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

(Formerly known as Gold Tat Group International Limited)
(Incorporated in the Cayman Islands with limited liability)
Stock Code: 8266

Annual Report 2018

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

Contents

Corporate Information

DIRECTORS

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

Independent Non-executive Directors
Mr. Chiu Wai Piu
Mr. Miu Hon Kit
Mr. Li Shiu Ki, Ernest

COMPLIANCE OFFICER

Mr. Zhang Shourong

AUTHORISED REPRESENTATIVES

Mr. Zhang Shourong
Ms. Tsang Ngo Yin

COMPANY SECRETARY

Ms. Tsang Ngo Yin

AUDIT COMMITTEE

Mr. Miu Hon Kit *(Chairman)*
Mr. Chiu Wai Piu
Mr. Li Shiu Ki, Ernest

REMUNERATION COMMITTEE

Mr. Li Shiu Ki, Ernest *(Chairman)*
Mr. Chiu Wai Piu
Mr. Miu Hon Kit
Mr. Zhang Shourong

NOMINATION COMMITTEE

Mr. Chiu Wai Piu *(Chairman)*
Mr. Miu Hon Kit
Mr. Li Shiu Ki, Ernest
Mr. Zhang Shourong

AUDITOR

RSM Hong Kong

LEGAL ADVISER

Michael Li & Co

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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PRINCIPAL BANKER

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

WEBSITE

www.zhuoxinintl.com

STOCK CODE

8266

Schedule of Principal Properties

The following list contains properties held by the Group as at 31 March 2018:

1. INVESTMENT PROPERTIES

Location	Term	Type	Group's interest
Flat B, 5th Floor, No. 75 Broadway Mei Foo Sun Chuen, Kowloon, Hong Kong The remaining portion of N.K.I.L. No. 5087	Medium Lease	Residential	75%

2. PROPERTIES UNDER DEVELOPMENT

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

Chairman's Statement

To all shareholders:

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

During the past year, the Group received support from our shareholders and successfully completed the General Offer from the new major shareholder. The new board of directors has been reviewing and adjusting our business and investments to ensure the optimized return to shareholders could be obtained.

During the past year, China government continued to expand its Belt and Road initiative as part of its economic growth program to develop international markets. Domestic economy maintained moderate growth rate and the government kept a close watch particularly on the real estate sector and issued official orders to curb the property prices from time to time. The Group decided to dispose its entire holding of 70% of interest of a subsidiary Best worldwide Corporation Limited to realize our profit in such investment and to substantially improve the Group's financial liquidity to meet its short-term financial obligations. Our Group will continue to adjust our financial resources in the property development and investment business to ensure the balance between profitability and financial liquidity is achieved.

Our business in trading electronics components improved its performance as the result of our efforts to adjust the product mix, despite the overall market condition was still very competitive and financing costs were increasing. We will remain cautious and will keep updating our product mix as the market requires.

In the past Financial Year, the Group's turnover increased by 14.7%, from approximately HK$567,406,000 for 2017 to approximately HK$650,829,000 for 2018; loss for the year decreased substantially by 76.9% to approximately HK$26,766,000 from approximately HK$115,859,000 in 2017.

Moreover, the Group will continue to improve the operational efficiency of our respective business divisions so as to enhance the profitability. The Group will continuously optimize our financial resources in relation to the existing investments to enhance the Group's profitability. Furthermore, the group will also actively look for potential investment opportunities in order to maximize our shareholders' returns.

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

Ma Chao
Chairman of the Board

Hong Kong, 27 June 2018

Management Discussion and Analysis

GENERAL

The Group had been participating in the following activities:

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

BUSINESS REVIEW

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

This business segment has been facing continuing challenges, however sales for the year ended 31 March 2018 were approximately HK$650,829,000, an increase of 14.7% from approximately HK$567,406,000 for the same period last year. Despite an increase in turnover, this segment incurred a loss of approximately of HK$2,280,000 in this year's period while having a loss of approximately of HK$752,000 for the corresponding prior period.

The increase in loss comprised of increment in sundry expense, professional fees and finance cost by HK$812,000, HK$135,000 and HK$1,782,000 respectively with decrease in salary expenses by HK$465,000. The finance costs increased significantly, resulting from both the increase of banking interest rates and the increase of bank borrowings.

In 2017, the business environment was tough due to the decline in smartphone sales, which are the major markets for our products. According to the tracking reports released by a research firm IDC, the annual global shipments in 2017 reached 1.472 billion units, a decrease of nearly 1% compared to 2016, representing the first ever decline since the introduction of smartphones. Furthermore, the shipments in the last quarter of 2017 were 403.5 million units, down by 6.3% from the same period in 2016. The drop of the demands from the smartphone market triggered tighter price competition for our products and thus drove down our gross profit margin. Our pricing strategy was proven to be successful as revenue boosted by 14.7%.

Management Discussion and Analysis

BUSINESS REVIEW *(Continued)*

Property Development and Investment

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

The Group has two investment properties which are located in Yangjiang City and Hong Kong. The investment properties located in Yangjiang City are 2 vacant lands of total site area of approximately 16,128 square meters, which are opened for sale currently.

The Group expect the property investment in Hong Kong will continue to appreciate in the coming years. Thus, we did not lease out the property after renovation was done and we kept open if reasonable capital gain might be realized by disposing the property.

Prospects

Looking forward, the management predicts finance costs will continue to increase throughout the coming year which will affect our profitability. Therefore, the management has begun renegotiating credit terms with existing customers for a shorter credit period. Furthermore, our customer base will be optimised to utilise our financial resources in the most efficient way to cope with the rising finance costs.

ETC Technology Limited ("ETC") has begun to explore new markets in addition to mobile phones, such as POS machines, digital watches, industrial controls, and industrial applications since the third quarter of 2017. In the coming year, the management believes that sales in these new markets will begin to improve and thus will ease the difficulties the Group has been facing within the last three years.

For the real estate development business, some third and fourth-tier cities, including Yangjiang City, lifted the purchase restrictions for properties in the last quarter of 2017. The management will continue to carefully balance our business strategy in this heavily government policy-influenced market. The management will closely monitor the market conditions in Yangjiang City and will also actively seek potential business opportunities elsewhere.

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

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue and results

The Group recorded revenue of approximately HK$650,829,000 for the year ended 31 March 2018 (2017: approximately HK$567,406,000), representing a year-on-year increase of 14.7%. All revenue was generated from the trading of electronic parts and components business.

Loss attributable to owners of the Company was approximately HK$27,656,000 (2017: approximately HK$90,745,000). The loss per share was 6.71 HK cents (2017: 23.41 HK cents (re-presented)).

Segment Information

Trading of electronic parts and components

For the year ended 31 March 2018, this segment continued to perform weakly, turnover for the year amounted to approximately HK$650,829,000, representing a 14.7% rise in turnover from last year of approximately HK$567,406,000. Despite an increase in turnover, gross profit margin for the year is 3.91%, which is lower than the margin of 4.24% for the preceding year. Loss for the year significantly increased from approximately HK$752,000 for the preceding year to approximately HK$2,280,000 for this year.

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

Property development

For the year ended 31 March 2018, no revenue attributable to the property development segment was recorded (2017: Nil). The Group is engaged in property development through its associate. For the year ended 31 March 2018, the Group shared a loss of approximately HK$569,000 from its associate, while a profit of approximately HK$6,251,000 for the year ended 31 March 2017. The profit obtained in the last year was merely contributed by profit of HK$6,551,000 generated by an associate which was disposed in June 2017. Excluding the profit of the disposed associate, the loss of property development segment was HK$300,000 in the last year, and there was HK$269,000 increase in loss of the existing associate in this year mainly due to increment in welfare expense.

Property investment

For the year ended 31 March 2018, no revenue was generated from this segment as the investment property owned by the Group has not been rented out since 2016 (2017: Nil). For the year ended 31 March 2018, this segment recorded a profit of approximately HK$5,737,000, while a profit of approximately HK$1,881,000 was reported, for the year ended 31 March 2017. It should however be noted that the profit recorded for 2018 included a fair value gain of HK$1,500,000 of the investment property and written back of properties under development of HK$4,352,000, while a corresponding fair value gain of HK$2,000,000 of the investment property was recorded in 2017. If the effects of these fair value changes are excluded, this segment would have reported a loss of approximately HK$115,000 for the year under review, as compared to HK$119,000 for the preceding year.

Management Discussion and Analysis

FINANCIAL REVIEW *(Continued)*

Liquidity and financial resources

The Group financed its operations with the revenue generated from its operations and banking facilities provided by its bankers in Hong Kong. As at 31 March 2018, the Group had total indebtedness of approximately HK$162,689,000 (2017: approximately HK$148,373,000) which comprised of bank and other loans, long term bonds, promissory note and finance lease payables.

75.4% (2017: 73.0%) of the indebtedness are considered as current liabilities and repayable within one year, 24.6% (2017: 27.0%) are repayable in 2020. HK and US dollar denominated indebtedness accounted for 55.4% (2017: 57.9%) and 44.6% (2017: 42.1%) of the total indebtedness respectively.

53.2% (2017: 44.6%) of the indebtedness are interest bearing bank loans on floating rate terms, the effective annual interest rates range from 2.25% to 4.5% (2017: 2.25% to 4.00%); 24.6% (2017: 27.0%) are seven-year 5% coupon straight bonds due 2020; 22.1% (2017: 25.6%) are non-interest bearing promissory note which was denominated in HK dollars and was fully repaid on 21 May 2018; no indebtedness are interest bearing other loans at fixed interest rate of 1% to 1.8% per month which was fully repaid in 2018 (2017: 2.7%) and the remaining 0.1% (2017: 0.1%) are interest bearing finance lease obligation at fixed interest rate.

At 31 March 2018, the Group had cash reserves of approximately HK$38,849,000 (2017: approximately HK$28,055,000). Most of the cash reserves were placed with major banks in Hong Kong and the PRC. 98.9% (2017: 97.6%) of the Group's cash and cash equivalents (comprising cash on hand and bank balances) were denominated in HK dollar or US dollar, whereas 1.1% (2017: 2.4%) were denominated in Renminbi.

The gearing ratio as at 31 March 2018 was 131.3% (2017: 103.5%). The gearing ratio was derived by dividing the total indebtedness of approximately HK$162,689,000 (2017: approximately HK$148,373,000) by the amount of shareholders' equity of approximately HK$123,927,000 (2017: approximately HK$143,383,000). The liquidity ratio of the Group, represented by a ratio between current assets over current liabilities, was 122.0% (2017: 95.0%).

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

FOREIGN EXCHANGE EXPOSURE

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

Management Discussion and Analysis

SHARE STRUCTURE

The capital of the Company comprises only ordinary shares. As at 31 March 2018, the total number of ordinary shares of the Company was 412,089,994 shares.

Pursuant to the share consolidation of every ten (10) issued and unissued Shares of US$0.001 each into one (1) ordinary share of US$0.01 each ("Share Consolidation") effective on 27 March 2018. Details of the share consolidation are set out in the Company's announcement dated 26 March 2018 and Next Day Disclosure Return dated 27 March 2018.

Save as disclosed above, there was no change in the capital structure of the Company during the year ended 31 March 2018.

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

Below a breakdown of the available-for-sale financial assets of approximately HK$45,652,000 held by the Company as at 31 March 2018 (2017: HK$45,652,000)

	2018 ***HK$'000***	2017 *HK$'000*
Unlisted equity securities (note a)	**41,777**	41,777
Structured deposit (note b)	**3,875**	3,875
	45,652	45,652

Notes:

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

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

With regards to the financial performance of the investee company, Coulman recorded unaudited revenue of approximately HK$260,466,000 (2017: HK$215,072,000), unaudited profit before taxation of approximately HK$41,470,000 (2017: HK$33,141,000) and unaudited profit after taxation of approximately HK$31,318,000 (2017: HK$23,737,000) for the year ended 31 March 2018.

For the year ended 31 March 2018, there had been no changes in the interest of the UES in terms of dividend income, amounts of securities acquired or disposed. The Group engaged an independent external valuation expert, DTZ Cushman & Wakefield Limited ("DTZ") to determine the recoverable amount of the UES. The recoverable amount of the investment has been determined on the basis of the present value of estimated future cash flows discounted at the current market rate of return for the similar financial assets.

Management Discussion and Analysis

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

The carrying amount of investment in Coulman of approximately HK$41,777,000 (31 March 2017: approximately HK$41,777,000) accounts for approximately 9.87% and 10.37% of the Group's total assets as at 31 March 2018 and 31 March 2017 respectively.

According to the revaluation done by DTZ, there was no adjustment to the carrying amount of the investment of Coulman at approximately HK$41,777,000 as at 31 March 2018.

The Group considered that the future prospect of the UES is positive. According to the PRC Natural Gas Industry Development Report (2017)(中國天然氣發展報告(2017)) published in August 2017, the PRC government has plans to boost the natural gas usage in the PRC. In view of the overall energy policy, the PRC government also set a goal to increase reliance on natural gas to 10% – 15% of total energy consumption by 2030, while natural gas consumption only accounted for 6.4% in 2016. Therefore, the Group considered that the income of the investee companies which are engaged in the operations of natural gas business is expected to grow steadily in the next 2 decades.

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

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

MATERIAL ACQUISITIONS AND DISPOSALS

On 27 June 2017, the Group disposed of its 50% equity interest in an associate, Yangjiang Zhongyu Property Development Company Limited (the "Disposal Associate"), at a consideration of approximately RMB65,194,000 (equivalent to approximately HK$75,077,000). The carrying amount of the Disposal Associate as at 31 March 2017 amounted to approximately HK$101,408,000, and accordingly, an impairment loss of approximately HK$27,902,000 was recognised for the year ended 31 March 2017. Further details regarding this transaction were contained in the announcement of the Company dated 27 June 2017.

Management Discussion and Analysis

CHARGES ON THE GROUP'S ASSETS

As at 31 March 2018, the Group pledged the following assets to secure loans and bank loan facilities of the Group:

(i) the investment property with fair value of HK$13,000,000 (2017: HK$11,500,000);

(ii) bank deposits in the total amount of approximately HK$27,807,000 (2017: approximately HK$22,314,000); and

(iii) structured deposit in the total amount of approximately HK$3,875,000 (2017: approximately HK$3,875,000).

And, a leased motor vehicle with carrying amount of approximately HK$87,000 (2017: approximately HK$262,000) was charged to secure the Group's finance lease payable. Saved as disclosed, the Group did not have any charges on assets of the Group.

CONTINGENT LIABILITIES

As at 31 March 2018 and 2017, the Group did not have any material contingent liabilities.

EMPLOYEE INFORMATION

As at 31 March 2018, the Group had a total of 57 (2017: 68) employees, of which 20 (2017: 21) were based in Hong Kong while the rest were located in the PRC. The Group's employees are remunerated in accordance with their work performance, experience and prevailing industry practices. Total staff costs, including Directors' emoluments, amounted to approximately HK$29,635,000 for the year ended 31 March 2018 (2017: approximately HK$29,359,000). Share options and bonuses are also available to the Group's employees at the discretion of the Directors and depending upon the financial performance of the Group.

Biographical Details of Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Ma Chao ("Mr. Ma"), aged 35, was appointed as an executive Director on 21 December 2017 and the chairman of the Group on 28 December 2017. Mr. Ma is an entrepreneur with extensive experience in agricultural sector and financial sector. Mr. Ma founded and developed several integrated agricultural and financial companies. Mr. Ma is currently the chairman of boards of both Heilongjiang Zhuoxin Agricultural Development Group Limited and Zhuoxin Wealth (Beijing) Investment Management Company Ltd, the companies under which cover the sectors including but not limited to professional plantation, grains storage, hog farming, agriculture management, distribution and logistic services of farming materials, grain processing, retail, micro-lending business, agricultural investments and internet finance. Mr. Ma is also the deputy chairman of China Financing Guarantee Association, the standing committee member of Investment and Wealth Management Committee of the Investment Association of China, the deputy chairman of Heilongjiang Enterprise Confederation, and the chairman of Harbin Food Industry Association. Mr. Ma attended the executive training programs of the University of Cambridge in UK and Peking University respectively.

