAIR VALUE MEASUREMENT OF PROPERTIES

(i) Fair value hierarchy

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

17. INVESTMENT PROPERTIES (CONTINUED)

(D) FAIR VALUE MEASUREMENT OF PROPERTIES (CONTINUED)

(i) Fair value hierarchy (continued)

	Fair value measurements as at 31 March 2020 categorised into			
	Fair value at 31 March 2020 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurement				
Investment properties:				
– Commercial – PRC	42,785	–	–	42,785
– Commercial – Hong Kong	72,900	–	–	72,900
– Car parking spaces – Hong Kong	6,100	–	–	6,100
	<u>121,785</u>	<u>–</u>	<u>–</u>	<u>121,785</u>
Property held for own use:				
– Land and building – Hong Kong (note 16)	36,500	–	–	36,500

	Fair value measurements as at 31 March 2019 categorised into			
	Fair value at 31 March 2019 HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurement				
Investment properties:				
– Commercial – PRC	42,212	–	–	42,212
– Commercial – Hong Kong	108,800	–	–	108,800
– Car parking spaces – Hong Kong	5,200	–	–	5,200
	<u>156,212</u>	<u>–</u>	<u>–</u>	<u>156,212</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

17. INVESTMENT PROPERTIES (CONTINUED)

(D) FAIR VALUE MEASUREMENT OF PROPERTIES (CONTINUED)

(i) *Fair value hierarchy (continued)*

At 31 March 2020, the fair value of certain investment properties and a land and building located in Hong Kong is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis using market data which is publicly available adjusted for differences in the nature, location and condition of the related properties. The fair value of remaining of investment properties located in PRC is determined using income approach by discounting a projected cash flow series associated with the properties using risk – adjusted discount rates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

17. INVESTMENT PROPERTIES (CONTINUED)

(D) FAIR VALUE MEASUREMENT OF PROPERTIES (CONTINUED)

(ii) Information about Level 3 fair value measurements

Investment properties	Valuation techniques	Unobservable input	Relationship of unobservable inputs to fair value
– Commercial – Hong Kong	Market comparison approach	Taking into account the recent transaction prices for similar properties adjusted for nature, location, conditions and size of the properties, which ranged from HK\$3,600 to HK\$6,500 per square feet ("sqf") (2019: HK\$5,200 to HK\$5,500 per sqf).	The lower level of the property, the higher the fair value; the older the building age, the lower the fair value; and the larger the property, the higher the fair value
– Car parking spaces – Hong Kong	Market comparison approach	Taking into account the recent transaction prices for similar car parking spaces adjusted for location and conditions of the car parking spaces, which ranged from HK\$1,880,000 to HK\$2,200,000 per unit (2019: HK\$1,500,000 to HK\$2,700,000 per unit).	The closer to the ground floor, the higher the fair value
– Commercial – PRC	Income approach (2019: Market comparison approach) (Note)	Taking into account capitalization rate of 5% (2019: Nil) and market rent per square metre ("sqm") of the similar properties, which ranged from RMB137 per sqm to RMB179 per sqm (2019: Nil)	The lower the capitalization rate, the higher the fair value; and the higher the market rent the higher the fair value

Note: In determining the methodology for the measurement of the fair value of investment properties in PRC, the directors are of the opinion that Income Approach has less unobservable inputs and more appropriate for current year's situation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

17. INVESTMENT PROPERTIES (CONTINUED)

(D) FAIR VALUE MEASUREMENT OF PROPERTIES (CONTINUED)

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

Land and building	Valuation techniques	Unobservable input	Relationship of unobservable inputs to fair value
– Commercial – Hong Kong	Market comparison approach	Taking into account the recent transaction prices for similar properties adjusted for nature, location, conditions and size of the properties, which ranged from HK\$3,600 to HK\$6,500 per square feet ("sqf") (2019: HK\$5,200 to HK\$5,500 per sqf).	The lower level of the property, the higher the fair value; the older the building age, the lower the fair value; and the larger the property, the higher the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

