Echo International Holdings Group Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8218

2019
ANNUAL REPORT

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*This report, for which the directors (the "**Directors**") of Echo International Holdings Group Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on 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.*

Content

Corporate Information

Registered office	Cricket Square, Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business in Hong Kong	Room 3207A, 32/F Cable TV Tower 9 Hoi Shing Road Tsuen Wan Hong Kong
Company website	http://www.echogroup.com.hk
Executive directors	Mr. Lo Yan Yee *(Chairman)* Ms. Cheng Yeuk Hung Mr. Tansri Saridju Benui (appointed on 7 September 2018) Ms. Zhou Jia Lin (appointed on 22 October 2014 and redesignated on 9 May 2017 and resigned on 7 September 2018) Mr. Leung Kwok Kuen, Jacob
Non-executive director	Mr. Chan Chun Kit
Independent non-executive directors	Mr. Lam Wai Yuen Mr. Cheung Chin Wa, Angus (resigned on 30 April 2019) Ms. Zhou Ying Mr. Leung Yu Tung, Stanley (appointed on 30 April 2019)
Compliance officer	Mr. Leung Kwok Kuen, Jacob
Company secretary	Ms. Lui Wing Shan *HKICPA*
Members of the Audit Committee	Mr. Lam Wai Yuen *(Chairman)* Mr. Cheung Chin Wa, Angus (resigned on 30 April 2019) Ms. Zhou Ying Mr. Leung Yu Tung, Stanley (appointed on 30 April 2019)
Members of the Remuneration Committee	Ms. Zhou Ying *(Chairman)* Ms. Cheng Yeuk Hung Mr. Cheung Chin Wa, Angus (resigned on 30 April 2019) Mr. Leung Yu Tung, Stanley (appointed on 30 April 2019)
Members of the Nomination Committee	Ms. Zhou Ying *(Chairman)* Mr. Cheung Chin Wa, Angus (resigned on 30 April 2019) Mr. Leung Kwok Kuen, Jacob Mr. Leung Yu Tung, Stanley (appointed on 30 April 2019)
Authorised representatives	Ms. Lui Wing Shan Mr. Leung Kwok Kuen, Jacob

Corporate Information

Members of the Investment Committee	Mr. Chan Chun Kit *(Chairman)* Mr. Cheung Chin Wa, Angus (appointed on 25 August 2017 and resigned on 30 April 2019) Ms. Lui Wing Shan Mr. Leung Yu Tung, Stanley (appointed on 30 April 2019)
Principal bankers	**Industrial and Commercial Bank of China (Asia) Limited** 33/F., ICBC Tower 3 Garden Road Central Hong Kong **Chiyu Banking Corporation Limited** Shop No. 5A G/F, Belvedere Square Tsuen Wan, N.T. Hong Kong **The Hongkong and Shanghai Banking Corporation Limited** Level 9, HSBC Main Building 1 Queen's Road Central Hong Kong
Principal share registrar and transfer office	**SMP Partners (Cayman) Limited** Royal Bank House – 3rd Floor 24 Shedden Road, P.O. Box 1586 Grand Cayman KY1-1110 Cayman Islands
Hong Kong branch share registrar and transfer office	**Tricor Investor Services Limited** Level 22, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Auditors	**HLB Hodgson Impey Cheng Limited** Certified Public Accountants 31/F, Gloucester Tower The Landmark 11 Pedder Street Central Hong Kong
Hong Kong Legal Adviser	**Fairbairn Catley Low & Kong** 23/F, Shui On Centre 6–8 Harbour Road Hong Kong
GEM Stock Code	8218

Chairman's Statement

Dear Shareholders,

On behalf of the board of the Directors (the "**Board**") of Echo International Holdings Group Limited (the "**Company**"), I am pleased to present the annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2019.

In 2018, the Group has launched a new product, L-Bow for driver. The L-bow rear safety light helps to encourage motorists to drive pass you at a safer distance (i.e. 1.5 meters is considered to be the minimum safety distance). The eye-catching L-Bow rear safety light helps drivers to better locate itself and to judge the timing. The L-Bow consists of 6 Light settings which are adjustable to all seat posts and USB rechargeable Lithium batteries and is able to function in the event of any collision. And in this year, the Group opened two restaurants in Wan Chai.