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

Mr. Zhang Shourong ("Mr. Zhang"), aged 55, was appointed as an executive Director on 21 December 2017. Mr. Zhang is a seasoned entrepreneur with over 23 years' of management experience. Mr. Zhang is currently the president of Heilongjiang Zhouxin Agricultural Development Group Limited, responsible for the planning and execution of group development strategies, and the day-to-day operations and management. Mr. Zhang is also managing a micro-lending company in Harbin city and he has extensive experience in financial investments and risk management. Prior to that, Mr. Zhang was the deputy factory manager of a state-owned enterprise and also managed several companies over the years. Mr. Zhang graduated with bachelor of engineering degree from the Northwest Institute of Telecommunication Engineering (currently Xidian University).

Mr. Fu Yong ("Mr. Fu"), aged 35, was appointed as an executive Director on 21 December 2017. Mr. Fu is an experienced entrepreneur with over 11 years' experience in business development and corporate management. Mr. Fu is currently the deputy general manager of Zhuoxin Wealth (Beijing) Investment Management Company Ltd, responsible for the venture capital and investment management business. Mr. Fu was deputy general manager of a micro-lending company and gained extensive experience in financial sector. Mr. Fu held senior management positions in various companies prior to that.

Biographical Details of Directors and Senior Management

DIRECTORS *(Continued)*

Independent non-executive Directors

Mr. Chiu Wai Piu ("Mr. Chiu"), aged 71, was appointed as an independent non-executive Director on 30 July 2010. Mr. Chiu is a very experienced and reputable journalist and has over 41 years of experience in journalism. He has been a reporter, an editor, the main news assignment editor, a local news assignment editor, the managing editor and the editorial writer in newspapers and a senior research officer in "One Country Two Systems Research Institute". Mr. Chiu has been the founding treasurer and the second-session chairman of the "Hong Kong Federation of Journalists". In 2006, he was elected as the Vice Secretary – General & Treasurer in the new session of re-election of committee members of the "Hong Kong Federation of Journalists"; and he was also elected as the Director-General in 2009. Mr. Chiu has, for many years, devoted himself wholeheartedly in boosting cooperation among local journalists, enhancing professional conduct of journalists and developing the relationship and advocating the interchange of knowledge between journalists in Hong Kong and Mainland China. His contribution in this field is highly praised and recognised. Mr. Chiu currently serves as the independent non-executive director of PetroAsian Energy Holdings Limited (now known as Tou Rong Chang Fu Group Limited (stock code: 850) and Addchance Holdings Limited (stock code: 3344), both of which are listed on the Stock Exchange. Mr. Chiu served as an independent non-executive director of Global Strategic Group Limited (a company listed on the GEM Board of the Stock Exchange, stock code: 8007) from October 2014 to June 2016.

Mr. Miu Hon Kit ("Mr. Miu"), aged 50, was appointed as an independent non-executive Director on 1 March 2016. Mr. Miu is a qualified practising accountant with over 22 years of professional experience in auditing, accounting, compliance, corporate finance and private equity investments. Mr. Miu is currently holding the position of Senior Vice President with Standard Perpetual Partners Limited, a licensed corporation with licenses granted by the SFC under the Securities and Futures Ordinance to carry on the Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities. Furthermore, he is also a director of LMN Certified Public Accountants Limited. Mr. Miu is appointed as an adjunct professor of the Department of Finance, Faculty of Business Administration, Chinese University of Hong Kong since 2013. Mr. Miu received a Bachelor of Arts in Accountancy with Honours from City University of Hong Kong and a Master's degree in Business Administration from Imperial College London. Mr. Miu is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants (UK) and the Institute of Chartered Accountants in England and Wales. Mr. Miu is currently an independent non-executive director of Kong Sun Holdings Limited (stock code: 295) which are listed on the Stock Exchange.

Mr. Li Shiu Ki, Ernest ("Mr. Li"), aged 51, was appointed as an independent non-executive Director on 1 March 2016. Mr. Li is a practising solicitor in Hong Kong. Mr. Li graduated with a degree of Laws from the University of Hong Kong and was admitted as a solicitor of the High Court of Hong Kong in 1995. He is currently the principal of Ernest Li & Co., Solicitors.

Biographical Details of Directors and Senior Management

SENIOR MANAGEMENT

Mr. Chen Dongquan ("Mr. Chen"), aged 41, joined the Company as an executive Director on 29 January 2016 and resigned as executive Director on 1 January 2018. Mr. Chen remains as general manager of the Company and a director of certain subsidiaries of the Company. Mr. Chen is a holder of Bachelor degree in Business Administration from the National University of Singapore. Before joining the Company, Mr. Chen has worked in various financial institutions in Singapore and Hong Kong for over 15 years. During recent years, from 2010 to 2013, Mr. Chen was a Senior Vice President, Private Finance China, FICC of Macquarie Group in Hong Kong. From 2013 to 2015, Mr. Chen was a director of Venture Markit International Capital Management Ltd. He has extensive experience in corporate finance advisory services especially equity and debt financing.

Ms. Tsang Ngo Yin ("Ms. Tsang"), aged 44, was appointed as the chief financial officer and company secretary of the Company on 1 July 2017. Ms. Tsang is member of American Institute of Certified Public Accountants and holds a Master Degree in Law from University of Wolverhampton in the United Kingdom, a Bachelor Degree in Law from Tsinghua University in PRC and a Bachelor Degree in Business Administration from Simon Fraser University in Canada. Ms. Tsang has over 18 years' experience in auditing, accounting, corporate governance monitoring and financial management. Ms. Tsang is currently an independent non-executive director of LKS Holding Group Limited, a company listed on the GEM Board of the Stock Exchange (stock code: 8415).

Report of the Directors

The Directors hereby submit their annual report together with the audited consolidated financial statements for the year ended 31 March 2018.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The subsidiaries and associates of the Company are principal engaged in the trading of electronic parts and components in relation to display modules and touch panel modules, property development and property investment.

An analysis of the performance of the Group for the year ended 31 March 2018 by operating segment is set out in note 10 to the consolidated financial statements.

Particulars of the subsidiaries and associates of the Company as at 31 March 2018 are set out in notes 23 and 25 respectively to the consolidated financial statements.

BUSINESS REVIEW

A review of the business of the Group and a discussion and analysis of the Group's performance during the year under review and a discussion on the Group's future business development and outlook of the Company's business are provided in the section headed "Chairman's Statement" on page 5 and "Management Discussion and Analysis" on pages 6 to 12 of this report.

Risks and uncertainties

The principal risks and uncertainties facing the Group have been addressed in the section headed "Management Discussion and Analysis" on pages 6 to 12 of this report. In addition, various financial risks have been disclosed in note 6 to the consolidated financial statements.

An analysis using financial key performance indicators

An analysis of the Group's performance during the year ended 31 March 2018 using financial performance indicators is provided in the section headed "Management Discussion and Analysis" on pages 6 to 12 of this report.

Environmental protection

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

Compliance with laws and regulations

The Group recognises the importance of compliance with regulatory requirements and risks of non-compliance with such requirements. The Group has on-going review the new enacted laws and regulations affecting the operations of the Group. During the year ended 31 March 2018, the Group is not aware of any material non-compliance with the laws and regulations that have significant impact on the business of the Group.

Report of the Directors

BUSINESS REVIEW *(Continued)*

Relationships with employees, customers and suppliers

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

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 March 2018 are set out in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 50 to 51 of this report.

The Directors do not recommend the payment of a dividend (2017: Nil).

RESERVES

Details of movements in the reserves of the Group and of the Company during the year ended 31 March 2018 are set out in the consolidated statement of changes in equity and note 38(b) to the consolidated financial statements.

DISTRIBUTION RESERVES

No distribution reserves of the Company was recorded as at 31 March 2018. Under the Companies Law of the Cayman Islands, the share premium is available for distribution to shareholders subject to the provisions of the Articles of Association of the Company, and no distribution may be paid to shareholders out of the Company's share premium unless the Company shall be able to pay its debts as they fall due in the ordinary course of business.

EQUITY-LINKED AGREEMENTS

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

FIXED ASSETS

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

PRINCIPAL PROPERTIES

Details of the principal properties held for development and for investment purposes are set out on page 4 of this report.

Report of the Directors

SHARES ISSUED DURING THE YEAR

Details of the shares issued during the year ended 31 March 2018 are set out in note 37 to the consolidated financial statements.

BANK AND OTHER LOANS, PROMISSORY NOTE AND LONG TERM BONDS

Details of the bank and other loans, promissory note and long term bonds of the Group as at 31 March 2018 are set out in notes 32, 34 and 35 respectively to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

FIVE YEAR FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 132 of this report. This summary does not form part of the audited financial statements.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2018.

SHARE OPTIONS

Pursuant to the unconditional mandatory cash offer – the option offer by Pine Cypress Development Limited on 30 November 2017, all the grantees have accepted the option offer and all the outstanding share options have been cancelled on 22 December 2017.

(i) 2003 Share Option Scheme

The 2003 Share Option Scheme has terminated on 25 March 2013. The unexercised options under the 2003 Share Option Scheme will continue to be valid and exercisable subject to the provisions of the scheme until the end of the exercise periods.

Report of the Directors

SHARE OPTIONS *(Continued)*

(i) 2003 Share Option Scheme *(Continued)*

Movements in the outstanding share options granted under the 2003 Share Option Scheme during the year ended 31 March 2018 are set out below.

		Number of Share Options								
Name	Date of grant	Outstanding as at 1 April 2017	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 March 2018	Approximate percentage of the issued share capital	Option period	Consideration for the grant of the option *HK$*	Exercise price per share *HK$*
Independent Non-executive Directors										
Mr. Chiu Wai Piu	29 June 2011	500,000	–	–	(500,000)	–	–	29 June 2011 – 28 June 2021	1.00	0.140
Other Participants										
Employees in aggregate *(Note)*	29 June 2011	7,000,000	–	–	(7,000,000)	–	–	29 June 2011 – 28 June 2021	1.00	0.140
		7,500,000	–	–	(7,500,000)	–	–			

Note: Employees working under employment contracts that are regarded as "continuous contracts" for the purpose of the Employment Ordinance (Chapter 57 of the laws of Hong Kong).

(ii) 2013 Share Option Scheme

The Company adopted the 2013 Share Option Scheme on 25 March 2013, pursuant to which certain Directors and participants have been granted options to subscribe for shares.

Movements in the outstanding share options granted under the 2013 Share Option Scheme during the year ended 31 March 2018 are set out below.

		Number of Share Options								
Name	Date of grant	Outstanding as at 1 April 2017	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Outstanding as at 31 March 2018	Approximate percentage of the issued share capital	Option period	Consideration for the grant of the option *HK$*	Exercise price per share *HK$*
Independent Non-executive Directors										
Mr. Chiu Wai Piu	28 March 2013	1,150,000	–	–	(1,150,000)	–	–	28 March 2013 – 27 March 2023	1.00	0.150
Other Participants										
Employees in aggregate *(Note)*	28 March 2013	34,500,000	–	–	(34,500,000)	–	–	28 March 2013 – 27 March 2023	1.00	0.150
		35,650,000	–	–	(35,650,000)	–	–			

Note: Employees working under employment contracts that are regarded as "continuous contracts" for the purpose of the Employment Ordinance (Chapter 57 of the laws of Hong Kong).

Report of the Directors

SHARE OPTIONS *(Continued)*

(ii) 2013 Share Option Scheme *(Continued)*

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

(a) Purpose

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

(b) Participants

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

(c) Maximum number of shares available for issue

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

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

(d) Maximum entitlement of each participant

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

(e) Grant and acceptance of options

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

SHARE OPTIONS *(Continued)*

(ii) 2013 Share Option Scheme *(Continued)*

(f) Time of exercise of options

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

DIRECTORS

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

Executive Directors

Mr. Ma Chao *(Chairman)* (appointed on 21 December 2017)
Mr. Zhang Shourong (appointed on 21 December 2017)
Mr. Fu Yong (appointed on 21 December 2017)
Mr. So Loi Fat (resigned on 1 January 2018)
Mr. Su Minzhi (resigned on 1 January 2018)
Mr. Chen Dongquan (resigned on 1 January 2018)

Independent Non-executive Directors

Mr. Chiu Wai Piu
Mr. Miu Hon Kit
Mr. Li Shiu Ki, Ernest

In accordance with Article 86(3) of the articles of association of the Company, Mr. Ma Chao, Mr. Zhang Shourong and Mr. Fu Yong will hold office only until the forthcoming annual general meeting of the Company and, being eligible, offers themselves for re-election.

Mr. Chiu Wai Piu, the independent non-executive Director, is re-appointed with two-year terms expiring on 29 July 2018. Mr. Miu Hon Kit and Mr. Li Shiu Ki, Ernest, the independent non-executive Directors, are re-appointed with two-year terms expiring on 28 February 2020.

Emoluments of the Directors and the five highest paid individuals

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

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

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

Report of the Directors

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 17.50A(1) of the GEM Listing Rules, the changes in information of Directors subsequent to the date of the 2017 Annual Report of the Company are set out below:

Directors	Details of Changes
Mr. Ma Chao	Appointed as non-executive director and the chairman of the board of directors of China Financial Leasing Group Limited (stock code: 2312) on 2 May 2018
Mr. Miu Hon Kit	Resigned as independent non-executive director of Chong Kin Group Holdings Limited (stock code: 1609) on 13 January 2018

In respect of the change in emoluments of Directors, please refer to note 15(a) to the consolidated financial statements on pages 97 to 98.

DIRECTORS' SERVICE CONTRACTS

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

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

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of Directors and senior management at the date of this report are set out in the Biographical Details of Directors and Senior Management section on pages 13 to 15 of this report.

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

As at 31 March 2018, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange, were as follows:

Aggregate long positions in the shares of the Company

Name of Director	Capacity	Nature of interest	Number of shares held	Approximate percentage of issued share capital
Mr. Ma Chao	Interest in a controlled corporation	Corporate interest *(Note 1)*	262,096,789	63.6%

Note:

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

Save as disclosed above, as at 31 March 2018, none of the Directors and chief executive of the Company has or was deemed to have any interests or short positions in any shares, debentures or underlying shares of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors, to be notified to the Company and the Stock Exchange.

Report of the Directors

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the share option scheme of the Company, at no time during the year ended 31 March 2018 was the Company, its subsidiaries or its other associated corporations a party to any arrangement to enable the Directors (including their spouse and children under 18 years of age) to acquire benefits by means of the acquisition of the shares or underlying shares in, or debentures of, the Company or any of its associated corporations.

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

The register of substantial shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 31 March 2018, the Company had been notified of the following substantial shareholders' interest and short positions, being 5% or more of the issued share capital of the Company.

Aggregate long positions in the shares of the Company

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

Note:

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

Save as disclosed above, the Directors and the chief executive of the Company were not aware of any person (other than the Directors or chief executive of the Company the interests of which were disclosed above) who has an interest or short position in the securities of the Company that were required to be entered in the register of the Company pursuant to section 336 of the SFO as at 31 March 2018.