17. INVESTMENT PROPERTIES (CONTINUED)

(D) FAIR VALUE MEASUREMENT OF PROPERTIES (CONTINUED)

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

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

	2020 HK\$'000	2019 HK\$'000
Investment properties:		
– Commercial – Hong Kong		
At 1 April	108,800	37,000
Transfer from Level 2 fair value measurements	–	69,700
Transfer to land and building	(39,100)	–
Fair value changes on investment properties	3,200	2,100
	<u>72,900</u>	<u>108,800</u>
Investment properties:		
– Car parking spaces – Hong Kong		
At 1 April	5,200	–
Transfer from Level 2 fair value measurements	–	4,300
Fair value changes on investment properties	900	900
	<u>6,100</u>	<u>5,200</u>
Investment properties:		
– Commercial – PRC		
At 1 April	42,212	–
Transfer from Level 2 fair value measurements	–	42,212
Fair value changes on investment properties	573	–
	<u>42,785</u>	<u>42,212</u>
Property held for own use:		
– Land and building – Hong Kong (note 16)		
At 1 April	–	–
Transfer from investment properties	39,100	–
Depreciation	(815)	–
Loss upon revaluation	(1,785)	–
	<u>36,500</u>	<u>–</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

17. INVESTMENT PROPERTIES (CONTINUED)

(D) FAIR VALUE MEASUREMENT OF PROPERTIES (CONTINUED)

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

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur. During the year ended 31 March 2019, the Group transferred the properties from Level 2 into Level 3 as fair value measured using significant unobservable inputs. There is no transfer between level 1, level 2 and level 3 fair value hierarchy classification during the year ended 31 March 2020.

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

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

	2020 HK\$'000	2019 HK\$'000
In Hong Kong		
– medium-term leases	115,500	114,000
Outside Hong Kong		
– medium-term leases	42,785	42,212
	<u>158,285</u>	<u>156,212</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

18. RIGHT-OF-USE ASSETS

	Leased properties HK\$'000
As at 1 April 2019	
Carrying amount	–
As at 31 March 2020	
Carrying amount	4,083
For the year ended 31 March 2020	
Depreciation charge	1,361
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16	1,512
Total cash outflow for leases	2,965
Additions to right-of-use assets	5,444

During the year, the Group entered into a new lease arrangement for the use of retail store for three years. The Group is required to make fixed monthly payments during the contract period. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for office and warehouse.

The Group's right-of-use assets are situated on land:

	2020 HK\$'000
In Hong Kong	4,083

No leased properties were pledged to banks as securities for banking facilities granted to the Group as at 31 March 2019 and 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

19. INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Raw materials	1,406	–
Finished goods	20,140	16,001
	21,546	16,001

20. TRADE AND OTHER RECEIVABLES

	2020 HK\$'000	2019 HK\$'000
Trade receivables	87,829	39,844
Less: Loss allowance	(613)	(401)
Trade receivables, net	87,216	39,443
Trade deposits and other receivables, net (Note)	24,860	4,762
Prepayments	216	344
Rental, utility and sundry deposits	115	2,215
	25,191	7,321
Total	112,407	46,764

Note: As at 31 March 2020, included in the amount are a trade deposit of approximately HK\$5,648,000 (2019: Nil) and other receivables of approximately HK\$17,064,000 (net of loss allowance of approximately HK\$40,000) (2019: Nil) relating to the trading of electronic parts for which the Group is considered as an agent to arrange the trades. Details are set out in note 4(D) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

20. TRADE AND OTHER RECEIVABLES (CONTINUED)

AGEING ANALYSIS

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

	2020 HK\$'000	2019 HK\$'000
Within 1 month	32,693	12,453
1 to 3 months	25,070	25,335
3 to 6 months	29,453	1,655
	87,216	39,443

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

The majority of the Group's sales to overseas customers are generally on open account of 120 days (2019: 90 to 120 days) from the date of bill of lading. The credit period granted to local customers is 90 days (2019: 45 to 90 days). The credit period granted to marketing service customers is ranging from 0 to 5 days from the date of completion and due on date of invoice.

21. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSIT

	2020 HK\$'000	2019 HK\$'000
Cash and bank balances	12,272	4,543
Pledged bank deposit	–	522
	12,272	5,065

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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21. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSIT (CONTINUED)

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

	2020 HK\$'000	2019 HK\$'000
United States Dollars	1,621	308
Renminbi (i)	2,310	1,824
Hong Kong Dollars	8,341	2,933
	12,272	5,065
Less: Pledged bank deposit (ii)	–	(522)
Total cash and cash equivalents	12,272	4,543

- (i) The conversion of bank balances and cash of the Group denominated in Renminbi into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC.
- (ii) At 31 March 2019, the pledged bank deposit mainly refers to a deposit placed at designated bank account as guarantee deposit to secure the banking facilities granted to the Group (note 32).

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

In November 2018, the Company entered into an agreement for the disposal of the subsidiary, TCL for consideration of approximately RMB7,408,000 (approximately HK\$8,741,000). Completion of the disposal was taken place on 16 May 2019.

55% equity interests of Jiangsu Youyi, which is a subsidiary of TCL, was disposed upon the completion of disposal of TCL on 16 May 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

All assets and liabilities under TCL were classified as assets and liabilities held for sale as at 31 March 2019.

	2019
	HK\$'000
Property, plant and equipment	1,251
Deposits, prepayments and other receivables	425
Cash and cash equivalents	12,663
Assets classified as held for sale	14,339
Other payables and accrued charges	348
Liabilities classified as held for sale	348
Net assets classified as held for sale	13,991

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

23. TRADE AND OTHER PAYABLES

	2020	2019
	HK\$'000	HK\$'000
Trade payables	26,598	1,828
Bills payables	10,404	–
Trade and bills payables	37,002	1,828
Rental deposits received	261	959
Accrued expenses	3,768	1,902
Other payables	4,710	2,360
	8,739	5,221
Total Trade and other payables	45,741	7,049

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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23. TRADE AND OTHER PAYABLES (CONTINUED)

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

	2020 HK\$'000	2019 HK\$'000
Within 1 month	28,766	1,828
1 to 3 months	8,236	–
	<u>37,002</u>	<u>1,828</u>

All trade and bills payables were mainly denominated in HK\$, US\$ and RMB.

For purchases from overseas suppliers, trade payables are normally settled on terms of 30 to 60 days (2019: 30 to 60 days) from the date of bill of lading. For purchases from local suppliers, the credit period was 30 days (2019: 30 days). For marketing service providers, the credit period was 0 day from the date of completion or date of invoice.

24. CONTRACT LIABILITIES

	2020 HK\$'000	2019 HK\$'000
Sales of garments	766	–

The Group receives a designated amount of the contract value from customers in advance. The advances result in contract liabilities being recognised until the customer obtains control of a promised garment products and the entity satisfies a performance obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

25. SHARE CAPITAL

(A) AUTHORISED AND ISSUED CAPITAL

	Number of shares	Ordinary shares HK\$'000
Authorised:		
At 31 March 2020 and 2019		
Ordinary shares of HK\$0.1 each	3,000,000,000	300,000
Issued and fully paid:		
At 31 March 2020 and 2019	775,406,000	77,540

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

(B) CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the bank borrowings, amounts due to a shareholder and amounts due to a related company disclosed in notes 26, 28 and 29 respectively, equity attributable to equity holders of the Company comprising share capital and reserves.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

25. SHARE CAPITAL (CONTINUED)

(C) SHARE OPTION SCHEME

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

No share options were granted nor exercised during each of the two years ended 31 March 2020 and 31 March 2019. No share options were outstanding as at 31 March 2020 and 31 March 2019.