FINANCIAL PERFORMANCE

The impact of the fluctuation of raw material prices and the rise of the statutory minimum wages in the PRC resulted in the financial year ended 31 March 2019 being a difficult and challenging one for the Group's manufacturing business in China. The factories in China faced escalating manufacturing costs and keen competition both domestically and from overseas. As a result, the business of the Group was adversely affected for the financial year ended 31 March 2019.

The Group's revenue for the year ended 31 March 2019 was approximately HK$52.82 million (year ended 31 March 2018: approximately HK$38.32 million), representing approximately 37.82% increase as compared with last year. The Group's net profit for the year ended 31 March 2019 recorded approximately HK$5.27 million (year ended 31 March 2018: net loss of approximately HK$14.72 million), representing approximately 135.82% increase as compared with last year. The gross profit margin increased from approximately 25.17% last year to approximately 21.81% for the year ended 31 March 2019.

PROSPECTS

Looking forward, the Group will focus on the business of low risk and higher gross margin with relatively lower inventory level and investment in catering business. The Group expects that the business operation for the coming years will be more cost effective with reducing working capital requirement and more in-depth management concentration. Accordingly, the Group could better capture the opportunity of growth.

The Board is highly alert to any changes in the present uncertain global economy, and remains confident on and committed to the continuation of our mission to maintain our leading position in the market, through dedication, innovation and expansion. The Group will strictly keep the risks under control, have access to more market resources and further improve its profitability, which will in turn bring more return for its shareholders.

APPRECIATION

Finally, I wish to extend, on behalf of the Board, my gratitude to all shareholders and business partners for their trust and support to us, and express my gratitude to the management and staff for their dedicated efforts and contribution.

Echo International Holdings Group Limited

Lo, Yan Yee
Chairman

Hong Kong, 19 June 2019

BUSINESS REVIEW

Revenue for the year ended 31 March 2019 was approximately HK$52.82 million, representing an increase of approximately 37.82% when compared with last year. Profit attributable to owners of the Company for the year ended 31 March 2019 was approximately HK$5.27 million whilst the loss attributable to owners of the Company last year was approximately HK$14.72 million.

Notwithstanding the challenging market conditions encountered during the year, the Group continues to provide electronics products and subcontracting services on PCB assemblies and manufacturing of electronic products to customers in its principal markets, i.e. the U.S.A. and the European countries including Belgium, Bulgaria, Denmark, Finland, Germany, Italy, Poland, Portugal, Russia, Slovakia, Spain, Sweden, Switzerland and United Kingdom.

In view of the challenging market conditions as mentioned above, while the Group will continue to focus on its core business of the sales of electronic products, it will explore new business opportunities with an aim of broadening its source of income and maximising profit and return for the Group and the Shareholders of the Company in the long run. The Group will also endeavour to increase its market share and attract new customers to enlarge its client base through conducting more promotional and marketing activities and designing and developing new electronic products.

Sales of Electronic Products

Revenue from this segment during the year ended 31 March 2019 was approximately HK$39.83 million, representing an increase of approximately 5.91% when compared with last year. Increase in sales of electronics products was mainly due to the increase in sales of charger board.

Subcontracting Income

No revenue from this segment during the year ended 31 March 2019, representing a decrease of approximately 100% when compared with last year. The decrease was mainly due to decrease in orders from providing subcontracting services in the PRC.

FINANCIAL REVIEW

The Group recorded a profit of approximately HK$5.27 million for the financial year ended 31 March 2019 as compared with the loss of approximately HK$14.72 million for the financial year ended 31 March 2018. The increase in the profit is mainly due to the share of result of associates.

The Group's revenue for the year ended 31 March 2019 was approximately HK$52.82 million (approximately HK$38.32 million for last year), representing an increase of approximately 37.82% when compared with last year. Such increase was mainly due to the increase in the revenue from manufacturing and trading of electronic products by 5.91% when compared with last year.