Report of the Directors

CHANGE OF COMPANY NAME

In view of benefiting the Company's future business development, the Board considered that a change of company name would more accurately reflect the principal activities of the Group and provide the Company with a fresh corporate image and identity. Therefore, pursuant to a special resolution passed by the shareholders at the extraordinary general meeting held on 22 January 2018, the Company had changed its name from "Gold Tat Group International Limited 金達集團國際有限公司" to "Zhuoxin International Holdings Limited 卓信國際控股有限公司" with effect from 25 January 2018. In connection with the change of company name, the logo of the Company has been changed accordingly. The stock short names for trading in the shares of the Company on the Stock Exchange has been changed from "GOLD TAT GP" to "ZHUOXIN INTL" in English and from "金達集團國際" to "卓信國際控股" in Chinese, with effect from 28 February 2018. The stock code of the Company remains unchanged as "8266". The website of the Company has been changed from "http://www.goldtatgroup.com" to "http://www.zhuoxinintl.com", with effect from 28 February 2018. Details are set out in the announcement of the Company dated 23 February 2018.

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

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

Purchases	
– the largest customer	79%
– five largest suppliers in aggregate	92%
Sales	
– the largest customer	21%
– five largest customers in aggregate	65%

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

Report of the Directors

CONDITIONAL MANDATORY CASH OFFERS AND SUFFICIENCY OF PUBLIC FLOAT

On 4 October 2017, Pine Cypress Development Limited (the "Offeror") acquired from Fuze Investments Limited ("Fuze Investments"), Mr. Fang Gang ("Mr. Fang") and Mr. Su Peilin ("Mr. Su") an aggregate of 1,296,278,979 shares of the Company ("Shares") (as to 466,198,979 Shares by Fuze Investments, 433,808,000 Shares by Mr. Fang and 396,272,000 Shares by Mr. Su respectively), representing approximately 31.46% of the entire issued share capital of the Company, for the aggregate consideration of HK$108,628,178.44. Completion of the acquisition took place on 6 October 2017. On 24 October 2017 and 25 October 2017, the Offeror further acquired an aggregate of 505,824,000 Shares. On 25 October 2017, the Offeror and parties acting in concert with it owned an aggregate of 1,802,102,979 Shares, representing approximately 43.73% of the entire issued share capital of the Company. Pursuant to the Hong Kong Code on Takeovers and Mergers, a conditional mandatory cash offers ("Offers") were required (a) for all the Shares other than those already owned or to be acquired by the Offeror and parties acting in concert with it ("Offer Shares"); and (b) for the cancellation of the outstanding share options of the Company ("Option Offer").

Immediately after the closing time of the Offers on 22 December 2017 (as set out in the Composite Document dated 30 November 2017), the Offeror had received (i) valid acceptances in respect of a total of 818,864,914 Offer Shares, representing approximately 19.87% of the total number of Shares in issue. The Offeror and parties acting in concert with it held an aggregate of 2,620,967,893 Shares, representing approximately 63.60% of the total number of Shares in issue; and (ii) valid acceptances in respect of a total of 39,150,000 share options under the Option Offer, representing 100% of the total number of outstanding share options of the Company as at 22 December 2017.

After the close of the Offers on 22 December 2017, subject to the due registration of the transfer of the Offer Shares acquired under the Share Offer to the Offeror (in respect of which valid acceptances were received), 1,499,932,053 Shares are held by the public (as defined in the GEM Listing Rules), representing approximately 36.40% of the total number of Shares in issue as at 22 December 2017. Accordingly, as at 22 December 2017, the Company continues to satisfy the minimum public float requirement as set out under Rule 11.23(7) of the GEM Listing Rules.

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of at least 25% of the Company's issued shares at 27 June 2018.

PERMITTED INDEMNITY

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

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

Report of the Directors

RETIREMENT BENEFIT COSTS

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

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 29 to 37 of this report.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

EVENT AFTER REPORTING PERIOD

Memorandum of understanding in respect of the possible acquisition of Quasar Securities Co., Limited and Quasar Asset Management Limited (the "Target Companies")

On 24 May 2018, Nova Access Investment Limited ("Nova Access"), a wholly-owned subsidiary of the Company, entered into a non-legally binding memorandum of understanding with an independent third party (the "Vendor") pursuant to which, it is proposed that the Vendor shall sell and Nova Access shall acquire the entire issued shares of the Target Companies (the "Sale Shares") at the total cash consideration of HK$30,000,000. The Target Companies are two licensed corporations that have operations in Hong Kong. Quasar Securities Co., Limited is principally engaged in the dealing in securities business and is holding the licence granted by the Securities and Futures Commission of Hong Kong (the "SFC") for carrying out Type 1 (dealing in securities) regulated activities under the SFO. Quasar Asset Management Limited is principally engaged in the advising on securities and asset management businesses and is holding the licences granted by the SFC for carrying out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO.

At the date of this report, no agreement for the sale and purchase of the Sale Shares has been entered into. Details were set out in the Company's announcement dated 24 May 2018.

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

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

Report of the Directors

EVENT AFTER REPORTING PERIOD *(Continued)*

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

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

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

AUDITOR

The consolidated financial statements for the year ended 31 March 2018 have been audited by RSM Hong Kong who will retire and, being eligible, offers themselves for re-appointment. A resolution for re-appointment of RSM Hong Kong as auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Fu Yong
Executive Director
Hong Kong, 27 June 2018

* *For identification purpose only*

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

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

During the year ended 31 March 2018, the Company has complied with the code provisions of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules except for the deviations from code provisions A.2.1 and E.1.2 which are explained in the relevant sections below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions of the Company. The Company has made specific enquiry of all Directors, all Directors confirmed that they have complied with the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the year ended 31 March 2018.

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

BOARD OF DIRECTORS

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

The Company complies at all times during the year under review with the minimum requirements under the Rules 5.05(1), 5.05(2) and 5.05A of the GEM Listing Rules respectively relating to the appointment of at least three independent non-executive Directors and one of which should have appropriate professional qualifications or accounting or related financial management expertise and the independent non-executive Directors represent at least one-third of the Board. Their biographies are set out in the Biographical Details of Directors and Senior Management section on pages 13 to 15 of this report.

Corporate Governance Report

BOARD OF DIRECTORS *(Continued)*

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

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

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

	Number of meetings attended/held		
Name of Director	Board	Annual General Meeting	Extraordinary General Meeting
Executive Directors			
Mr. So Loi Fat (resigned on 1 January 2018)	9/10	0/1	N/A
Mr. Su Minzhi (resigned on 1 January 2018)	9/10	0/1	N/A
Mr. Chen Dongquan (resigned on 1 January 2018)	10/10	1/1	N/A
Mr. Ma Chao (appointed on 21 December 2017)	6/6	N/A	2/2
Mr. Zhang Shourong (appointed on 21 December 2017)	6/6	N/A	2/2
Mr. Fu Yong (appointed on 21 December 2017)	6/6	N/A	2/2
Independent non-executive Directors			
Mr. Chiu Wai Piu	14/15	1/1	1/2
Mr. Miu Hon Kit	15/15	1/1	2/2
Mr. Li Shiu Ki, Ernest	15/15	1/1	2/2

Under code provision E.1.2, the chairman of the Board should attend the annual general meeting of the Company. Mr. So Loi Fat, the chairman of the Board did not attend the annual general meeting of the Company held on 30 August 2017 due to his other prior business engagement. One of the executive Directors, the chairman and all members of each of the audit, remuneration and nomination committees of the Board attended the annual general meeting. The Company considers that their presence is sufficient for addressing the queries from, and maintaining effective communication with, the shareholders attending the annual general meeting.

Corporate Governance Report

BOARD OF DIRECTORS *(Continued)*

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

DIRECTORS' LIABILITIES INSURANCE

The Company has arranged appropriate insurance cover for the Directors' and Officers' liabilities in respect of potential legal actions against the Directors and officers of the Company. Such Directors' and Officers' liability insurance was reviewed and renewed annually. Throughout the year ended 31 March 2018, no claims under the insurance policy were made.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Development and training of Directors is an ongoing process so that they can perform their duties appropriately. Training was provided for Mr. Ma Chao, Mr. Zhang Shuorong and Mr. Fu Yong upon their joining the Board. The training covers an overview of directors' responsibilities as well as other governance issues. The company secretary of the Company regularly circulates details of conferences/seminars which may be of interest to Directors. Internal briefings on key corporate governance requirements and update on changes to the GEM Listing Rules, laws and regulations are also provided on a regular basis where Directors are informed of the impact of such developments or changes to the Company.

All Directors have been required to provide the Company with their training records for the year ended 31 March 2018. All Directors have participated in appropriate continuous professional development activities during the year under review.

CHAIRMAN AND CHIEF EXECUTIVE

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

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

Mr. So Loi Fat was the chairman of the Board during the period between 1 April 2017 and 27 December 2017 and Mr. Ma Chao was the chairman of the Board during the period between 28 December 2017 and 31 March 2018 and thereafter. There was no chief executive officer appointed by the Company and the day-to-day management of the Group was led by Mr. So Loi Fat and Mr. Ma Chao during the year ended 31 March 2018 respectively. There is no time schedule to change this structure, as the Directors consider that this structure provides the Group with consistent leadership in the Company's decision making process and operational efficiency.

Corporate Governance Report

BOARD COMMITTEES

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

Nomination Committee

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

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

During the year ended 31 March 2018, two Nomination Committee meeting was held. The respective attendance of each of the members of the Nomination Committee was as follows:–

Name of Nomination Committee member	Number of meetings attended/held
Mr. Chiu Wai Piu	2/2
Mr. Miu Hon Kit	2/2
Mr. Li Shiu Ki, Ernest	2/2
Mr. Chen Dongquan (resigned on 28 December 2017)	2/2
Mr. Zhang Shourong (appointed on 28 December 2017)	N/A

Remuneration Committee

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

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

Corporate Governance Report

BOARD COMMITTEES *(Continued)*

Remuneration Committee *(Continued)*

During the year ended 31 March 2018, two Remuneration Committee meetings were held. The respective attendance of each of the members of the Remuneration Committee was as follows:

Name of Remuneration Committee member	Number of meetings attended/held
Mr. Chiu Wai Piu	2/2
Mr. Miu Hon Kit	2/2
Mr. Li Shiu Ki, Ernest	2/2
Mr. Chen Dongquan (resigned on 28 December 2017)	2/2
Mr. Zhang Shourong (appointed on 28 December 2017)	N/A

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

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

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

Audit Committee

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

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

Corporate Governance Report

BOARD COMMITTEES *(Continued)*

Audit Committee *(Continued)*

During the year ended 31 March 2018, five Audit Committee meetings were held. The respective attendance of each of the members of the Audit Committee was as follows:–

Name of Audit Committee member	Number of meetings attended/held
Mr. Chiu Wai Piu	5/5
Mr. Miu Hon Kit	5/5
Mr. Li Shiu Ki, Ernest	5/5

The following is a summary of work performed by the Audit Committee during the year ended 31 March 2018:

(i) reviewed of the annual report and the annual results announcement for the year ended 31 Mach 2017, with a recommendation to the Board for approval;

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

(iii) reviewed the external auditor's independence, its report and the management letter for the year ended 31 March 2017, and recommended to the Board on the re-appointment of RSM Hong Kong at the 2017 annual general meeting;

(iv) reviewed of the quarterly report and the quarterly results announcement for the three months ended 30 June 2017, with a recommendation to the Board for approval;

(v) reviewed of the interim report and the interim results announcement for the six months ended 30 September 2017, with a recommendation to the Board for approval;

(vi) reviewed of the quarterly report and the quarterly results announcement for the nine months ended 31 December 2017, with a recommendation to the Board for approval; and

(vii) discussed/met with the external auditor the audit planning work (including the nature and scope of the audit and reporting obligations) in respect of the audit of the 2018 annual results of the Group.

Prior to the commencement of the audit of the Group's 2018 consolidated financial statements, the Audit Committee received written confirmation from the external auditor of its independence. The Audit Committee has approved the audit fees for the year ended 31 March 2018.

Corporate Governance Report

AUDITOR'S REMUNERATION

The analysis of the auditor's remuneration for the year ended 31 March 2018 is presented as follows:

	Fees paid/payable
	HK$
Statutory audit services	1,550,000
Non-statutory audit services	10,000

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

ACCOUNTABILITY AND AUDIT

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

The Group's internal auditor conducted selective reviews on effectiveness of the Group's risk management and internal control system over financial reporting, operational risk, regulations compliance in respect of the year ended 31 March 2018, and made recommendations for improving and strengthening the risk management and internal control system. The results were reported to the Audit Committee, which then reviewed and reported the same to the Board.

The Board has conducted the annual review of the effectiveness of the risk management and internal control systems in respect of the year ended 31 March 2018 by considering the reviews performed by the Audit Committee and considers that the Group's risk management and internal control system is adequate and effective.

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

Corporate Governance Report

COMPANY SECRETARY

The company secretary of the Company during the period between:

(a) 1 April 2017 and 30 June 2017 was Ms. Chang Kam Lai; and

(b) 1 July 2017 and 31 March 2018 and thereafter was Ms. Tsang Ngo Yin.

The biographical details of Ms. Tsang Ngo Yin, the current company secretary of the Company, are set out in the Biographical Details of Directors and Senior Management section on pages 13 to 15 of this report. Ms. Tsang Ngo Yin took not less than 15 hours of relevant professional training during the year ended 31 March 2018 as required by the GEM Listing Rules.

SHAREHOLDERS' RIGHTS

Procedures to convene an extraordinary general meeting

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

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

Procedures by which enquiries may be put to the Board

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

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

Procedures for putting forward proposals at a general meeting

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

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

Corporate Governance Report

INVESTORS RELATIONS

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

CONSTITUTIONAL DOCUMENTS

During the year ended 31 March 2018, there were no changes to the memorandum and articles of association of the Company. An up to date consolidated version of the memorandum and articles of association of the Company is available on the website of the Company and the GEM.

Environmental, Social and Governance Report

ABOUT THIS REPORT

This environmental, social and governance report (the "Report") provides an annual update of the Group's performance for the year ended 31 March 2018 ("Reporting Period") in the environmental and social aspects. This Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 20 to the GEM Listing Rules.

For the year ended 31 March 2018, the Group continued to concentrate on the trading of the electronic parts and components in relation to display modules and touch panel modules in Hong Kong. The Group also owns two vacant lands in the PRC and engaged in the property development in the PRC through its associates.

This Report covers the Group's Hong Kong headquarter office and the trading business operated by its main subsidiary, ETC. As the operations in the offices of our PRC subsidiaries are relatively minor compared to the operations in Hong Kong, they do not represent any significant impacts on the environment, thus their emission information will not be disclosed in this Report. There is no significant change in the scope of this Report from that of the 2017 report. Corporate governance report is not included here as it has been dealt with separately in the section headed "Corporate Governance Report" in this Annual Report on pages 29 to 37.

A. ENVIRONMENTAL

The Group recognise that the environmental protection is a key issue in the current society. We work to reduce the environmental impact of our operations and to promote environmental protection within the Group.

During the Reporting Period, the Group did not note any cases of non-compliance relating to environmental laws and regulations in Hong Kong.

A1 Emissions

Energy-saving and greenhouse gas emissions reduction

The type of emissions of the Group is the greenhouse gas emissions, arising mainly from the use of purchased electricity. There were 17.29 tonnes[1] (2017: 15.24 tonnes) of carbon dioxide equivalent (CO_2e) generated from our operations during the Reporting Period[2]. In order to reduce the emission of greenhouse gases, the Group attaches great importance to energy saving and reducing emission. Please refer to the "A2 Use of Resources" section below.

In the trading business, transportation and deliveries of products are provided by external transportation service providers. To reduce the carbon emissions from the transportation activities of our business partners, we aim to work closely with logistic partners in developing a better fuel-efficient transportation practice.