26. BANK BORROWINGS

(A) At 31 March 2020, the Group's bank borrowings are repayable as follows:

	2020 HK\$'000	2019 HK\$'000
Bank borrowings – secured (with a repayment on demand clause) (*)	–	32,972
	–	32,972
Secured bank borrowings repayable within one year or on demand	–	32,972
Amount repayable within one year included under current liabilities	–	(32,972)
Amount repayable after one year	–	–

(*) The term loans from bank with a repayment on demand clause are carried at amortised cost. Both loans due for repayment after one year were fully settled during the year because the Company has decided to apply for bank facilities granted by another bank.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

26. BANK BORROWINGS (CONTINUED)

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

	2020 HK\$'000	2019 HK\$'000
Repayable		
Within one year	–	17,309
In the second year	–	2,381
In the third to fifth years, inclusive	–	7,591
After the fifth year	–	5,691
	–	32,972

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

(B) The carrying amounts of the bank borrowings are denominated in the following currencies:

	2020 HK\$'000	2019 HK\$'000
Hong Kong Dollars	–	32,972

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

	2020	2019
Hong Kong Dollars	–	3.4%-3.8%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

27. LEASE LIABILITIES

	2020 HK\$'000
Lease liabilities payable:	
Within one year	1,842
Within a period of more than one year but not more than two years	1,953
Within a period of more than two years but not more than five years	413
	4,208
Less: Amount due for settlement within 12 months shown under current liabilities	(1,842)
Amount due for settlement after 12 months shown under non-current liabilities	2,366

28. AMOUNTS DUE TO A SHAREHOLDER

	2020 HK\$'000	2019 HK\$'000
Loans from a shareholder	147,673	95,971
Amount repayable on demand/repayable within one year included under current liabilities	(147,673)	(95,971)
Amount repayable after one year	–	–

As at 31 March 2019, the amounts due to a shareholder were unsecured, interest-free and had a term of 12 months from the date of drawdown. The effective interest rate was 5.88%.

On 1 October 2019, the Group entered into an agreement with the shareholder to agree to modify the repayment term of the loans as repayable on demand. As at 31 March 2020, The balance is unsecured, interest-free and repayable on demand.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

29. AMOUNTS DUE TO A RELATED COMPANY

	2020 HK\$'000	2019 HK\$'000
Loans from a related company	72,800	69,666
Amount repayable on demand/repayable within one year included under current liabilities	(72,800)	(69,666)
Amount repayable after one year	–	–

As at 31 March 2019 and 2020, the amounts due to a related company were unsecured, interest-free and repayable on demand. On 6 November 2018, the amounts due to a former immediate holding company, State Energy HK, the terms of which are disclosed as in note 7, was required to be paid to a related company of the Group by a court order. As a result, approximately HK\$125,087,000 of amounts due to State Energy HK was transferred to amounts due to a related company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

30. DEFERRED TAXATION

Deferred taxation is calculated in full on temporary differences under the liability method using a principal tax rate of 16.5% (2019: 16.5%) for the subsidiaries operating in Hong Kong. Deferred taxation for subsidiaries operating in overseas is calculated at the rates of taxation prevailing in the countries in which the subsidiaries operate.

The movements on the deferred tax liabilities are as follows:

	Depreciation allowance in excess of the related depreciation HK\$'000	Revaluation of properties HK\$'000	Unused tax losses HK\$'000	Total HK\$'000
At 1 April 2018	(54)	5,324	(1,423)	3,847
Charge to profit or loss	42	95	374	511
At 31 March 2019 and 1 April 2019	(12)	5,419	(1,049)	4,358
(Credit)/charge to profit or loss	(11)	(577)	191	(397)
At 31 March 2020	(23)	4,842	(858)	3,961

	2020 HK\$'000	2019 HK\$'000
Deferred tax liabilities recognised	3,961	4,358

At the end of the reporting period, the Group has unused tax losses of approximately HK\$203,275,000 (2019: approximately HK\$141,860,000) available for offset against future profits. No deferred tax assets have been recognised for the tax losses of HK\$198,079,000 (2019: approximately HK\$135,505,000) due to the unpredictability of future profit streams.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards.