Moreover, the revenue attributable to the top five customers for the year ended 31 March 2019 was approximately HK$26.53 million, which increased from approximately HK$25.13 million for the year ended 31 March 2018, representing an increase of approximately 5.57%. The revenue attributable to the second largest customer for the year ended 31 March 2019 was approximately HK$4.04 million, which increased from approximately HK$3.86 million for the year ended 31 March 2018, representing an increase of approximately 4.66%.

Management Discussion and Analysis

Throughout the year ended 31 March 2019, some factory fixed costs and indirect costs, such as salaries and rents, have been reduced at the same time. Therefore, the production cost attributable to each product manufactured by the Group decreased. However, the result form the operation of provision of food catering service was loss making since the business started in early 2018.

The overall gross profit margin of the Group decreased from approximately 25.17% for the year ended 31 March 2018 to approximately 21.81% for the year ended 31 March 2019 primarily due to the decrease of purchase orders in the higher margin products, namely fishing indicator.

Selling and distribution expense for the year ended 31 March 2019 amounted to approximately HK$1.48 million (approximately HK$1.19 million for the year ended 31 March 2018), representing an increase of approximately 24.16%. Such increase was mainly due to the increase of commission paid amounting to HK$0.42 million for the year ended 31 March 2018 (approximately HK$0.22 million for the year ended 31 March 2018).

Administrative and other expenses for the year ended 31 March 2019 amounted to approximately HK$24.19 million (approximately HK$23.49 million for the year ended 31 March 2018), representing a increase of approximately 2.99%. Such increase was mainly due to the increase in salaries of approximately HK$10.07 million for the year ended 31 March 2019 (2018: HK$9.50 million).

Profit attributable to the owners of the Company amounted to approximately HK$5.27 million for the year ended 31 March 2019 (loss approximately HK$14.72 million for the year ended 31 March 2018). Basic and diluted earnings per share attributable to owners of the Company was approximately HK0.5 cents and HK0.1 cents respectively for the year ended 31 March 2019 (basic and diluted loss per share is also approximately HK1.6 cents for the year ended 31 March 2018).

To cope with the loss for the financial year ended 31 March 2019, the Board intends to develop on its recurring business in providing EMS to international customers while targeting further expansion in its established market, particularly to explore the EMS for consumer electronic products in the PRC market where the Directors consider to have a promising potential. However, the European countries and the United States will still be the principal markets of the Group in the near future.

The Group's strategies are to increase its market share and to develop new customers to enlarge its client base through increasing its promotional, marketing activities and new products. The Group is going to launch two to three marker poles, charger board and alarm related products to the market in 2019 and the Group will attend and participate in more exhibitions and trade fairs in Hong Kong, the PRC and overseas to promote EMS and buzzer, to attract potential customers. Moreover, investment in catering business, the Group is going to launch one to two restaurants in 2019.

Liquidity, Financial Resources and Capital Structure

The Group continues to adopt a prudent financial management, funding and treasury policy and has a healthy financial position.

As at 31 March 2019, the Group had net current assets of approximately HK$34.20 million (2018: approximately HK$34.01 million) including cash and bank balances of approximately HK$8.31 million (2018: approximately HK$13.34 million) and pledged time deposits of approximately HK$2.04 million (2018: approximately HK$2.01 million).

The Group's equity capital and borrowings have been applied to fund its working capital and other operational needs. The Group's current ratio as at 31 March 2018 was 7.12 (2018: 5.45).

There has been no change in the capital structure of the Group during the year ended 31 March 2019 up to the date of this report. The capital of the Group mainly comprises ordinary shares and capital reserves.

Significant Investment

The Group did not have any significant investment as at 31 March 2018 and 31 March 2019.

Dividend

The Board does not recommend the payment of final dividend for the year ended 31 March 2019 (2018: Nil).

Contingent liabilities

The Group had no material contingent liabilities as at 31 March 2018 and 2019.

Charges over assets

The Group had pledged approximately HK$2.04 million time deposits on Industrial and Commercial Bank of China (Asia) Limited as at 31 March 2019 (2018: HK$2.01 million).

Capital commitment

The Group did not have any significant capital commitments as at 31 March 2018 and 2019.