No particular hazardous waste was noted in our business activities during the Reporting Periods.

1 The greenhouse gas emission was based on the amount of purchased electricity consumed and the relevant conversion factors published by CLP Holdings Limited and HK Electric Investments Limited.

2 Carbon emission intensity is not considered as an applicable performance indicator due to our nature of business.

Environmental, Social and Governance Report

A. ENVIRONMENTAL *(Continued)*

A2 Use of Resources

Due to the nature of our business, we have relatively low consumption of energy, power and water.

Use of electricity

Electricity is consumed during daily business operations in our offices through the use of indoor lighting, air-conditioning, functioning of office equipment, etc. During the Reporting Period, the total electricity consumption was 63,225 kWh[1] (2017: 66,369 kWh).

The Group attaches great importance to energy saving and reducing emission. Employees are encouraged to turn off the electric equipment when it is not being used, turn air-conditioners off in unoccupied rooms/areas and switch off lighting while they are off duty.

Use of water

The water consumption of the Group is minimal. The majority of the water supply facilities are provided and managed by property managers on our rented premises, and the usage have been included in the management fees.

Use of paper

The use of paper is mainly from the operation of the office, and the Group adopts the following measures to save paper:

- Disseminating information by electronic means as far as possible
- Using E-fax to minimize printing needs
- Using both sides of paper for printing and photocopying except for formal and confidential documents
- Placing boxes and trays beside photocopiers to collect single-sided paper for reuse
- Recycling used envelopes and folders in issuing internal documents and letters
- Avoiding printing and photocopying documents unless it has to keep a printed version

During the Reporting Period, total consumption of paper was approximately 1.5 tonnes[2] (2017: 1.3 tonnes), including the paper used for printing corporate financial statements of 0.9 tonnes (2017: 0.5 tonnes).

[1] Energy intensity is not considered as an applicable performance indicator due to our nature of business.

[2] Paper consumption intensity is not considered as an applicable performance indicator due to our nature of business.

Environmental, Social and Governance Report

A. ENVIRONMENTAL *(Continued)*

A3 The Environment and Natural Resources

In order to enhance environment preservation, the Group gives careful consideration to various operational aspects and activities within the Group to minimise any environmental impact. The Group will also discuss and understand better the Group's suppliers and take into account their environmental and social responsibility.

B. SOCIAL

Employment and Labour Practices

B1 Employment

Employment policy

The Group firmly believes that employees are one of the most importance assets of an enterprise. The Group will consider the working experiences of employees, the expected working ability, background, the market remuneration for the position, the internal budget of the Company and other factors in recruiting new employees. The termination of any employment contracts shall be based on reasonable reasons with proper legal basis. Promotion opportunities and salary adjustments are benchmarked against individual performance.

Although the Group does not have equal opportunity policies or anti-discrimination policies, the Group encourages unprejudiced behavior within the workplace and discourages inappropriate behavior from employees in regard to the race, gender, age or religious beliefs of another person within the Group. The Group safeguards employees' entitlement to statutory benefits. We pay for mandatory provident fund, all kind of insurance and housing fund for employees in accordance with the Hong Kong/PRC laws, and abide by any statutory leave prescribed by the relevant government. The working time meets local employment laws and is set in the employment contract.

Communication with employees

We care about our employees. In order to foster the sense of belonging of employees, the Group organised a variety of activities for employees, including annual dinner, festival dinner, birthday party and other group activities to promote the friendship among employees and establish a harmonious relation in the team.

During the Reporting Period, there were no substantial cases of non-compliance noted in relation to employment laws and regulations.

Environmental, Social and Governance Report

B. SOCIAL *(Continued)*

Employment and Labour Practices *(Continued)*

B1 Employment *(Continued)*

As at 31 March 2018, the Group had a total of 57 employees (2017: 68). Breakdowns of the employees by gender, age group, geographical region and employment type are set out below:

	2018	2017
Number of employees	**57**	68
By gender:		
Female	**25**	32
Male	**32**	36
By age group:		
Below 30	**10**	11
30 to 50	**37**	46
Over 50	**10**	11
By region:		
Hong Kong	**20**	21
PRC	**37**	47
By employment type:		
Full-time	**57**	65
Part-time	**0**	3

B2 Health and Safety

We have recognised the importance of maintaining a safe and healthy working environment to provide sufficient protection to our staff. The Group has been complying with relevant workplace health and safety laws and we endeavor to protect our employees from work related injuries. During the year ended 31 March 2018 and 2017, there was no injury case related to work.

Environmental, Social and Governance Report

B. SOCIAL *(Continued)*

Employment and Labour Practices *(Continued)*

B3 Training and Development

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

B4 Child and Forced Labour

We prohibits the employment of child labour or forced labour in our operations. We require all our operations to ensure that they do not use child or forced labour.

There were no breach of the laws and regulations in relation to child and forced labour during the Reporting Period.

Operating Practices

B5 Supply Chain Management

The main products procured by ETC are LCD panels and LCD drivers/ICs. ETC mainly sources its products from two suppliers which are situated in Taiwan, with whom ETC has maintained over 15 years of business relationship. The experienced management is responsible for managing and maintaining a healthy and good commercial partnership with them.

For new suppliers, the management/sales personnel of ETC will interview with their responsible personnel. The selecting process will be based on product's market demand, products competitiveness, the supplier's financial status and corporate reputation. ETC also requires them to provide samples for review. The experienced management and sales personnel with market view is the key to the quality of the supply chain of ETC.

B6 Product Responsibility

There are no existing laws and regulations in Hong Kong that specifically defines or regulates ETC's business in the trading of electronic components. The management of ETC has played a vital role in understanding and communicating with what its customers need and thus it has maintained years of business relationships with its key customers and ensured the end product fitting for the users.

The Group has strictly abided by the relevant laws and regulations in order to protect data and privacy of customers. During the years ended 31 March 2018 and 2017, the Group has not received any complaints relating to breach of customer privacy/loss of customer information.

B. SOCIAL *(Continued)*

Operating Practices *(Continued)*

B7 Anti-corruption

The Group takes its fraud prevention or anti-corruption responsibilities very seriously. The Group has established a whistleblowing policy to direct employees to report to the Group's internal audit department about possible improprieties in any matter related to the Group. During the years ended 31 March 2018 and 2017, no cases of corruption, bribery, extortion, fraud and money laundering were reported within the Group.

B8 Community Investment

The Group did not do much during the year ended 31 March 2018 in respect of the involvement in repaying the community by direct donations to charity organisations. The Group will continue to explore more opportunities in contributing to community services.

Independent Auditor's Report

29th Floor
Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

TO THE SHAREHOLDERS OF
ZHUOXIN INTERNATIONAL HOLDINGS LIMITED
(FORMERLY KNOWN AS GOLD TAT GROUP INTERNATIONAL LIMITED)
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Zhuoxin International Holdings Limited (formerly known as Gold Tat Group International Limited) (the "Company") and its subsidiaries (the "Group") set out on pages 50 to 131, which comprise the consolidated statement of financial position as at 31 March 2018, the consolidated statement of profit or loss, 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 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

Independent Auditor's Report

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. We have determined the following to be the key audit matters to be communicated in our report:

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

2. Impairment assessment of available-for-sale financial assets.

Key Audit Matter	How our audit addressed the Key Audit Matter
(1) Impairment assessment of goodwill of trading of electronic parts and components segment	**Our procedures regarding management's impairment assessment of goodwill of trading of electronic parts and components segment included:**
Refer to notes 5(f) and 21 to the consolidated financial statements At 31 March 2018, the Group recorded goodwill of HK$24,911,000 arising from the acquisition of 75% equity interest in ETC Technology Limited and its subsidiaries in 2013. Goodwill was allocated to the trading of electronic parts and components segment. Goodwill is required to be tested for impairment on an annual basis. Management concluded that no impairment should be made to the goodwill. The recoverable amount of goodwill was determined on the basis of value in use models that required significant management judgement in making assumptions about future revenues, profit margins and growth rates and in selecting an appropriate market discount rate.	• Assessing the integrity of the value in use model; • Challenging the reasonableness of management's key assumptions based on our knowledge of the business and the industry; • Reconciling input data to supporting evidence, such as approved budgets and considering the historical accuracy of those budgets; • Assessing the appropriateness of the discount rates used with the assistance of our internal valuation specialists; and • Assessing the adequacy of the disclosures in relation to the impairment assessment.

Independent Auditor's Report

KEY AUDIT MATTERS *(Continued)*

Key Audit Matter	How our audit addressed the Key Audit Matter
(2) Impairment assessment of available-for-sale financial assets Refer to notes 5(i) and 24(a) to the consolidated financial statements At 31 March 2018, the Group has available-for-sale financial assets with carrying amount of HK$41,777,000 related to 7% equity interest in a private group engaging in sales and distribution of natural gas and provision of related services. Because of its significance to the consolidated financial statements and high degree of management judgement, such as making assumptions about the future revenues, profit margins and growth rates and selecting an appropriate market discount rate, involved in determining the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset, it was regarded as a key audit matter to the consolidated financial statements. No additional impairment loss was required for the available-for-sale financial assets for the year ended 31 March 2018.	**Our procedures regarding management's impairment assessment of available-for-sale financial assets included:** • Discussing with management the financial performance of the investee company and their assessment of whether objective evidence of impairment existed; • Evaluating the independent external valuer's competence, capabilities and objectivity; • Assessing the integrity of the valuation models; • Challenging the reasonableness of management's key assumptions based on our knowledge of the business and the industry; • Reconciling input data to supporting evidence, such as approved budgets, reference market price and considering the historical accuracy of those budgets; • Assessing the appropriateness of the discount rates used with the assistance of our internal valuation specialists; and • Assessing the adequacy of the disclosures in relation to the impairment assessment.

OTHER INFORMATION AND AUDITOR'S REPORT THEREON

The directors are responsible for the Other Information. The Other Information comprises all the information in the Company's 2018 annual report other than the consolidated financial statements and our auditor's report thereon.

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

Independent Auditor's Report

OTHER INFORMATION AND AUDITOR'S REPORT THEREON *(Continued)*

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information identified above 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 on the Other Information, we conclude that there is a material misstatement of the Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

Independent Auditor's Report

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

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

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

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

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

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

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

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

We communicate with the Audit Committee 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.

Independent Auditor's Report

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Chris Wong Wo Cheung.

RSM Hong Kong
Certified Public Accountants
Hong Kong
27 June 2018

Consolidated Statement of Profit or Loss

For the year ended 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue	8	**650,829**	567,406
Cost of sales		**(625,394)**	(543,327)
Gross profit		**25,435**	24,079
Other net income	9	**2,624**	4,084
Employment costs	14	**(29,635)**	(29,359)
Research and development expenses		**(1,573)**	(1,252)
Depreciation	19	**(912)**	(1,093)
Transportation expenses		**(1,081)**	(1,161)
Other operating expenses		**(19,370)**	(51,945)
Impairment loss on available-for-sale financial assets	24(a)	**–**	(21,452)
Write-back/(write-down) of properties under development	29	**4,352**	(11,717)
Loss from operations		**(20,160)**	(89,816)
Finance costs	11	**(6,159)**	(4,385)
Impairment losses on investments in associates	25	**–**	(27,902)
Share of (losses)/profits of associates		**(569)**	6,251
Loss before tax		**(26,888)**	(115,852)
Income tax credit/(expense)	12	**122**	(7)
Loss for the year	13	**(26,766)**	(115,859)
Attributable to:			
Owners of the Company		**(27,656)**	(90,745)
Non-controlling interests		**890**	(25,114)
		(26,766)	(115,859)
Loss per share (HK cents)	18		(Re-presented)
Basic		**(6.71)**	(23.41)
Diluted		**N/A**	N/A

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2018

	2018 *HK$'000*	2017 *HK$'000*
Loss for the year	**(26,766)**	(115,859)
Other comprehensive income:		
Items that may be reclassified to profit or loss:		
Exchange differences on translating foreign operations	**7,310**	(941)
Other comprehensive income for the year, net of tax	**7,310**	(941)
Total comprehensive income for the year	**(19,456)**	(116,800)
Attributable to:		
Owners of the Company	**(18,704)**	(91,707)
Non-controlling interests	**(752)**	(25,093)
	(19,456)	(116,800)

Consolidated Statement of Financial Position

As at 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	19	**1,168**	6,467
Investment property	20	**13,000**	11,500
Goodwill	21	**24,911**	24,911
Intangible asset	22	**1,718**	1,718
Available-for-sale financial assets	24	**45,652**	45,652
Investments in associates	25	**19,245**	93,197
Deposit for acquisition of intangible asset	26	**374**	11,056
Deposit for acquisition of property, plant and equipment		**872**	–
		106,940	194,501
Current assets			
Inventories	27	**3,278**	7,454
Trade, bills and other receivables, deposits and prepayments	28	**205,459**	115,965
Properties under development	29	**40,734**	34,727
Pledged bank deposits	30(a)	**27,807**	22,314
Bank and cash balances	30(b)	**38,849**	28,055
		316,127	208,515
Current liabilities			
Trade and other payables and receipt in advance	31	**112,398**	89,028
Due to an associate	25(a)	**24,053**	22,063
Bank and other loans	32	**86,605**	70,131
Finance lease payable	33	**84**	242
Promissory note	34	**36,000**	38,000
Current tax liabilities		**–**	3
		259,140	219,467
Net current assets/(liabilities)		**56,987**	(10,952)
Total assets less current liabilities		**163,927**	183,549

Consolidated Statement of Financial Position

As at 31 March 2018

	Note	2018 HK$'000	2017 HK$'000
Non-current liabilities			
Long term bonds	35	**40,000**	40,000
Deferred tax liabilities	36	**–**	166
		40,000	40,166
NET ASSETS		**123,927**	143,383
Capital and reserves			
Share capital	37	**32,194**	32,194
Reserves	39	**65,161**	83,865
Equity attributable to owners of the Company		**97,355**	116,059
Non-controlling interests		**26,572**	27,324
TOTAL EQUITY		**123,927**	143,383

Approved by the Board of Directors on 27 June 2018 and are signed on its behalf by:

Ma Chao
Director

Fu Yong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2018

	Attributable to owners of the Company									
	Share capital (note 37) *HK$'000*	Share premium account (note 39(b)(i)) *HK$'000*	Contributed surplus (note 39(b)(ii)) *HK$'000*	Capital redemption reserve (note 39(b)(iii)) *HK$'000*	Foreign currency translation reserve (note 39(b)(iv)) *HK$'000*	Share-based payments reserve (note 40) *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 April 2016	28,025	410,472	16,375	2,943	(1,042)	3,764	(288,518)	172,019	52,417	224,436
Total comprehensive income for the year	–	–	–	–	(962)	–	(90,745)	(91,707)	(25,093)	(116,800)
Shares issued upon placement (note 37(a))	4,169	32,718	–	–	–	–	–	36,887	–	36,887
Transactions costs attributable to issue of new shares	–	(1,140)	–	–	–	–	–	(1,140)	–	(1,140)
Changes in equity for the year	4,169	31,578	–	–	(962)	–	(90,745)	(55,960)	(25,093)	(81,053)
At 31 March 2017 and 1 April 2017	32,194	442,050	16,375	2,943	(2,004)	3,764	(379,263)	116,059	27,324	143,383
Total comprehensive income for the year	–	–	–	–	8,952	–	(27,656)	(18,704)	(752)	(19,456)
Cancellation of share options	–	–	–	–	–	(3,423)	3,423	–	–	–
Lapse of share options	–	–	–	–	–	(341)	341	–	–	–
Changes in equity for the year	–	–	–	–	8,952	(3,764)	(23,892)	(18,704)	(752)	(19,456)
At 31 March 2018	32,194	442,050	16,375	2,943	6,948	–	(403,155)	97,355	26,572	123,927