Deferred taxation has not been provided for in the consolidated financial statements in respect of the temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to approximately RMB3,351,000 (equivalent to HK\$3,762,000) (2019: Nil) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

31. BANKING FACILITIES

At 31 March 2020, the Group's banking facilities amounted to approximately HK\$60,000,000 (2019: approximately HK\$32,972,000) were secured by the following:

- (a) first legal charge over the Group's investment properties and a land and building in Hong Kong with an aggregate carrying value of approximately HK\$115,500,000 (2019: investment properties in Hong Kong of approximately HK\$76,518,000) and a deposit of Nil (2019: approximately HK\$522,000);
- (b) corporate guarantees from the Company and certain of its subsidiaries; and
- (c) personal guarantee from the ultimate controlling party Mr. Zhang Jinbing, who is also the Executive Director of the Company.

The Company has executed guarantees with respect to certain banking facilities of its subsidiaries. Such facilities utilised at 31 March 2020 amounted to approximately HK\$10,404,000 (2019: approximately HK\$32,972,000).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

	2020 HK\$'000	2019 HK\$'000
Profit/(loss) before taxation	12,264	(29,346)
Loss allowance on trade and other receivables	252	401
(Gain)/loss on disposal of subsidiaries	(1,121)	1,011
Gain on disposal of plant and equipment	–	(332)
Depreciation – Property, plant and equipment	1,431	813
Depreciation – Right-of-use asset	1,361	–
Plant and equipment written off	420	18
Changes in fair value of investment properties	(4,673)	(105)
Interest income	(25)	(323)
Interest on bank loans and overdrafts	733	1,510
Interest element of finance lease obligations	–	7
Interest on loans from a shareholder	3,252	764
Interest on loans from a related company	3,134	5,379
Interest on other loan	–	118
Interest on lease liabilities	217	–
Operating cash flow before movements in working capital	17,245	(20,085)
Increase in inventories	(5,545)	(9,055)
Increase in trade and other receivables	(69,395)	(35,482)
Increase/(decrease) in trade and other payables	41,736	(3,994)
Increase in contract liabilities	766	–
Cash used in operations	(15,193)	(68,616)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

(B) RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Other loan HK\$'000	Amounts due to a related company HK\$'000	Amounts due to a shareholder HK\$'000	Obligations under finance leases HK\$'000	Bank borrowings HK\$'000	Lease liabilities HK\$'000	Total HK\$'000
At 1 April 2018	-	-	125,087	365	8,218	-	133,670
Changes from financing cash flow:							
Proceed from other loan	8,000	-	-	-	-	-	8,000
Repayment of other loan	(8,000)	-	-	-	-	-	(8,000)
Proceeds from bank borrowings	-	-	-	-	35,000	-	35,000
Repayment of bank borrowings	-	-	-	-	(10,246)	-	(10,246)
Proceeds from loans from a shareholder	-	-	100,800	-	-	-	100,800
Repayment of loans from a related company	-	(55,991)	-	-	-	-	(55,991)
Finance leases repayments	-	-	-	(365)	-	-	(365)
Interest paid	(118)	(4,809)	-	(7)	(1,510)	-	(6,444)
Total changes from financing cash flows	(118)	(60,800)	100,800	(372)	23,244	-	62,754
Other changes							
Fair value adjustment at initial recognition	-	-	(5,593)	-	-	-	(5,593)
Reclassification (note 29)	-	125,087	(125,087)	-	-	-	-
Interest expenses	118	5,379	764	7	1,510	-	7,778
Total other changes	118	130,466	(129,916)	7	1,510	-	2,185
At 31 March 2019	-	69,666	95,971	-	32,972	-	198,609

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

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

	Amounts due to a		Obligations under		Bank borrowings	Lease liabilities	Total
	Other loan	related company	Amounts due to a shareholder	finance leases			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Changes from financing cash flow:							
Repayment of bank borrowings	-	-	-	-	(32,972)	-	(32,972)
Proceeds from loans from a shareholder	-	-	76,355	-	-	-	76,355
Repayment of loans from a shareholder	-	-	(26,529)	-	-	-	(26,529)
Repayment of lease liabilities	-	-	-	-	-	(1,236)	(1,236)
Interest paid	-	-	-	-	(733)	(217)	(950)
Total changes from financing cash flows	-	-	49,826	-	(33,705)	(1,453)	14,668
Other changes							
Fair value adjustment at initial recognition	-	-	(1,376)	-	-	-	(1,376)
New lease entered	-	-	-	-	-	5,444	5,444
Interest expenses	-	3,134	3,252	-	733	217	7,336
Total other changes	-	3,134	1,876	-	733	5,661	11,404
At 31 March 2020	-	72,800	147,673	-	-	4,208	224,681