Foreign Currency Exposure

As at 31 March 2019, the Directors considered the Group's foreign exchange risk to be insignificant. During the year ended 31 March 2019, the Group did not use any financial instruments for hedging purposes.

Employees and Emolument Policy

As at 31 March 2019, the Group employed a total of 175 employees (2018: 163 employees) based in Hong Kong and the PRC. Total staff costs, including Directors' emoluments, amounted to approximately HK$23.92 million for the year ended 31 March 2019 (2018: HK$20.55 million).

The Group reviews the emoluments of its directors and staff based on the qualification, experience, performance and the market rates so as to maintain the remunerations of its directors and staff at a competitive level.

IPO PROCEEDS AND USE OF THE IPO PROCEEDS

The Company received IPO net proceeds of approximately HK$25.12 million (the "**Proceeds**").

The details of the utilisation of the Proceeds during the period from 13 August 2015 up to 31 March 2017 and as at 12 May 2017, the change in use of proceeds announcement are as follows:

Intended use disclosed in the Announcement	As at 13 August 2015 New allocation of the unutilised Proceeds	During the period from 13 August 2015 to 31 March 2016		As at 30 September 2016		During the period from 1 October 2016 to 31 March 2017		Revised reallocation of net Proceeds	The remaining balance of allocation of net Proceeds after revised allocation as at 12 May 2017
	HK$ million (approximately)	*HK$ million* (approximately)	*HK$ million* (approximately)	*HK$ million* (approximately)	*HK$ million* (approximately)	*HK$ million* (approximately)	*HK$ million* (approximately)	*HK$ million* (approximately)	*HK$ million* (approximately)
Expansion and upgrade of the production facilities	–	–	–	–	–	–	–	–	–
Setting up production facilities for plastic parts	1.00	–	1.00	–	1.00	–	1.00	–	–
Strengthening the Group's position in its established markets and expanding its customer base	2.94	0.06	2.88	0.05	2.83	0.04	2.79	2.49	2.49
Repayment of bank overdraft	10.00	10.00	–	–	–	–	–	–	–
Working capital and funding for other general corporate purposes	5.00	5.00	–	–	–	–	–	1.30	1.30
Total	18.94	15.06	3.88	0.05	3.83	0.04	3.79	3.79	3.79

As at 31 March 2017 and 12 May 2017, the Company utilised the Proceeds in the sum of approximately HK$21.33 million and the unutilised Proceeds amounted to approximately HK$3.79 million.

During the period from 1 April 2016 up to 31 March 2017, the Company only applied a total of approximately HK$0.09 million out of the Proceeds to strengthen the Group's position in its established markets and expand its customer base.

As disclosed in the announcement of the Company published on 12 May 2017, the Group's management does not anticipate any substantial increase in purchase orders from its customers for the manufacture and trading of its electronics products and will not expect the demand for the Group's electronics products to exceed the Group's current level of productivity in the coming year(s). Therefore, the Board has decided to dispense with its plans for setting up production facilities for plastic parts and relocate the relevant funding to other uses.

In this respect, as the current lease of the existing factory building wherein the Group conducts its production is due to expire on 30 June 2017, the Group will relocate its production facilities and plants to a new factory premises with a lower monthly rental. The relocation of the Group's production facilities and plants to the new factory premises requires expenditure. Hence, the Group has reallocated the amount of HK$1 million from "Setting up production facilities for plastic parts" and the amount of HK$0.3 million from "Strengthening the Group's position in its established markets and expanding its customer base" to "Working capital and funding for other general corporate purposes", whereby an amount of HK$0.8 million will be used for the relocation of the Group's production facilities and plants to the new factory premises, an amount of HK$0.3 million will be used for the refurbishment of accommodation, and an amount of HK$0.2 million will be used for rental for surface mounting technology facility.