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	**(26,888)**	(115,852)
Adjustments for:		
Other receivables written off	**1,171**	19,143
Depreciation of property, plant and equipment	**912**	1,093
Fair value gain on investment property	**(1,500)**	(2,000)
Finance costs	**6,159**	4,385
Impairment loss on available-for-sale financial assets	**–**	21,452
Impairment losses on investments in associates	**–**	27,902
Interest income	**(74)**	(34)
Gain on disposal of property, plant and equipment	**(1,086)**	(473)
Write-off of property, plant and equipment	**1**	435
Inventories written off	**178**	169
Impairment losses on other receivables	**–**	12,570
(Write-back)/write-down of properties under development	**(4,352)**	11,717
Share of losses/(profits) of associates	**569**	(6,251)
Operating loss before working capital changes	**(24,910)**	(25,744)
Decrease in inventories	**3,998**	2,914
(Increase)/decrease in trade, bills and other receivables, deposits and prepayments	**(4,907)**	14,066
Increase in properties under development	**(664)**	(1,291)
Increase/(decrease) in trade and other payables and receipt in advance	**23,370**	(8,175)
Cash used in operations	**(3,113)**	(18,230)
Income taxes (paid)/received	**(47)**	993
Net cash used in operating activities	**(3,160)**	(17,237)

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Net increase in amounts with associates	–	1,240
Purchases of property, plant and equipment	(16)	(47)
Proceeds from disposal of property, plant and equipment	5,500	520
Deposit for acquisition of property, plant and equipment	(872)	–
Deposit for acquisition of intangible asset	(374)	–
Deposit for acquisition of an associate	–	(11,532)
Deposit for acquisition of subsidiaries	–	(23,500)
Purchase of structured deposits	–	(3,875)
Increase in pledged bank deposits	(5,493)	(1,750)
Interest received	74	34
Net cash used in investing activities	(1,181)	(38,910)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of promissory note	(2,000)	–
Net proceeds from issue of shares upon placing	–	35,747
Repayment of bank and other loans	(327,018)	(234,606)
Bank and other loans raised	343,492	249,751
Repayment of finance lease payable	(158)	(149)
Interest paid	(6,149)	(4,367)
Finance lease charges paid	(10)	(18)
Net cash generated from financing activities	8,157	46,358
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	3,816	(9,789)
Effect of foreign exchange rate changes	6,978	(1,042)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	28,055	38,886
CASH AND CASH EQUIVALENTS AT END OF YEAR	38,849	28,055
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	38,849	28,055

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

1. GENERAL INFORMATION

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

On 22 January 2018, a special resolution was passed to change the name of the Company from Gold Tat Group International Limited to Zhuoxin International Holdings Limited.

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

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

2. BASIS OF PREPARATION

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 April 2017. None of these impact on the accounting policies of the Group. However, the Amendments to HKAS 7 Statement of Cash Flows: Disclosure Initiative require disclosure of changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The effect of the amendments on the Group's consolidated financial statements has been the inclusion of additional disclosures in note 41.

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning on 1 April 2017. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
HKFRS 9 Financial Instruments	1 January 2018
HKFRS 15 Revenue from Contracts with Customers	1 January 2018
HKFRS 16 Leases	1 January 2019
HK(IFRIC) 23 Uncertainty over Income Tax Treatments	1 January 2019
Annual Improvement to HKFRS Standards 2014 to 2016 Cycle	1 January 2018
Annual Improvement to HKFRS Standards 2015 to 2017 Cycle	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 9 and HKFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's first quarterly financial report for the three months ended 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that first quarterly financial report.

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

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

HKFRS 9 Financial Instruments

HKFRS 9 will replace HKAS 39 Financial Instruments: Recognition and Measurement. HKFRS 9 introduces new requirements for classification and measurement of financial assets, new rules for hedge accounting and a new impairment model for financial assets.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to adopt the new standard on the required effective date and will not restate comparative information.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 March 2018 on the basis of the facts and circumstances that exist at that date, the directors of the Company have assessed the impact of HKFRS 9 to the Group's consolidated financial statements as follows:

(a) Classification and measurement

The Group expects to irrevocably designate those listed and unlisted equity securities currently classified as available-for-sale as at fair value through other comprehensive income.

Fair value gains and losses on these instruments will no longer be recycled to profit or loss on disposal. Impairment losses on debt securities will be measured applying the general impairment model in HKFRS 9 as described in (b) below and recognsied in profit or loss. Impairment losses on equity securities will no longer be recognised in profit or loss but rather in other comprehensive income. In addition, the Group currently measures certain unlisted equity securities at cost less impairment. Under HKFRS 9 these instruments will be measured at fair value.

(b) Impairment

HKFRS 9 requires the Group to recognise and measure either a 12-month expected credit loss or lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. The Group is still assessing the potential impact on its consolidated financial statements resulting from the application of HKFRS 9. The Group has not completed its assessment of the full impact of adopting HKFRS 9 and therefore its possible impacts on the Group's operating results and financial position have not been quantified.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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

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

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. HKFRS 15 will replace the existing revenue standards, HKAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2018. The standard permits either a full retrospective or a modified retrospective approach for the adoption. The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in accumulated losses as of 1 April 2018 and that comparatives will not be restated.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(a) *Timing of revenue recognition*

Currently, revenue from the sale of finished goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. HKFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

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

b) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

c) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

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

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

HKFRS 15 Revenue from Contracts with Customers *(Continued)*

(a) Timing of revenue recognition (Continued)

For contracts with customers in which the sale of finished goods is generally expected to be the only performance obligation, adoption of HKFRS 15 is not expected to have any impact on the Group's revenue or profit or loss. The Group expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

(b) Sales with a right of return

Currently when the customers are allowed to return the Group's products, the Group records the return as incurred against the revenue.

The Group has assessed that the adoption of HKFRS 15 will not materially affect how the Group recognises revenue and cost of sales when the customers have a right of return. However, the new requirement to recognise separately a return asset for the products expected to be returned will impact the presentation in the consolidated statement of financial position as the Group currently adjusts the carrying amounts of inventory for the expected returns, instead of recognising a separate asset.

HKFRS 16 Leases

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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

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

HKFRS 16 Leases *(Continued)*

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

As disclosed in note 43, the Group's future minimum lease payments under non-cancellable operating leases for its office properties amounted to HK$8,666,000 as at 31 March 2018. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 5 to the consolidated financial statements.

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

(a) Consolidation

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(a) Consolidation *(Continued)*

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

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

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

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

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Business combinations and goodwill

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

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

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

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

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

(c) Associates

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Associates *(Continued)*

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Foreign currency translation

(i) Functional and presentation currency

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

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

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

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

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

(iii) Translation on consolidation

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Foreign currency translation *(Continued)*

(iii) Translation on consolidation (Continued)

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

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

(e) Property, plant and equipment

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Investment property

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

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

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

(g) Cross boundary vehicle licence

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

(h) Leases

The Group as lessee

(i) Operating leases

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

(ii) Finance leases

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Research and development expenditure

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

(j) Properties under development

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

(k) Inventories

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

(l) Recognition and derecognition of financial instruments

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

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and the cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs except in the case of financial assets at fair value through profit or loss.

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either financial assets classified as held for trading or designated as at fair value through profit or loss upon initial recognition. These financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these financial assets are recognised in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are carried at amortised cost using the effective interest method (except for short-term receivables where interest is immaterial) minus any reduction for impairment or uncollectibility. Typically trade and other receivables, bank balances and cash are classified in this category.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available-for-sale financial assets are subsequently measured at fair value. Gains or losses arising from changes in fair value of these investments are recognised in other comprehensive income and accumulated in the investment revaluation reserve, until the investments are disposed of or there is objective evidence that the investments are impaired, at which time the cumulative gains or losses previously recognised in other comprehensive income are reclassified from equity to profit or loss. Interest calculated using the effective interest method and dividends on available-for-sale equity investments are recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(m) Financial assets *(Continued)*

(iii) Available-for-sale financial assets *(Continued)*

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost less impairment losses.

(n) Trade and other receivables

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

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

(o) Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which 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.

(p) Financial liabilities and equity instruments

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(q) Borrowings

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

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

(r) Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

– the amount of the obligations under the contracts, as determined in accordance with HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets”; and

– the amount initially recognised less cumulative amortisation recognised in profit or loss on a straight-line basis over the terms of the guarantee contracts.

(s) Trade and other payables

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(t) Equity instruments

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

(u) Revenue recognition

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

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

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

(v) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Pension obligations

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(v) Employee benefits *(Continued)*

(iii) Termination benefits

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

(w) Share-based payments

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

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

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

(x) Borrowing costs

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Taxation

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(y) Taxation *(Continued)*

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

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

(z) PRC land appreciation tax (“LAT”)

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

(aa) Impairment of non-financial assets

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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

(bb) Impairment of financial assets

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

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

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

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

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

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

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

(cc) Provisions and contingent liabilities

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

4. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(dd) Events after the reporting period

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Deferred tax for investment property

For the purpose of measuring deferred tax for investment property that is measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment property is not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. Therefore, in determining the Group's deferred tax for investment property, the directors have adopted the presumption that investment property measured using the fair value model is recovered through sale. Accordingly, no deferred tax is recognised in respect of the fair value change in such investment property as the Group is not subject to any income taxes on disposal of investment property in Hong Kong because no capital gain tax arising from property sales in Hong Kong.

(b) 50% equity interest in an associate

As stated in note 25(c) to the consolidated financial statements, the legal title of the Group's 50% equity interest in an associate, 陽江市中裕房地產開發有限公司 ("Zhongyu"), was transferred to certain shareholders on 29 August 2016. Despite the fact that the Group was no longer the registered owner of the 50% equity interest of Zhongyu, the directors determined to continue to account for the interest in Zhongyu as investment in an associate, on the grounds that those shareholders signed declarations of trust that they held the 50% equity interest on behalf of the Group and the Group was in substance still the beneficial owner of Zhongyu that the Group had significant influence in Zhongyu. On 27 June 2017, the interest in Zhongyu was disposed to those shareholders.

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

Key sources of estimation uncertainty

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

(a) Property, plant and equipment and depreciation

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

As at 31 March 2018, the carrying amount of property, plant and equipment was HK$1,168,000 (2017: HK$6,467,000).

(b) Income taxes and deferred tax

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. During the year, HK$122,000 of income tax was credited (2017: HK$7,000 charged) to profit or loss based on the estimated assessable profits.

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

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

Key sources of estimation uncertainty *(Continued)*

(c) Impairment for bad and doubtful debts

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

During the year ended 31 March 2018, no impairment losses for bad and doubtful debts on trade and other receivables was recognised (2017: HK$12,570,000).

(d) Impairment of investments in associates

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

As at 31 March 2018, the carrying amount of investments in associates was HK$19,245,000 (2017: HK$93,197,000).

(e) Fair value of investment property

The Group appointed an independent professional valuer to assess the fair values of the investment property. In determining the fair values, the valuer has utilised a method of valuation which involves certain estimates. The directors have exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions.

As at 31 March 2018, the carrying amount of investment property was HK$13,000,000 (2017: HK$11,500,000).

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

Key sources of estimation uncertainty *(Continued)*

(f) Impairment of goodwill

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

The carrying amount of goodwill at the end of the reporting period was HK$24,911,000 (2017: HK$24,911,000).

(g) Allowance for slow-moving inventories

Allowance for slow-moving inventories is made based on the ageing and estimated net realisable value of inventories. The assessment of the allowance amount involves judgement and estimates. Where the actual outcome in future is different from the original estimate, such difference will impact the carrying value of inventories and allowance charge/write-back in the period in which such estimate has been changed. No allowance for slow-moving inventories was made for the year ended 31 March 2018 (2017: Nil).

(h) Net realisable value of properties under development

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

As at 31 March 2018, the carrying amount of the properties under development was HK$40,734,000 (2017: HK$34,727,000). Write-back of HK$4,352,000 was recognised for the year ended 31 March 2018 (2017: write-down of HK$11,717,000).

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

Key sources of estimation uncertainty *(Continued)*

(i) Impairment of available-for-sale financial assets

In assessing the indication of impairment of the 7% equity interest in an unlisted company classified as available-for-sale financial assets, the directors of the Company considered the internal and external factors which would impact on the value of the available-for-sale financial assets. When the directors of the Company assessed any indication of impairment of the available-for-sale financial assets, apart from reviewing the historical financial information of the investee company, they also considered the value of the investee with reference to valuation prepared by external qualified valuers. In determining the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset, it involved high degree of management judgement, in making assumptions about the future revenues, profit margins and growth rates and selecting an appropriate market discount rate. The Group engaged third-party qualified valuers to determine the recoverable amount in order to estimate the impairment of these available-for-sale financial assets. The management of the Group works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

No impairment loss was recognised for the year ended 31 March 2018 (2017: HK$21,452,000) in respect of the above available-for-sale financial assets.

6. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Foreign currency risk

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

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Foreign currency risk *(Continued)*

Sensitivity analysis

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

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

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

	2018		2017	
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after tax and accumulated losses**	Increase/ (decrease) in foreign exchange rates	Effect on loss after tax and accumulated losses
		HK$'000		*HK$'000*
HK$/RMB	**5%**	**(6)**	5%	1,438
	(5%)	**6**	(5%)	(1,438)

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Credit risk

The Group's credit risk is primarily attributable to its trade receivables. In order to minimise credit risk, the directors have delegated a team to be responsible for the determination of credit limits, credit approvals and other monitoring procedures. In addition, the directors review the recoverable amount of each individual trade debt regularly to ensure that adequate impairment losses are recognised for irrecoverable debts. In this regard, the directors consider that the Group's credit risk is significantly reduced.

The Group has certain concentration of credit risk as the Group's largest five debtors accounts for 94% of trade receivables as at 31 March 2018 (2017: 75%).

The Group has policies in place to ensure that sales are made to customers with an appropriate credit history.

The credit risk on pledged bank deposits, bank and cash balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

(c) Liquidity risk

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk *(Continued)*

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

	Less than 1 year and on demand *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
At 31 March 2018					
Trade and other payables	**110,188**	**–**	**–**	**–**	**110,188**
Finance lease payable	**84**	**–**	**–**	**–**	**84**
Bank and other loans	**86,605**	**–**	**–**	**–**	**86,605**
Long term bonds	**2,000**	**2,000**	**42,000**	**–**	**46,000**
Due to an associate	**24,053**	**–**	**–**	**–**	**24,053**
Promissory note	**36,000**	**–**	**–**	**–**	**36,000**
At 31 March 2017					
Trade and other payables	87,305	–	–	–	87,305
Finance lease payable	252	–	–	–	252
Bank and other loans	70,131	–	–	–	70,131
Long term bonds	2,000	2,000	44,000	–	48,000
Due to an associate	22,063	–	–	–	22,063
Promissory note	38,000	–	–	–	38,000

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

6. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Liquidity risk *(Continued)*

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

	Less than 1 year and on demand *HK$'000*	Between 1 and 2 years *HK$'000*	Between 2 and 5 years *HK$'000*	Over 5 years *HK$'000*	Total *HK$'000*
At 31 March 2018					
Finance lease payable	**85**	**–**	**–**	**–**	**85**
Bank and other loans	**83,673**	**264**	**792**	**2,576**	**87,305**
Promissory note	**36,000**	**–**	**–**	**–**	**36,000**
At 31 March 2017					
Finance lease payable	168	84	–	–	252
Bank and other loans	67,075	314	792	2,841	71,022
Promissory note	38,000	–	–	–	38,000

(d) Interest rate risk

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

At 31 March 2018, if the interest rate had been 100 basis points lower, with all other variables held constant, the impact on consolidated loss after tax is summarised in the following table. The sensitivity analysis includes bank and other loans and adjusts the respective interest rates at the year end of 100 basis points. A positive number indicates a decrease in loss. If the interest rate had been 100 basis points higher, with all other variables held constant, there would be an equal and opposite impact on loss after tax, and the balances below would be negative.