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

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

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

	2020 HK\$'000	2019 HK\$'000
Cash and cash equivalents (note 21)	12,272	4,543
Cash and cash equivalents classified as held for sales (note 22)	–	12,663
	<u>12,272</u>	<u>17,206</u>

33. COMMITMENTS UNDER OPERATING LEASES

THE GROUP AS LESSEE

As at 31 March 2019, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2019 HK\$'000
Within one year	<u>2,602</u>
	<u>2,602</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

33. COMMITMENTS UNDER OPERATING LEASES (CONTINUED)

THE GROUP AS LESSOR

All of the properties held for rental purposes have committed lessees for the next three years. Certain of the Group's properties held for rental purposes.

Minimum lease payments receivable on leases are as follows:

	2020 HK\$'000
Within one year	4,353
In the second year	2,568
In the third year	870
	<u>7,791</u>

The Group had contracted with lessees for the following future minimum lease payments:

	2019 HK\$'000
Within one year	3,646
In the second to fifth years, inclusive	3,716
	<u>7,362</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

34. SUMMARY FINANCIAL INFORMATION OF THE COMPANY

	2020 HK\$'000	2019 HK\$'000
ASSETS		
Non-current assets		
Property, plant and equipment	86	1,074
Investment in subsidiaries	38,985	1
	39,071	1,075
Current assets		
Other receivables	200	2,290
Amounts due from subsidiaries	112,552	98,181
Cash and cash equivalents	93	1,673
	112,845	102,144
Total assets	151,916	103,219
CAPITAL AND RESERVES ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS		
Share capital	77,540	77,540
Reserves (<i>Note</i>)	(115,101)	(147,863)
Total deficits	(37,561)	(70,323)
LIABILITIES		
Current liabilities		
Other payables	2,004	696
Amounts due to subsidiaries	7,992	7,209
Amount due to a related company	72,800	69,666
Amounts due to a shareholder	106,681	95,971
	189,477	173,542
Total liabilities	189,477	173,542
Total equity and liabilities	151,916	103,219
Net current liabilities	(76,632)	(71,398)
Total assets less current liabilities	(37,561)	(70,323)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

34. SUMMARY FINANCIAL INFORMATION OF THE COMPANY (CONTINUED)

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

	Contributed				
	Share Premium	Surplus Reserve (Note a)	Capital Reserve (Note b)	Accumulated Losses (Note c)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 April 2018	66,894	67,992	3,285	(249,052)	(110,881)
Total comprehensive loss for the year	–	–	–	(42,575)	(42,575)
Equity contribution from a shareholder	–	–	5,593	–	5,593
Balance at 31 March 2019	66,894	67,992	8,878	(291,627)	(147,863)
Balance at 1 April 2019	66,894	67,992	8,878	(291,627)	(147,863)
Total comprehensive income for the year	–	–	–	31,386	31,386
Equity contribution from a shareholder	–	–	1,376	–	1,376
Balance at 31 March 2020	66,894	67,992	10,254	(260,241)	(115,101)

a. Contributed surplus reserve

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

b. Capital reserve

It represents the differences between the loans nominal amount of approximately HK\$183,162,000 and the fair value of approximately HK\$172,908,000 of loans granted by a shareholder. At origination, the Group calculated its present value using the current market rate for similar instruments, the difference between the loan nominal amount and present value of approximately HK\$10,254,000 is treated as equity contribution from the shareholder and credited to the capital reserve account.

c. Accumulated losses

At 31 March 2020, the Company had no reserves available for distribution to shareholders (2019: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES

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

Name of subsidiary	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Issued share capital/ registered capital	Attributable equity interest held by the Company	
				2020	2019
<i>Interest held directly</i>					
Takson (B.V.I.) Limited	BVI	Investment holding	US\$1,000	100%	100%
<i>Interest held indirectly</i>					
Takson Garment Manufacturing Company, Limited	Hong Kong	Sourcing and sales of garments in the PRC, property investment in the PRC	HK\$200,000	100%	100%
Gold Wealth Holdings Limited	Hong Kong	Property investment in Hong Kong	HK\$1	100%	–
King Crest Limited	Hong Kong	Property investment in Hong Kong	HK\$1	100%	–
GBR (HK) Limited ("GBR (HK)") ²	Hong Kong	Investment holding and trading of garments	HK\$100	60%	–
Gold Pine International Holdings Limited	Hong Kong	Trading of garments	HK\$1	100%	100%
Takson Sportswear Limited	BVI	Property investment in Hong Kong	US\$50,000 (Paid up US\$1)	100%	100%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of incorporation/ establishment	Principal activities and place of operation (if different from place of incorporation/ establishment)	Issued share capital/ registered capital	Attributable equity interest held by the Company	
Unite Smart Limited (formerly known as Takson Sourcing Limited) ¹	Hong Kong	Sourcing, subcontracting and sales of garments	HK\$500,000	100%	–
Guangzhou Tianze Shangwu Limited ("Guangzhou Tianze") ^{4, 5}	PRC	Provision of marketing services	US\$1,000,000	60%	–
Jiangsu Youyi ^{3, 5}	PRC	Dormant	RMB100,000,000 (Paid up RMB20,000,000)	–	55%

1: Acquired on 30 December 2019 at consideration of HK\$1.

2: Acquired on 6 June 2019 at consideration of HK\$1.

3: Disposed on 16 May 2019.

4: The company is registered as Taiwan, Hong Kong and Macau sole proprietorship owned enterprise established under the laws of the PRC with limited liability and indirectly acquired through acquisition of GBR (HK).

5: For identification purpose only.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

35. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The following table lists out the summarised financial information of a subsidiary, GBR (HK) and its wholly-owned subsidiary, Guangzhou Tianze, in which the Group has material non-controlling interests as at 31 March 2020. The amounts disclosed are before any inter-company elimination.

	2020 HK\$'000
Non-controlling interests percentage	40%
Current assets	12,547
Current liabilities	(8,759)
Net assets	3,788
Carrying amount of non-controlling interests	1,516
Revenue	12,113
Profit for the year	3,880
Total comprehensive income for the year	3,787
Profit allocated to non-controlling interests	1,549
Cash flows from operating activities	(390)
Cash flows from financing activities	607

The following table lists out the summarised financial information of a subsidiary, Jiangsu Youyi, in which the Group had material non-controlling interests as at 31 March 2019. The amounts disclosed are before any inter-company elimination. As mentioned in note 6 to the consolidated financial statements, 55% equity interests of Jiangsu Youyi was disposed upon the completion of the disposal of Takson Logistic Limited on 16 May 2019.

	2019 HK\$'000
Non-controlling interests percentage	45%
Current assets	13,088
Non-current assets	1,251
Current liabilities	(347)
Net assets	13,992
Carrying amount of non-controlling interests	6,296
Revenue	–
Loss for the year	(4,074)
Total comprehensive loss for the year	(5,322)
Loss allocated to non-controlling interests	(1,833)
Cash flows from operating activities	(4,569)
Cash flows from investing activities	331
Cash flows from financing activities	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

36. RELATED PARTY TRANSACTIONS

(A) KEY MANAGEMENT PERSONNEL REMUNERATION

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

	2020 HK\$'000	2019 HK\$'000
Short-term employee benefits	1,377	5,589
Post-employment benefits	18	54
	<u>1,395</u>	<u>5,643</u>

(B) FINANCING ARRANGEMENTS

	2020 HK\$'000	2019 HK\$'000
Amounts due to a shareholder	147,673	95,971
Amount due to a related company	<u>72,800</u>	<u>69,666</u>

As mentioned in note 29 to the consolidated financial statements, due to the change in shareholder and court order on 6 November 2018, the balance of loan amounted to approximately HK\$125,087,000 was assigned to a related company. The related company is a company which has the common ultimate controlling party with the Company.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