The Company decided to change the intended use of unutilised Proceeds as follows:

		As at 12 May 2017	**As at the date of this report**	
New intended use	**Original allocation of the unutilised Proceeds**	**New allocation of the unutilised Proceeds**	**Utilised amount**	**Unutilised amount**
	HK$ million (approximately)	*HK$ million* (approximately)	*HK$ million* (approximately)	*HK$ million* (approximately)
Setting up production facilities for plastic parts	1.00	–	–	–
Strengthening the Group's position in its established markets and expanding its customer base	2.79	2.49	0.25	2.24
Working capital and funding for other general corporate purposes	–	1.30	1.30	–
Total	3.79	3.79	1.55	2.24

OTHER FUND RAISING ACTIVITIES DURING THE YEAR

(1) Issue of 160,000,000 Shares under general mandate

On 27 June 2017, the Company entered into a placing agreement with a placing agent in relation to placing of up to 160,000,000 Shares to independent investors at placing price of HK$0.163 (net placing price of HK$0.1563) under general mandate for fund raising purpose. The placing price HK$0.163 represented a discount of about 18.91% to the closing price of HK$0.201 on 27 June 2017. On 18 July 2017, the Company completed the placing of 160,000,000 Shares. The gross proceeds and net proceeds from the placing amounted to about HK$26 million and HK$25 million respectively. The net proceeds have been fully utilized in accordance with the intended use as announced on 5 January 2018: (i) HK$8 million used for the repayment of the debenture, (ii) HK$16 million used for working capital, and (iii) HK$1 million used for investment in catering business.

(2) Issue of HK$10,000,000 convertible bonds under general mandate

On 5 January 2018, the Company entered into a placing agreement with a placing agent in relation to placing of up to HK$10,000,000 convertible bonds to independent investors under general mandate for fund raising purpose. The initial conversion price of the convertible bonds was HK$0.197 represented a discount of about 9.63% to the closing price of HK$0.218 on 5 January 2018. On 23 January 2018, the Company completed the placing of HK$10,000,000 convertible bonds. The convertible bonds are convertible into 50,761,421 Shares based on the initial conversion price. The gross proceeds and net proceeds from the placing amounted to about HK$10 million and HK$9.63 million respectively. The net proceeds are intended to be used in investment in catering business and as at the date of this report, funds of about HK$9.63 million have been utilized for such purpose.

(3) Issue of HK$13,000,000 convertible bonds under general mandate

On 24 July 2018, the Company entered into a placing agreement with a placing agent in relation to placing of up to HK$13,000,000 convertible bonds to independent investors under general mandate for fund raising purpose. The initial conversion price of the convertible bonds was HK$0.106 represented a premium of about 8.16% to the closing price of HK$0.098 on 23 July 2018. On 20 August 2018, the Company completed the placing of HK$13,000,000 convertible bonds. The convertible bonds are convertible into 122,641,509 Shares based on the initial conversion price. The gross proceeds and net proceeds from the placing amounted to about HK$13 million and HK$12.59 million respectively. The net proceeds are intended to be used in investment in catering business and as at the date of this report, funds of about HK$10.89 million have been utilized for such purpose and funds of about HK$0.70 million remain unutilized.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for reviewing the effectiveness of the internal control system of the Group. The scope of the review is determined and recommended by the Audit Committee and approved by the Board annually. The review covers:

(1) all material controls, including but not limited to financial, operational and compliance controls;

(2) risks management functions; and

(3) the adequacy of resources, qualifications and experience of staff in connection with the accounting and financial reporting function of the Group and their training programmes and relevant budget.

The Company has engaged the Independent Internal Control Consultant to review and improve the effectiveness of the Group's internal control system. The Internal Control Consultant has issued an internal control review report to the Company, which has identified a number of internal control issues and deficiencies of the Group. The Board has reviewed the said report and conducted a review of the Group's internal control system, and it has taken and/or will take necessary actions and steps to address the internal control issues and deficiencies found in the internal control review.

The Audit Committee is satisfied with the Group's internal control system. The system is designed in consideration of the nature of business and the organisation structure. The system is designed to manage rather than eliminate the risk of failure in operational system and to provide reasonable, but not absolute, assurance against material misstatement or loss. The system is designed further to safeguard the Group's assets, maintain appropriate accounting records and financial reporting, achieve efficiency of operations and ensure compliance with the GEM Listing Rules and all other applicable laws and regulations.

The Group will continue to engage external independent professionals to review its internal control system and further enhance its internal control as appropriate.