	At 31 March	
	2018 *HK$'000*	2017 *HK$'000*
Loss after tax	**597**	376

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6. FINANCIAL RISK MANAGEMENT *(Continued)*

(e) Categories of financial instruments as at 31 March

	2018 HK$'000	2017 HK$'000
Financial assets:		
Loans and receivables (including cash and cash equivalents)	**269,844**	164,667
Available-for-sale financial assets	**45,652**	45,652
Financial liabilities:		
Financial liabilities at amortised cost	**298,391**	257,744

(f) Fair values

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

7. FAIR VALUE MEASUREMENTS

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

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

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

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

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7. FAIR VALUE MEASUREMENTS *(Continued)*

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

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

Description	Fair value measurements using level 3: 2018 *HK$'000*	2017 *HK$'000*
Recurring fair value measurements		
Assets		
Investment property		
Residential – Hong Kong	**13,000**	11,500

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

Description	2018 *HK$'000*	2017 *HK$'000*
Investment property		
At beginning	**11,500**	9,500
Total gains or losses recognised in profit or loss (#)	**1,500**	2,000
At end of year	**13,000**	11,500
(#) Include gains or losses for assets held at end of reporting period	**1,500**	2,000

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

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7. FAIR VALUE MEASUREMENTS *(Continued)*

(c) Disclosure of valuation process used by the Group and valuation techniques and inputs used in fair value measurements at 31 March 2018:

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

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

Level 3 fair value measurements

Description	Valuation technique	Unobservable inputs	Range	Assets 2018 *HK$'000*	Assets 2017 *HK$'000*
Investment property in Mei Foo Sun Chuen, Hong Kong	Sales comparison approach	Premium (discount) on quality of properties	Increase or decrease 25%	**13,000**	11,500

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

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

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For the year ended 31 March 2018

8. REVENUE

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

	2018 *HK$'000*	2017 *HK$'000*
Sales of electronic parts and components	**650,829**	567,406

9. OTHER NET INCOME

	2018 *HK$'000*	2017 *HK$'000*
Interest income	**74**	34
Net foreign exchange (losses)/gains	**(36)**	163
Fair value gain on investment property	**1,500**	2,000
Gain on disposal of property, plant and equipment	**1,086**	473
Sundry income	**–**	1,414
	2,624	4,084

10. SEGMENT INFORMATION

The Group has three (2017: three) reportable segments as follows:

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

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

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

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

10. SEGMENT INFORMATION *(Continued)*

Information about reportable segment profit or loss:

	Trading of electronic parts and components HK$'000	Property development HK$'000	Property investment HK$'000	Total HK$'000
Year ended 31 March 2018				
Revenue from external customers	**650,829**	**–**	**–**	**650,829**
Segment (loss)/profit	**(2,280)**	**(10,144)**	**5,737**	**(6,687)**
Depreciation	**151**	**263**	**–**	**414**
Write-back of properties under development	**–**	**–**	**4,352**	**4,352**
Year ended 31 March 2017				
Revenue from external customers	567,406	–	–	567,406
Segment (loss)/profit	(752)	(77,562)	1,881	(76,433)
Depreciation	187	386	–	573
Impairment losses on investments in associates	–	27,902	–	27,902
Write-down of properties under development	–	11,717	–	11,717

Reconciliations of reportable segment revenue and profit or loss:

	2018 HK$'000	2017 HK$'000
Revenue		
Total revenue	**650,829**	567,406
Profit or loss		
Total loss of reportable segments	**(6,687)**	(76,433)
Unallocated corporate results	**(20,079)**	(39,426)
Consolidated loss for the year	**(26,766)**	(115,859)
Reconciliation of other material items:		
Other material items – depreciation and amortisation		
Total depreciation of reportable segments	**414**	573
Unallocated amounts:		
Depreciation of property, plant and equipment for corporate use	**498**	520
Consolidated depreciation	**912**	1,093

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

10. SEGMENT INFORMATION *(Continued)*

Geographical information

	Non-current assets	
	2018 ***HK$'000***	2017 *HK$'000*
Hong Kong	**41,882**	44,431
The PRC except Hong Kong	**19,406**	104,418
Consolidated total	**61,288**	148,849

Geographical information excluded available-for-sale financial assets.

Majority of the revenue generated by the Group for the years ended 31 March 2018 and 2017 were attributable to customers based in the PRC. In presenting the geographical information, revenue is based on the location of the customers.

Revenue from major customers

	2018 ***HK$'000***	2017 *HK$'000*
Customer A	**92,801**	152,377
Customer B	**156,071**	98,380
Customer C	**98,560**	525

Revenue from three (2017: two) customers generated from the Group's trading of components segment.

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

11. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Wholly repayable within five years		
– Interest on bank loans	**2,910**	1,823
– Interest on other loan	**1,162**	463
– Finance lease charges	**10**	18
– Interest on long term bonds	**2,000**	2,000
Not wholly repayable within five years based on repayment schedule		
– Interest on bank loans	**77**	81
	6,159	4,385

12. INCOME TAX (CREDIT)/EXPENSE

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

	2018 HK$'000	2017 HK$'000
Current tax – PRC Enterprise Income Tax		
– Provision for the year	**44**	11
Deferred tax liabilities (note 36)	**(166)**	(4)
Income tax (credit)/expense	**(122)**	7

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

12. INCOME TAX (CREDIT)/EXPENSE *(Continued)*

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

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements since the Group has sufficient tax losses brought forward to set off against current year's assessable profit (2017: Nil).

PRC Enterprise Income Tax has been provided at a rate of 25% (2017: 25%).

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

	2018 *HK$'000*	2017 *HK$'000*
Loss before tax	**(26,888)**	(115,852)
Tax at the domestic income tax rate of 16.5% (2017: 16.5%)	**(4,437)**	(19,116)
Tax effect of income that is not taxable	**(1,005)**	(366)
Tax effect of expenses that are not deductible	**5,061**	21,673
Tax effect of temporary differences not recognised	**127**	28
Tax effect of tax losses not recognised	**828**	600
Tax effect of utilisation of tax losses not previously recognised	**(223)**	(308)
PRC withholding tax	**44**	11
Effect of different tax rates of subsidiaries	**(517)**	(2,515)
Income tax (credit)/expense	**(122)**	7

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For the year ended 31 March 2018

13. LOSS FOR THE YEAR

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

	2018 *HK$'000*	2017 *HK$'000*
Auditor's remuneration		
– Current year	**1,550**	1,350
– Under-provision in prior year	**150**	100
	1,700	1,450
Cost of inventories sold	**625,394**	543,327
Depreciation of property, plant and equipment	**912**	1,093
Direct operating expense of investment property that did not generate rental income	**38**	38
Fair value gain on investment property	**(1,500)**	(2,000)
Inventories written off	**178**	169
Other receivables written off	**1,171**	19,143
Impairment losses on other receivables	**–**	12,570
Gain on disposal of property, plant and equipment	**(1,086)**	(473)
Write-off of property, plant and equipment	**1**	435
Operating lease charges		
– Premises	**3,229**	3,055
Net foreign exchange losses/(gains)	**36**	(163)
Research and development expenses		
– Other expenses	**1,573**	1,252

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For the year ended 31 March 2018

14. EMPLOYEE BENEFITS EXPENSE

	2018 HK$'000	2017 HK$'000
Employee benefits expense (including directors' emoluments):		
Salaries, bonuses and allowances	**29,070**	29,028
Retirement benefit scheme contributions	**565**	331
	29,635	29,359

Five highest paid individuals

The five highest paid individuals in the Group during the year include one (2017: one) director whose emoluments are reflected in the analysis presented in note 15. The emoluments of the remaining four (2017: four) individuals are set out below:

	2018 HK$'000	2017 HK$'000
Basic salaries and allowances	**9,989**	10,414
Retirement benefits scheme contributions	**72**	72
	10,061	10,486

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14. EMPLOYEE BENEFITS EXPENSE *(Continued)*

The emoluments fell within the following band:

	Number of individuals 2018	2017
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	–	–
HK$2,000,001 to HK$2,500,000	4	4
	4	4

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

15. BENEFITS AND INTERESTS OF DIRECTORS

(a) Emoluments of directors

The emoluments of each director were as follows:

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

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

(a) Emoluments of directors *(Continued)*

Name of director	Directors' fees HK$'000	Salaries and allowances HK$'000	(note (c)) Estimated money value of the benefit HK$'000	Retirement benefit scheme contributions HK$'000	Total HK$'000
Year ended 31 March 2017					
Executive directors					
Mr. So Loi Fat	–	900	828	18	1,746
Mr. Su Minzhi	–	600	–	–	600
Mr. Chen Dongquan	–	1,800	–	18	1,818
Independent non-executive directors					
Mr. Chiu Wai Piu	120	–	–	–	120
Mr. Miu Hon Kit	120	–	–	–	120
Mr. Li Shiu Ki, Ernest	120	–	–	–	120
Total for 2017	360	3,300	828	36	4,524

Note:

(a) Appointed on 21 December 2017

(b) Resigned on 1 January 2018

(c) Represented rent paid

There was no arrangement under which a director waived or agreed to waive any emoluments during the year (2017: Nil).

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

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

16. RETIREMENT BENEFIT SCHEMES

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,500 (2017: HK$1,500) per employee and vest fully with employees when contributed into the MPF Scheme.

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

17. DIVIDENDS

The Directors have not declared nor proposed any dividends in respect of the year ended 31 March 2018 (2017: Nil).

18. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss for the year attributable to owners of the Company of approximately HK$27,656,000 (2017: approximately HK$90,745,000) and the weighted average number of ordinary shares of 412,089,994 (2017: 387,629,848) in issue during the year.

2017 comparative figure has been re-presented with the effect of share consolidation as presented in note 37(b) to the consolidated financial statements.

(b) Diluted loss per share

As the exercise of the Group's outstanding share options for the years ended 31 March 2018 and 2017 would be anti-dilutive, no diluted loss per share was presented in both years.

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19. PROPERTY, PLANT AND EQUIPMENT

	Leasehold properties *HK$'000*	Computer hardware and software *HK$'000*	Leasehold improvements, furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost						
At 1 April 2016	5,000	321	2,212	27	3,881	11,441
Additions	–	30	11	6	–	47
Written off	–	(8)	(590)	–	–	(598)
Disposal	–	(38)	(7)	–	(1,522)	(1,567)
Exchange differences	–	(4)	(3)	(1)	(34)	(42)
At 31 March 2017 and at 1 April 2017	5,000	301	1,623	32	2,325	9,281
Additions	–	14	2	–	–	16
Written off	–	–	(3)	–	–	(3)
Disposal	(5,000)	–	–	–	–	(5,000)
Exchange differences	–	7	5	2	25	39
At 31 March 2018	–	322	1,627	34	2,350	4,333
Accumulated depreciation						
At 1 April 2016	394	152	624	14	2,244	3,428
Charge for the year	110	68	328	6	581	1,093
Written off	–	(4)	(159)	–	–	(163)
Disposal	–	(21)	(2)	–	(1,497)	(1,520)
Exchange difference	–	(2)	(2)	–	(20)	(24)
At 31 March 2017 and at 1 April 2017	504	193	789	20	1,308	2,814
Charge for the year	82	50	309	6	465	912
Written off	–	–	(2)	–	–	(2)
Disposal	(586)	–	–	–	–	(586)
Exchange difference	–	4	4	1	18	27
At 31 March 2018	–	247	1,100	27	1,791	3,165
Carrying amount						
At 31 March 2018	–	75	527	7	559	1,168
At 31 March 2017	4,496	108	834	12	1,017	6,467

At 31 March 2018, the carrying amount of a motor vehicle (2017: one motor vehicle) held by the Group under finance leases amounted to approximately HK$87,000 (2017: HK$262,000) (note 33).

The Group's leasehold properties were situated in Hong Kong and were held under medium-lease as at 31 March 2017.

At 31 March 2017, the carrying amount of the Group's leasehold properties amounted to approximately HK$4,496,000 were pledged as security for the Group's mortgage loan.

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20. INVESTMENT PROPERTY

	2018 *HK$'000*	2017 *HK$'000*
At beginning of year	**11,500**	9,500
Fair value gain	**1,500**	2,000
At end of year	**13,000**	11,500

Investment property was revalued at 31 March 2018 and 2017 on the open market value basis by reference to market evidence of recent transactions for similar properties by Savills Valuation and Professional Services Limited, an independent firm of valuers.

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

At 31 March 2018, the carrying amount of investment property pledged as security for the Group's bank and other loans amounted to HK$13,000,000 (2017: HK$11,500,000) (note 32).

21. GOODWILL

	HK$'000
Cost	
At 1 April 2016, at 31 March 2017, at 1 April 2017 and at 31 March 2018	24,911
Accumulated impairment losses	
At 1 April 2016, at 31 March 2017, at 1 April 2017 and at 31 March 2018	–
Carrying amount	
At 31 March 2018	**24,911**
At 31 March 2017	24,911

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21. GOODWILL *(Continued)*

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

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

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using 3% (2017: 3%) growth rate. This rate does not exceed the average long-term growth rate for the relevant markets.

The pre-tax rate used to discount the forecast cash flows is 12% (2017: 11%) for the CGU of ETC.

22. INTANGIBLE ASSET

The Group's intangible asset solely represented cross-boundary vehicle licence of HK$1,718,000 (2017: HK$1,718,000). The licence is assessed as having indefinite useful life because there is no time limit that the Group can enjoy the services provided by that licence.

No impairment was made as the management considered the realisable value of the licence was closed to the cost at 31 March 2018 (2017: Nil).