36. RELATED PARTY TRANSACTIONS (CONTINUED)

(C) RELATED PARTY TRANSACTIONS

	notes	2020 HK\$'000	2019 HK\$'000
a) Guangzhou Wyan Culture & Media Co., Ltd ("Guangzhou Wyan"), a related company in which the executive director of the Company is a director – Marketing service income	(i)	2,436	–
b) Whoa Asia Limited ("Whoa Asia"), a related company in which the key management of the Group was a shareholder until 19 September 2019 – Purchases of garments	(ii)	34,694	–

(i) Marketing service charged to Guangzhou Wyan was conducted on mutually agreed terms and was charged at a negotiated value.

(ii) Purchases of garments from Whoa Asia were conducted in the normal course of business at negotiated values.

(D) RELATED PARTY BALANCES

	2020 HK\$'000	2019 HK\$'000
a) Trade receivables from Guangzhou Wyan (Includes the PRC value-added tax and before net of loss allowance)	2,518	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2020

37. DISPOSAL OF EQUITY INTEREST OF A SUBSIDIARY WITHOUT LOSING CONTROL

During the year ended 31 March 2020, an independent third party acquired 40% issued shares of GBR (HK), a subsidiary of the Company, with the consideration of HK\$24,000, the Group's equity interests in GBR (HK) was diluted from 100% to 60%. The difference between the consideration receivable and the carrying value of net assets partially disposed of in an equity transaction with non-controlling interests resulted from the change in the Group's ownership interest in GBR (HK) that do not result in a loss of control over GBR amounting to approximately HK\$20,000 was recognised in accumulated losses and an increase of approximately HK\$4,000 was recognised in the non-controlling interests.

38. EVENTS AFTER THE REPORTING PERIOD

OUTBREAK OF CORONAVIRUS DISEASE 2019

After the outbreak of coronavirus ("COVID-19") in early 2020, a series of precautionary and control measures have been and continued to be implemented across the globe. The Group is paying close attention to the development of, and the disruption to business and economic activities caused by, the COVID-19 outbreak and evaluate its impact on the financial position, cash flows and operating results of the Group. Given the dynamic nature of the COVID-19 outbreak, it is not practicable to provide a reasonable estimate of its impacts on the Group's financial position, cash flows and operating results at the date on which these financial statements are authorised for issue.

39. IMMEDIATE, INTERMEDIATE AND ULTIMATE CONTROLLING PARTY

Following the completion of the general offer by Always Profit Development Limited (the "Offeror") in October 2018, the Offeror became the new immediate holding company of the Company since then.

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

40. COMPARATIVES FIGURES

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

FIVE-YEAR FINANCIAL SUMMARY

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

	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000	2016 HK\$'000
Turnover	210,179	96,434	19,133	112,447	158,354
Profit/(loss) attributable to equity holders	9,376	(28,249)	13,339	(12,749)	(25,593)
Assets and Liabilities					
Total assets	310,528	239,786	200,723	128,758	148,454
Total liabilities	(277,560)	(210,578)	(146,720)	(101,195)	(108,534)
Net assets	32,968	29,208	54,003	27,563	39,920

INVESTMENT PROPERTIES

Particulars of investment properties held by the Group at 31 March 2020 are as follows:

Location	Gross floor area (sq. ft.)	Type	Tenure
Workshop Units Nos. 11 and 12 On 5th Floor, South Wing, Harbour Centre, Tower One, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong	13,665	Commercial	Medium Lease
Car Parking Spaces Nos. P19 and P20 On Basement Floor, Harbour Centre, Tower One, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong	N/A	Car parking space	Medium Lease
Car Parking Space No. L14 On Ground Floor, Harbour Centre, Tower One, 1 Hok Cheung Street, Hunghom, Kowloon, Hong Kong	N/A	Car parking space	Medium Lease
中華人民共和國 上海市 延安西路726號 華敏翰尊國際大廈東樓 23層E室, F室, G室, H室, I室及L室	11,116	Commercial	Medium Lease