There is currently no internal audit function within the Group. The Board has reviewed the need for an internal audit function and is of the view that in light of the size, nature and complexity of the business of the Group, it would be more cost effective to appoint external independent professionals to perform internal audit functions for the Group as the need arises. Nevertheless, the Board will continue to review the need for an internal audit function annually.

Set out below are (i) the major deficiencies identified by the Internal Control Consultant and the Board; and (ii) the Company's actions.

Major deficiencies	**Company's actions**
• No evidence that the recruitment process is through from the public source e.g. recruitment advertising/agent.	• The management responded that due to the seniority and nature of the position being opened, it is not appropriate to place the advertisement over the public media. Instead, it is scoured by the nomination committee/management directly.
• No sufficient evidence of appropriate and relevant training (internal or external) in the domain of financial reporting and listing rules has been arranged to staff at finance department.	• The Management responded that although not all staff at finance department has directly attended relevant training, the CFO has already attended for sufficient and appropriate training during the year and she has already deliver the key updates and knowledge to her subordinates.
• No evidence that other alternatives have been provided to directors before Credit Information Support Co. is selected as background search agency.	• The Management will document the selection process in future.

After the review of the Group's internal control system, the Directors are of the view that the effectiveness of the Group's internal control system has been improved.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Lo Yan Yee (勞炘儀), aged 67, is the chairman of the Board as well as the factory general manager of the Group. Mr. Lo Yan Yee was appointed as an executive Director on 27 September 2013. He is the founder of the Group and has approximately 41 years of experience in the electronics industry of which he has spent over 28 years in managing his own business. He is responsible for managing and supervising the production teams and engineering teams in the Group's factory operation to ensure that all the environmental, quality, cost, delivery, budget and administration objectives are well achieved. Mr. Lo Yan Yee is also responsible for providing training to the staffs in the factory to enhance their effectiveness and knowledge so as to maximise production efficiency and utilise the labour force effectively. Mr. Lo Yan Yee commenced the work in the electronics industry in 1978, and prior to establishing Echo Electronics Co ("**Echo Co**"), a partnership formed in Hong Kong focusing on electronics manufacturing services, in 1989, he worked in the production department in various electronics companies in Hong Kong and acquired extensive experience in production and management. Mr. Lo Yan Yee finished Form One in 1966. Mr. Lo Yan Yee is the spouse of Ms. Cheng Yeuk Hung and the father of Mr. Lo Ding To.

Ms. Cheng Yeuk Hung (鄭若雄), aged 62, is an executive Director and the chief operation officer of the Group. Ms. Cheng was appointed as an executive Director on 21 December 2010. She is the founder of the Company and has approximately 40 years of experience in the electronics industry of which she has spent over 28 years in managing her own business. She principally oversees the operation of the Hong Kong office. She also regularly communicates with the senior staffs in the factory as well as the suppliers of the Group to understand the trend of procurement. She is responsible for resource allocation in relation to the customers in different market segments. She is also responsible for product pricing management, marketing and business development to manage the profitability of each product manufactured by the Group. Prior to establishing Echo Co in 1989, she had worked in EDAX Industrial Company Limited from 1979 to 1988 as an operation manager whereby she became skilled at business promotion, procurement of raw materials, and resource management in the electronics industry. She finished her secondary education in 1975. Ms. Cheng is the spouse of Mr. Lo Yan Yee, the sister of Mr. Cheng Kwing Sang, Raymond and the mother of Mr. Lo Ding To. She has been the Shareholder of Zhumu Company Limited since 15 February 2019.

Ms. Zhou Jia Lin, aged 46, was appointed as a non-executive Director on 22 October 2014 and redesignated as an executive Director on 9 May 2017. She has more than 20 years' working experience in the management of investment portfolios. She has been a non-executive non-independent director of Vashion Group Limited whose shares are listed on the Singapore Stock Exchange. She was a director of Lissington Limited from 2003 to 2014 and was responsible for overall management and formulation of business strategies and investment plans in various investment portfolios. She was also a director of Pinnacle Investment Limited from 1998 to 2002, who undertook corporate finance projects and assisted in sourcing for viable businesses to invest in. She has been the sole director and sole shareholder of Blue Ocean Financial Group Limited, and the sole director of Blue Ocean Securities Limited since January 2017 and is responsible for overall management and formulation of business strategies and investment plans in various investment portfolios.