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23. INTERESTS IN SUBSIDIARIES

Details of the subsidiaries at 31 March 2018 are as follows:

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital/ registered capital	Interest held
Directly held:				**2018**/2017
Full Rich Human Resources Limited	Hong Kong	Human resources management in Hong Kong	HK$100	**100%**/100%
Gold Continental Investments Limited	The BVI	Investment holding	100 ordinary shares of US$1 each	**100%**/100%
Golden Kingtex Limited	The BVI	Investment holding	100 ordinary shares of US$1 each	**100%**/100%
Gold Basin Capital Limited	The BVI	Investment holding	100 ordinary shares of US$1 each	**100%**/100%
Hao Cheng Global Limited	The BVI	Investment holding	10 ordinary shares of US$1 each	**100%**/100%
Indirectly held:				
Best Team International Investment Limited	Hong Kong	Investment holding	HK$2,000	**100%**/100%
深圳市鑫泰溢投資發展有限公司 ("Xintaiyi") (note (b))	The PRC	Investment holding	RMB50,000,000	**100%**/100%
陽江市永聯房地產開發有限公司	The PRC	Property investment	RMB1,000,000	**66.66%**/66.66%
ETC	Hong Kong	Trading of electronic parts	HK$2,000,000	**75%**/75%
超豐科技(深圳)有限公司 (note (b))	The PRC	Trading of electronic parts	HK$2,000,000	**100%**/100%

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23. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ establishment	Principal activities	Particulars of issued share capital/ registered capital	Interest held
Indirectly held: *(Continued)*				**2018**/2017
Best Worldwide Corporation Limited ("Best Worldwide")	Hong Kong	Investment holding	HK$150,000,100	**70%**/70%
深圳市錦鑫貿易有限公司 (note (b))	The PRC	Investment holding	RMB10,000,000	**100%**/100%
深圳市金康盛信息諮詢有限公司 ("Jinkangsheng")	The PRC	Investment holding	RMB10,000,000	**100%**/100%
China Town Development Limited	Hong Kong	Not yet commence business	HK$1	**100%**/100%
Top Wealth Holdings Limited	Hong Kong	Investment holding	HK$1	**100%**/100%
Joyful Concord Limited	Hong Kong	Investment holding	HK$1	**100%**/100%
Sky Goal International Limited	Hong Kong	Not yet commence business	HK$1	**100%**/100%

Note:

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

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

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23. INTERESTS IN SUBSIDIARIES *(Continued)*

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

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

	2018 HK$'000	2017 HK$'000	2018 HK$'000	2017 HK$'000
At 31 March:				
Non-current assets	**46,490**	46,490	**16,980**	16,990
Current assets	**–**	–	**176,401**	134,753
Current liabilities	**(886)**	(716)	**(172,858)**	(132,567)
Net assets	**45,604**	45,774	**20,523**	19,176
Accumulated NCI	**13,681**	13,732	**5,130**	4,794
Year ended 31 March:				
(Loss)/profit	**(170)**	(93,359)	**1,979**	2,044
(Loss)/profit allocated to NCI	**(51)**	(28,008)	**495**	511
Net cash used in operating activities	**–**	–	**(8,726)**	(18,930)
Net cash generated from/ (used in) investing activities	**–**	–	**64**	(5,639)
Net cash generated from financing activities	**–**	–	**16,473**	15,146
Net changes in cash and cash equivalents	**–**	–	**7,811**	(9,423)

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23. INTERESTS IN SUBSIDIARIES *(Continued)*

As at 31 March 2018, the bank and cash balances of the Group's subsidiaries in the PRC denominated in RMB amounted to HK$308,000 (2017: HK$414,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2018 *HK$'000*	2017 *HK$'000*
Unlisted equity securities *(note (a))*	**41,777**	41,777
Structured deposit *(note (b))*	**3,875**	3,875
	45,652	45,652
Analysed as:		
Non-current assets	**45,652**	45,652

Note:

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

At 31 March 2018 and 2017, the investment was carried at cost less impairment as it did not have a quoted market price in an active market and its value could not be reliably measured.

During the year ended 31 March 2017, the actual performance of the investee company was less favourable than the projections of its management and indication of impairment existed. The Group engaged independent external valuation experts, DTZ Cushman & Wakefield Limited to determine the recoverable amount. The management of the Group worked closely with the valuation experts to establish the appropriate valuation techniques and inputs to the model.

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

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

No impairment loss has been made as at 31 March 2018 (2017: HK$21,452,000).

This unlisted equity securities are denominated in HK$.

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For the year ended 31 March 2018

24. AVAILABLE-FOR-SALE FINANCIAL ASSETS *(Continued)*

Note: (Continued)

(b) At 31 March 2018, the Group's structured deposit represented collared floating rate note ("CFRN") issued by a high-credit rating bank. The CFRN interest rate linked non-equity product with variable interest ranging from 1% to 3% indexed to 3-month USD LIBOR, and will be matured on 5 July 2020. The directors considered that the carrying value of the CFRN approximate its fair value at end of the reporting period. The CFRN is denominated in US$.

The structured deposit with an aggregate carrying amount of HK$3,875,000 (2017: HK$3,875,000) has been pledged to a bank to secure bank loans for the Group (note 32).

25. INVESTMENTS IN ASSOCIATES

	Zhongyu *HK$'000*	Fuli *HK$'000*	2018 *HK$'000*
Unlisted investments:			
Share of net assets	–	**11,526**	**11,526**
Goodwill	–	**10,149**	**10,149**
	–	**21,675**	**21,675**
Impairment losses on investments in associates *(note (b))*	–	**(2,430)**	**(2,430)**
	–	**19,245**	**19,245**

	Zhongyu *HK$'000*	Fuli *HK$'000*	2017 *HK$'000*
Unlisted investments:			
Share of net assets	101,408	11,972	113,380
Goodwill	121,854	10,149	132,003
	223,262	22,121	245,383
Impairment losses on investments in associates *(notes (b) and (c))*	(149,756)	(2,430)	(152,186)
	73,506	19,691	93,197

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25. INVESTMENTS IN ASSOCIATES *(Continued)*

Notes:

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

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors covering a five-year period with the pre-tax rate of 27% (2017: 29%).

As at 31 March 2018, accumulated impairment losses of HK$2,430,000 (2017: HK$2,430,000) was made on the investment in Fuli with reference to the recoverable amount of the associate.

(c) The Group owned 50% equity interests in Zhongyu through a subsidiary, Jinkangsheng. According to the record shown in National Enterprise Credit Information Publicity System, managed by the State Administration for Industry and Commerce of the People's Republic of China, the registered owners of Jinkangsheng's 50% equity interest in Zhongyu had been changed to Zhang Huiyan (張輝燕), Guan Zhongfen (關仲芬), Zeng Guangqing (曾廣清), Luo Zexun (羅澤勛) and Mai Baojian (麥保建) (collectively referred as "Other Shareholders") with effect from 29 August 2016.

The Group received a declaration of trust dated 1 August 2016 from the Other Shareholders confirming that they respectively held in aggregate of the 50% equity interests in Zhongyu on behalf of Jinkangsheng with effect from 29 August 2016 by each of the Other Shareholders as follows:

Zhang Huiyan – 12%
Guan Zhongfen – 12%
Zeng Guangqing – 13.5%
Luo Zexun – 6.5%
Mai Baojian – 6%

The Other Shareholders declared that Jinkangsheng is the beneficial owner of the 50% equity interests in Zhongyu and Jinkangsheng still has significant influence over Zhongyu. The Group obtain a legal opinion that the declaration issued by the Other Shareholders is legally enforceable and Jinkangsheng's interest, risk and benefits in Zhongyu is not affected even though Jinkangsheng is not the registered shareholder.

Pursuant to a sales and purchases agreement dated 27 June 2017 ("S&P Agreement") entered among Jinkansheng and the Other Shareholders. Jinkansheng disposed its 50% equity interests in Zhongyu to the Other Shareholders in the following manner:

Zhang Huiyan – 12%
Guan Zhongfen – 12%
Zeng Guangqing – 13.5%
Luo Zexun – 6.5%
Mai Baojian – 6%

The consideration for the disposal of the 50% equity interest is RMB65,194,000 (equivalent to HK$75,077,000). The disposal was completed on 27 June 2017.

As at 31 March 2017, accumulated impairment losses of HK$149,756,000 was made on the investment in Zhongyu with reference to the consideration as stated above. Impairment losses of HKHK27,902,000 was recognised in profit or loss for the year ended 31 March 2017.

25. INVESTMENTS IN ASSOCIATES *(Continued)*

Details of the Group's associates at 31 March 2018 are as follows:

Name	Place of establishment	Particulars of registered capital	Percentage of ownership interest		Principal activities
			2018	2017	
Fuli	The PRC	RMB1,000,000	**25%**	25%	Property development
Zhongyu	The PRC	RMB10,000,000	**–**	50%	Property development

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

Name	Zhongyu		Fuli	
	2018	2017	**2018**	2017
Principal place of business/ country of establishment	**The PRC**/The PRC		**The PRC**/The PRC	
Principal activities	Property development in the PRC		Property development in the PRC	
% of ownership interests/ voting rights held by the Group	**–/–**	50%/50%	**25%/25%**	25%/25%

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For the year ended 31 March 2018

25. INVESTMENTS IN ASSOCIATES *(Continued)*

	Zhongyu		Fuli	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
At 31 March:				
Non-current assets	**–**	89	**14**	26
Current assets	**–**	384,083	**143,430**	153,440
Non-current liabilities	**–**	(18,438)	**(12,180)**	(21,844)
Current liabilities	**–**	(185,163)	**(85,160)**	(87,841)
Net assets	**–**	180,571	**46,104**	43,781
Group's share of net assets	**–**	90,286	**11,526**	10,945
Exchange realignment	**–**	11,122	**–**	1,027
Impairment losses	**–**	(27,902)	**–**	–
Goodwill	**–**	–	**7,719**	7,719
Group's share of carrying amount of interests	**–**	73,506	**19,245**	19,691
Year ended 31 March				
Revenue	**–**	120,291	**34,445**	9,590
Profit/(loss) from operations	**–**	13,102	**(2,277)**	(1,200)
Other comprehensive income	**–**	(20,195)	**4,601**	(2,948)
Total comprehensive income	**–**	(7,093)	**2,324**	(4,148)

As at 31 March 2018, the bank and cash balances of the Group's associates in the PRC denominated in RMB amounted to HK$4,708,000 (2017: HK$13,176,000). Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

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26. DEPOSIT FOR ACQUISITION OF INTANGIBLE ASSET

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

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

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

27. INVENTORIES

	2018 *HK$'000*	2017 *HK$'000*
Finished goods	**3,278**	7,454

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

	2018 *HK$'000*	2017 *HK$'000*
Trade receivables *(notes (a), (b) and (c))*	**61,451**	50,159
Bills receivables	**46,172**	23,426
Other receivables *(notes (d), (e), (f), (g) and (h))*	**93,779**	39,803
Deposits and prepayments	**4,057**	2,577
	205,459	115,965

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For the year ended 31 March 2018

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

Notes:

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

	2018 **HK$'000**	2017 HK$'000
0 to 30 days	**29,227**	30,220
31 to 60 days	**8,227**	10,116
61 to 90 days	**16,334**	4,625
Over 90 days	**7,663**	5,198
	61,451	50,159

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

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

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

(c) Trade receivables past due but not impaired

As at 31 March 2018, trade debtors of approximately HK$17,910,000 (2017: approximately HK$5,867,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2018 **HK$'000**	2017 HK$'000
Up to 30 days	**17,886**	5,756
31 to 60 days	**8**	111
Over 60 days	**16**	–
	17,910	5,867

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

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

Notes: (Continued)

(d) Included in other receivables as at 31 March 2018 are receivables of RMB75,000,000 (equivalent to HK$93,712,000), details of which are as follows:

	HK$'000
Proceeds receivables from other shareholders regarding the disposal of the 50% equity interest in Zhongyu (note 25(c))	81,460
Receivable from Zhongyu regarding the transfer of intangible assets (note 26)	12,252
	93,712

(e) As at 31 March 2017, included in other receivables was a deposit of RMB9,000,000 (equivalent to HK$10,800,000) paid to a vendor regarding the acquisition of 5% equity interest in a private company established in the PRC and engaged in property development in the PRC. The acquisition was not successful and the deposit was refunded to the Group in June 2017.

(f) On 25 May 2016, the Company's subsidiary entered into a share equity transfer agreement with an independent company in the PRC to acquire 20% equity interest in a private company, established in the PRC and engaged in sale and distribution of minerals, chemical products and related mining machinery in the PRC, at a consideration of RMB10,000,000. A deposit of RMB10,000,000 (equivalent to HK$11,275,000) was paid to the vendor as at 31 March 2017. The Group agreed with the vendor to terminate the acquisition and RMB3,800,000 was refunded to the Group in June 2017. An impairment loss of RMB6,200,000 (equivalent to HK$7,150,000) was made as at 31 March 2017.

(g) On 1 November 2016, the Company entered into a share equity transfer agreement with an independent company in the PRC to acquire 51% equity interest in a private company, established in the PRC and engaged in properties development in the PRC, at a consideration of RMB12,000,000. A deposit of RMB12,000,000 (equivalent to HK$13,500,000) was paid to the vendor as at 31 March 2017. The acquisition was subject to fulfilments of certain conditions. Upon expiry of the condition period in April 2017, HK$5,000,000 and HK$8,500,000 were refunded to the Group in June and October 2017, respectively.

(h) On 16 December 2016, the Company entered into a share equity transfer agreement with an independent company in the PRC to acquire 90% equity interest in a private company, established in the PRC and engaged in interior design in the PRC, at a consideration of RMB9,000,000. A deposit of RMB9,000,000 (equivalent to HK$10,000,000) was paid to the vendor as at 31 March 2017. The acquisition was subject to fulfilments of certain conditions. Upon expiry of the condition period in June 2017, HK$10,000,000 was refunded to the Group in October 2017.

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29. PROPERTIES UNDER DEVELOPMENT

	2018 HK$'000	2017 HK$'000
At 1 April	**34,727**	45,680
Additions	**664**	1,291
Write-back/(write-down)	**4,352**	(11,717)
Exchange difference	**991**	(527)
At 31 March	**40,734**	34,727

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

30. PLEDGED BANK DEPOSITS AND BANK AND CASH BALANCES

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

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

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

	2018 HK$'000	2017 HK$'000
Cash on hand	**123**	125
Cash at bank	**38,726**	27,930
	38,849	28,055

Notes to the Consolidated Financial Statements

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

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

	2018 HK$'000	2017 HK$'000
US$	**29,568**	26,853
HK$	**8,848**	529
RMB	**433**	673
	38,849	28,055

31. TRADE AND OTHER PAYABLES AND RECEIPT IN ADVANCE

	2018 HK$'000	2017 HK$'000
Trade payables *(notes (a) and (b))*	**79,112**	54,629
Other payables	**31,076**	31,215
Receipt in advance	**749**	1,723
Bond interest payable	**1,461**	1,461
	112,398	89,028

Notes:

(a) The ageing analysis of trade payables of the Group, based on the goods receipt date, is as follows:

	2018 HK$'000	2017 HK$'000
0 to 30 days	**43,796**	35,678
31 to 60 days	**25,142**	15,907
61 to 90 days	**10,174**	3,044
	79,112	54,629

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

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32. BANK AND OTHER LOANS

The analysis of the carrying amount of bank and other loans are as follow:

	2018 *HK$'000*	2017 *HK$'000*
Current liabilities		
Secured bank loans subject to repayable on demand clause *(i)*	**3,121**	3,361
Secured bank loans on demand or within one year *(i)*	**10,937**	303
Unsecured other loan subject to repayable on demand clause *(ii)*	**–**	4,000
Bank invoice loans *(iii)*	**72,547**	62,467
	86,605	70,131

The interest bearing bank and other loans, including the bank and other loans repayable on demand, are carried at amortised cost.

The bank and other loans are repayable as follows based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause:

	2018 *HK$'000*	2017 *HK$'000*
On demand or within one year	**83,484**	66,770
In the second year	**195**	240
In the third to fifth years, inclusive	**615**	601
After five years	**2,311**	2,520
	86,605	70,131
Less: Amount due for settlement within 12 months	**(83,484)**	(66,770)
Amount due for settlement after 12 months	**3,121**	3,361

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32. BANK AND OTHER LOANS *(Continued)*

The carrying amounts of the bank and other loans are denominated in the following currencies:

	2018 HK$'000	2017 HK$'000
HK$	**14,058**	7,664
US$	**72,547**	62,467
	86,605	70,131

The ranges of interest rates paid were as follows:

		2018	2017
(i)	Bank loans	**2.25% to 2.97%**	2.25% to 2.5%
(ii)	Other loan – unsecured	**1% to 1.8% per month**	1% per month
(iii)	Bank invoice loans	**2.56% to 4.5%**	2.51% to 4%

Except for unsecured other loan which is arranged at fixed rate and expose the Group to fair value interest rate risk, all bank loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk.