Mr. Leung Kwok Kuen Jacob (梁國權), aged 53, was appointed as a non-executive Director on 7 September 2015 and was redesignated as an executive Director on 25 August 2017. He has developed exposures in the financial industry over the past years. From 2003 to April 2016, he assisted the incorporation of Eternal Pearl Securities Limited ("**Eternal Pearl**") in Hong Kong, a licensed corporation to conduct type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities under the SFO. Since the incorporation of Eternal Pearl, Mr. Leung has been its Administrative Manager and responsible for overseeing its support operations and planning and organising and implementing its administrative systems. In addition, from December 2013 to February 2018, he has been an independent non-executive director of Industronics Berhad, a company engaged in design, manufacture and installation of electronics and microprocessor controlled products and listed on the main market of the Bursa Malaysia Securities Berhad, since December 2013 and redesignated as Chairman from December 2015. He has been a non-executive non-independent director of Vashion Group Limited whose shares are listed on the Singapore Stock Exchange, since November 2015. Mr. Leung was redesignated as independent non-executive chairman of the board of Vashion Group Limited in March 2018. He is the Chairman of Remuneration and Nomination Committees of the Group.

Mr. Tansri Saridju Benui, aged 54, obtained his Bachelor of Science in USA, 1988 and his Diploma in Computer Programming and Systems in Canada, 1987. He has been acting as an executive director of HiTech Distribution Pte Ltd ("**HTDPL**"), Chemitec Industrial Private Limited ("**CIPL**") and Switech Systems & Marketing Pte Ltd ("**SSMPL**") (the aforesaid private companies are incorporated in Singapore) since May 2010 and an executive director of PT. Louis Gianni ("**PTLG**") (a private company incorporated in Indonesia) since April 2013. He is also the Managing Partner of Plenus Investment Inc (a private company incorporated in Canada) since January 2017. For the period from May 2010 to November 2015, Mr. Benui had been appointed as the executive director of Vashion Group Ltd, a company listed on the Singapore Stock Exchange (Stock Code 43J). HTDPL, CIPL, SSMPL and PTLG are subsidiaries of Vashion Group Ltd.

NON-EXECUTIVE DIRECTOR

Mr. Chan Chun Kit (陳振傑), aged 34, graduated from the University of Exeter with a Bachelor Degree in Business Studies (major in Finance and Economics) in 2009. He was the compliance director of Supreme China Securities Limited, a licensed corporation to conduct type 1(dealing in securities) regulated activity under the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong (the "**SFO**"), from August 2014 to June 2016. He has been a director of Neutron Sun Electronics Limited, an electronics sport equipment and software development company, since October 2012. Mr. Chan worked in Haitong International Securities Company Limited, a licensed corporation to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts) and type 3 (leveraged foreign exchange trading) regulated activities under the SFO, as an assistant business manager in Forex and Bullion department from December 2009 to February 2013 and as an investment consultant from February 2013 to June 2014.

He was the Responsible Officer of OX Financial Securities Limited, a licensed corporation to conduct type 1 (dealing in securities) regulated activity under the SFO from 15 December 2016 to 15 March 2017. He has been the director of VisTreasure Asset Management Limited ("**VAML**"), a licensed corporation to conduct type 4 (advising on securities) and type 9 (asset management) regulated activity under the SFO since September 2017, and he is a Responsible Officer of the said type 4 regulated activity. In addition, he is the director of VisTreasure Securities Limited ("**VSL**"), which is fellow subsidiary of VisTreasure Asset Management Limited, a licensed corporation to conduct type 1 (dealing in securities), regulated activity under the SFO since September 2019, and he is a Responsible Officer of the said type 1 regulated activity. VisTreasure Capital Group Limited ("**VCGL**") incorporated in BVI, is the shareholder of VSL and VAML, and he is the shareholder of VCGL.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lam Wai Yuen (林偉源), aged 53, was appointed as an independent non-executive Director on 27 September 2013. Mr. Lam is a member of Hong Kong Institute of Certified Public Accountants. He has over 31 years of experience in the fields of assurance, corporate restructuring and internal control review. He is the managing partner of Eric W.Y. Lam & Company.