At 31 March 2018, the above bank and other loans are secured by the following:

(a) legal charge over investment property of the Group (note 20);

(b) legal charge over properties owned by the directors of a subsidiary and a related person of the Group;

(c) personal guarantees with unlimited amount given by directors of subsidiaries;

(d) corporate guarantees provided by the Company;

(e) pledged bank deposits of a subsidiary (note 30(a)); and

(f) structured deposit of a subsidiary (note 24(b)).

33. FINANCE LEASE PAYABLE

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Within one year	**85**	253	**84**	242
Less: Future finance charges	**(1)**	(1)	**–**	–
Present value of lease obligation	**84**	252	**84**	242
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(84)**	(242)
Amount due for settlement after 12 months			**–**	–

It is the Group's policy to lease its motor vehicle under finance lease. The lease term is 4 years. As at 31 March 2018, the effective borrowing rate was 5.70% (2017: 5.70%). Interest rates are fixed at the contract dates. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. At the end of lease term, the Group has the option to purchase the motor vehicle at nominal price.

The finance lease payable is denominated in HK$.

The Group's finance lease payable is secured by the lessor's title to the leased asset (note 19).

34. PROMISSORY NOTE

On 2 February 2018, a new promissory note with principal amount of HK$36,000,000 was issued upon expiry of old promissory note on 28 January 2018.

At 31 March 2018, the promissory note was unsecured, interest free and with maturity date on 30 January 2019. The note holder may, at any time before 28 January 2019 by serving at least three months prior written notice on the Company for the repayment of whole principal amount of promissory note or any part of it in amounts of not less than HK$1,000,000 or other amounts as agreed mutually. The principal amount of the promissory note is denominated in HK$.

The whole amount has been repaid on 2 May 2018.

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35. LONG TERM BONDS

	2018 *HK$'000*	2017 *HK$'000*
Unsecured long term bonds, repayable:		
Between 2 and 5 years	**40,000**	40,000

Long term bonds as at 31 March 2017 and 2018 comprised:

(i) Long term bonds with an aggregate principal amount of HK$20,000,000 issued by the Company to certain investors on 3 April 2013 and 20 June 2013 pursuant to the subscription agreement dated 18 February 2013, of which (i) HK$10,000,000 is due on 2 April 2020 and bears interest at the rate of 5% per annum, and (ii) HK$10,000,000 is due on 19 June 2020 and bears interest at the rate of 5% per annum; and

(ii) Long term bonds with an aggregate principal amount of HK$20,000,000 issued by the Company to certain investors on 5 September 2013 pursuant to the subscription agreement dated 29 August 2013 which is due on 4 September 2020 and bears interest at the rate of 5% per annum.

The long term bonds will mature on the date falling on the seventh anniversary of the date of first issue of the long term bonds.

The effective interest rate of the long term bonds is approximately 5.12% per annum.

36. DEFERRED TAX

The followings are the major deferred tax liabilities recognised by the Group, and the movements thereon, during the year:

	Revaluation of leasehold properties *HK$'000*
At 1 April 2016	170
Credit to profit or loss for the year *(note 12)*	(4)
At 31 March 2017 and 1 April 2017	166
Credit to profit or loss for the year *(note 12)*	(166)
At 31 March 2018	**–**

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36. DEFERRED TAX *(Continued)*

At the end of the reporting period, the Group has unused tax losses of approximately HK$8,690,000 (2017: HK$12,111,000) available for offset against future profits. No deferred tax asset has been recognised in 2018 and 2017 due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$4,043,000 (2017: HK$4,928,000) that will expire within 5 years. Other tax losses may be carried forward indefinitely.

37. SHARE CAPITAL

	Authorised			
	Ordinary shares of US$0.01 each		Ordinary shares of US$0.001 each	
	Number of shares	Amount HK$'000	Number of shares	Amount HK$'000
At 1 April 2016, 31 March 2017 and 1 April 2017	–	–	40,000,000,000	312,000
Share consolidation *(note (b))*	4,000,000,000	312,000	(40,000,000,000)	(312,000)
At 31 March 2018	**4,000,000,000**	**312,000**	**–**	**–**

A summary of the movements in the Company's authorised and issued share capital during the year is as follows:

	Number of shares	Amount *HK$'000*
At 1 April 2016	3,586,291,946	28,025
Shares issued upon placement *(note (a))*	534,608,000	4,169
At 31 March 2017 and 1 April 2017	4,120,899,946	32,194
Shares consolidation *(note (b))*	(3,708,809,952)	–
At 31 March 2018	**412,089,994**	**32,194**

37. SHARE CAPITAL *(Continued)*

Note:

(a) On 30 August 2016, the Company entered into a conditional placing agreement with a placing agent for the placing of 534,608,000 placing shares at a price of HK$0.069 per placing share. The placing was completed on 15 September 2016 and the net proceeds from placing were approximately HK$35,747,000, net of share issue expenses of HK$1,140,000. The amounts of HK$4,169,000 and HK$32,718,000 were credited to share capital and share premium account respectively.

(b) Pursuant to an ordinary resolution passed on 26 March 2018, every ten ordinary shares of US$0.001 each in issue and unissued share capital of the Company were consolidated into one ordinary share of US$0.01 each in issued and unissued share capital of the Company with effective on 27 March 2018.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

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37. SHARE CAPITAL *(Continued)*

The Group monitors capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt divided by adjusted capital. Net debt is calculated as total debts less cash and cash equivalents. Adjusted capital comprises all components of equity (i.e. share capital, share premium, accumulated losses and other reserves).

	2018	2017
	HK$'000	*HK$'000*
Debt *(i)*	**162,689**	148,373
Less: Bank and cash balances	**(38,849)**	(28,055)
Pledged bank deposits	**(27,807)**	(22,314)
Net debt	**96,033**	98,004
Equity *(ii)*	**97,355**	116,059
Net debt to equity ratio	**99%**	84%

(i) Debt is defined as bank and other loans, financial lease payable, promissory note and long term bonds, as detailed in notes 32, 33, 34 and 35 to the consolidated financial statements.

(ii) Equity includes all capital and reserves before non-controlling interests of the Group.

It is the Group's strategy to keep the net debt-to-adjusted capital ratio as low as feasible.

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares.

The Group checks the substantial share interests showing the non-public float through the Stock Exchange's website and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 March 2018, 36.40% (2017: 61.04%) of shares were in public hands.

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38. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		495	783
Investments in subsidiaries		82,217	82,217
		82,712	83,000
Current assets			
Deposit for acquisition of a subsidiary		–	23,500
Due from subsidiaries		72,045	75,622
Prepayments and other receivables		338	86
Bank and cash balances		3,056	121
		75,439	99,329
Current liabilities			
Due to subsidiaries		465	259
Other payables		3,773	3,719
Promissory note		36,000	38,000
		40,238	41,978
Net current assets		35,201	57,351
Total assets less current liabilities		117,913	140,351
Non-current liabilities			
Long term bonds		40,000	40,000
NET ASSETS		77,913	100,351
Capital and reserves			
Share capital	37	32,194	32,194
Reserves	38(b)	45,719	68,157
TOTAL EQUITY		77,913	100,351

Approved by the Board of Directors on 27 June 2018 and are signed on its behalf by:

Ma Chao
Director

Fu Yong
Director

Notes to the Consolidated Financial Statements

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38. STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(b) Reserve movement of the Company

	Share premium account *HK$'000*	Contributed surplus *HK$'000*	Capital redemption reserve *HK$'000*	Share-based payments reserve *HK$'000*	Foreign translation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 April 2016	410,472	16,375	2,943	3,764	13	(309,793)	123,774
Loss for the year	–	–	–	–	33	(87,228)	(87,195)
Issue of placing	32,718	–	–	–	–	–	32,718
Transactions costs attributable to issue of new shares	(1,140)	–	–	–	–	–	(1,140)
Changes in equity for the year	31,578	–	–	–	33	(87,228)	(55,617)
At 31 March 2017 and 1 April 2017	442,050	16,375	2,943	3,764	46	(397,021)	68,157
Loss for the year	–	–	–	–	(106)	(22,332)	(22,438)
Cancellation of share options	–	–	–	(3,423)	–	3,423	–
Lapse of share options	–	–	–	(341)	–	341	–
Changes in equity for the year	–	–	–	(3,764)	(106)	(18,568)	(22,438)
At 31 March 2018	442,050	16,375	2,943	–	(60)	(415,589)	45,719

39. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

39. RESERVES *(Continued)*

(b) Nature and purpose of reserves

(i) Share premium account

Under the Companies Law of the Cayman Islands, the funds in the share premium account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) Contributed surplus

The contributed surplus represents the difference between the net asset value of a subsidiary acquired and the nominal value of the ordinary shares issued by the Company in connection with an acquisition.

(iii) Capital redemption reserve

The capital redemption reserve arose when the Company repurchased 37,742,300 ordinary shares of US$0.01 each from a former director of the Company on 4 September 2001.

(iv) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 4(d) to the consolidated financial statements.

(v) Share-based payments reserve

The share-based payments reserve represents the fair value of the actual or estimated number of unexercised share options granted to eligible participants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 4(w) to the consolidated financial statements.

40. SHARE-BASED PAYMENTS

The Company operates a Share Option Scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants include the full-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company's subsidiaries. The Share Option Scheme became effective on 27 March 2003 and remained in force for 10 years from that date.

On 25 March 2013, an ordinary resolution was passed to terminate the Share Option Scheme due to its expiry. A new share option scheme (the "New Share Option Scheme") is adopted to replace the Share Option Scheme. The New Share Option Scheme will remain in force for 10 years from that date.

The maximum number of unexercised share options permitted to be granted under all share option schemes are a number equivalent, upon their exercise, to 10% of the shares of the Company on grant date. The maximum number of shares issuable under all share options to each eligible participant in all share options schemes within any 12-month period, is limited to 1% of the shares of the Company on grant date. Any further grant of shares options in excess of this limit is subject to shareholders' approval in a general meeting.

The share options granted to director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company on grant date or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of the offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options.

Notes to the Consolidated Financial Statements

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40. SHARE-BASED PAYMENTS *(Continued)*

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

(a) Share Option Scheme

Details of the specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price *HK$*
2010A	17.2.2010	17.2.2010 to 16.2.2011	17.2.2011 to 16.2.2020	0.107
2012A	29.6.2011	N/A	29.6.2011 to 28.6.2021	0.140

Details of the share options outstanding during the year are as follows:

	2018		2017	
	Number of share options	**Weighted average exercise price** *HK$*	Number of share options	Weighted average exercise price *HK$*
Outstanding at beginning of year	**7,500,000**	**0.140**	7,500,000	0.140
Cancelled	**(6,500,000)**	**0.140**	–	–
Lapsed	**(1,000,000)**	**0.140**	–	–
Outstanding at end of year	**–**	**N/A**	7,500,000	0.140
Exercisable at end of year	**–**	**N/A**	7,500,000	0.140

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

40. SHARE-BASED PAYMENTS *(Continued)*

(a) Share Option Scheme *(Continued)*

All options were lapsed or cancelled during the year ended 31 March 2018, no share options have been exercised during the years ended 31 March 2018 and 2017. The options outstanding at 31 March 2017 had a weighted average remaining contractual life of 4.22 years and the exercise prices was HK$0.140.

Share options granted to consultants were incentives for helping the Group to expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

(b) New Share Option Scheme

Details of the specific categories of options are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price *HK$*
2013A	28.3.2013	N/A	28.3.2013 to 27.3.2023	0.150

Details of the share options outstanding during the year are as follows:

	2018		2017	
	Number of share options	**Weighted average exercise price** ***HK$***	Number of share options	Weighted average exercise price *HK$*
Outstanding at beginning of year	**35,650,000**	**0.150**	35,650,000	0.150
Cancelled	**(32,650,000)**	**0.150**	–	–
Lapsed	**(3,000,000)**	**0.150**	–	–
Outstanding at end of year	**–**	**N/A**	35,650,000	0.150
Exercisable at end of year	**–**	**N/A**	35,650,000	0.150

40. SHARE-BASED PAYMENTS *(Continued)*

The options outstanding at the end of the year 2017 had a weighted average remaining contractual life of 5.99 years and the exercise price was HK$0.150.

During the years ended 31 March 2018 and 2017, no options were granted.

Share options granted to consultants were incentives for helping the Group to expand its business network, acquire and explore new business projects and opportunities. The fair value of such benefit could not be estimated reliably and as a result, the fair value is measured by reference to the fair value of share options granted.

41. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

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

	1 April 2017 *HK$'000*	Cash flows *HK$'000*	Interest expenses *HK$'000*	31 March 2018 *HK$'000*
Import invoice financing, secured	62,467	7,212	2,868	72,547
Revolving loan, secured	3,664	10,275	119	14,058
Other loan	4,000	(5,162)	1,162	–
Promissory note	38,000	(2,000)	–	36,000
Long term bonds	40,000	(2,000)	2,000	40,000
Finance lease payable	242	(168)	10	84
	148,373	8,157	6,159	162,689

42. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 March 2018 (2017: Nil).

Notes to the Consolidated Financial Statements

For the year ended 31 March 2018

43. OPERATING LEASE COMMITMENTS

The Group as lessee

As at 31 March 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018 *HK$'000*	2017 *HK$'000*
Within one year	**4,038**	3,640
In the second to fifth years inclusive	**4,628**	1,096
	8,666	4,736

Operating lease payments represent rentals payable by the Group for certain of its offices. Leases are negotiated for an average term of three years (2017: three years) and rentals are fixed over the lease terms and do not include contingent rentals.

44. CAPITAL COMMITMENT

The Group's capital commitment at the end of the reporting period are as follows:

	2018 *HK$'000*	2017 *HK$'000*
Intangible asset		
Contracted but not provided for	**1,974**	17,132

Notes to the Consolidated Financial Statements

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45. RELATED PARTY TRANSACTIONS

(a) The compensation to the Group's key management personnel, including amounts paid to the Company's directors and certain of the highest paid employees, are disclosed in notes 14 and 15 to the consolidated financial statements.

(b) Details of guarantees and legal charge over properties provided by related parties for banking facilities granted to the Group are set out in note 32 to the consolidated financial statements.

46. EVENT AFTER REPORTING PERIOD

(a) On 14 May 2018, the Group entered into the Disposal Agreement with an independent third party ("the Purchaser") to dispose its entire 70% equity interest in Best Worldwide and the amount due by Best Worldwide and its subsidiaries to the Group at a total consideration of HK$79,000,000. Details of this transaction are set out in the Company's announcement dated 14 May 2018.

The transaction has been completed on 22 June 2018.

(b) On 24 May 2018, the Group entered into a memorandum of undertaking with a vendor to acquire 100% equity interest in a company at a cash consideration of HK$30,000,000. Details of the proposed acquisition is disclosed in the Company's announcement dated on 24 May 2018.

Five Fiscal Years Financial Summary

RESULTS

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited consolidated financial statements is set out below:

	For the year ended 31 March				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
				(Restated)	
Turnover	**650,829**	567,406	666,873	1,190,641	941,079
Loss before tax	**(26,888)**	(115,852)	(119,831)	(4,021)	(148,482)
Taxation	**122**	(7)	(129)	(1,436)	(1,447)
Loss for the year	**(26,766)**	(115,859)	(119,960)	(5,457)	(149,929)
Non-controlling interests	**890**	(25,114)	(9,349)	2,141	858
Loss attributable to owners of the Company	**(27,656)**	(90,745)	(110,611)	(7,598)	(150,787)

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	At 31 March				
	2018	2017	2016	2015	2014
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**423,067**	403,016	477,387	604,994	597,056
Total liabilities and non-controlling interests	**(325,712)**	(286,957)	(305,368)	(408,597)	(483,172)
Total equity attributable to owners of the Company	**97,355**	116,059	172,019	196,397	113,884