Mr. Cheung Chin Wa, Angus (張展華), aged 41, was appointed as an independent non-executive Director on 17 March 2014 and was resigned on 30 April 2019. He is a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Mr. Cheung holds a Master Degree of Professional Accounting, a Master Degree of Corporate Governance, a Bachelor Degree of Laws and a Bachelor Degree of Arts in Translation. Mr. Cheung has extensive experience on corporate governance and company secretarial matters. He has been working in the company secretarial field for more than 11 years and is appointed the company secretary of China Agri-Products Exchange Limited (Stock Code: 149) and Easy One Financial Group Limited (Stock Code: 221) on December 2012 and February 2013 respectively, and both resigned on 3 May 2019.

Ms. Zhou Ying (周瑩), aged 36, was appointed as an independent non-executive Director on 29 August 2017. She graduated from the South Western University of Finance and Economics with a Bachelor Degree in Accounting in 2005 and obtained a Master's Degree in Accounting and Finance in Manchester Business School in 2009. Ms. Zhou has worked in the investment banking department of Haitong Securities Co., Ltd. from June 2009 to April 2014 and is currently a vice president in Lilly Asia Ventures.

Mr. Leung Yu Tung, Stanley (梁宇東), aged 42, has over 18 years' experience in the accounting and finance field. He has been appointed as an Independent Non-Executive Director of the Company on 30 April 2019 and a member of each of the remuneration committee, nomination committee, audit committee and investment committee. He has acted as an independent non-executive director and the chairman of audit committee of Vashion Group Limited, a company listed in the Singapore Stock Exchange (Stock Code VSHN), since October 2017. He is also the finance controller of Luen Hing Textile Company Limited, which Mr. Leung has served since September 2013. Prior to that, Mr. Leung worked in the Sweet Dynasty Group as finance manager from January 2012 to September 2013. Mr. Leung was admitted as a fellow member of The Hong Kong Institute of Certified Public Accountants and fellow member of Association of Chartered Certified Accountants since 2015 and 2010 respectively. He became a Certified Tax Adviser of The Taxation Institute of Hong Kong since 2010. Mr. Leung obtained his Master of Professional Accounting and Bachelor of Arts (Hons) Accountancy from the Hong Kong Polytechnic University in 2010 and 2003, respectively and his Higher Diploma in Accountancy from the City University of Hong Kong in 2000.

SENIOR MANAGEMENT

Mr. Cheng Kwing Sang, Raymond (鄭炯生), aged 69, was appointed as an executive Director on 27 September 2013, but he resigned from such position on 22 October 2014. Mr. Cheng is currently the chief executive officer as well as the marketing director of the Group. Mr. Cheng is responsible for conducting market research, delivering product development strategies and implementing marketing plan of the Group. Mr. Cheng is also responsible for analysing market data, technology trends and competitors' pricing to establish pricing strategies. Mr. Cheng joined the Group in 1993 as the CEO and sales director of Echo Co and has approximately 26 years of experience in the electronics industry. Prior to joining the Group, Mr. Cheng worked as a boarding officer in the operation department of Hong Kong Maritime Company Limited from 1967 to 1978, run two restaurants in Belize, Central America from 1978 to 1984, and run a gas station and a restaurant in Youngstown, Alberta, Canada from 1984 to 1990. Mr. Cheng Kwing Sang finished his secondary education in 1966. Mr. Cheng Kwing Sang is the elder brother of Ms. Cheng Yeuk Hung.

Biographical Details of Directors and Senior Management

Ms. Lui Wing Shan (雷潁珊), aged 39, is the company secretary and the chief financial officer of the Company and she joined the Group in June 2014. She is responsible for the company secretarial function, the review and supervision of the Group's overall internal control systems and accountancy function. She has more than 12 years of experience in accounting, auditing, tax, and consulting and is specialised in auditing and accounting. Ms. Lui holds a bachelor's degree in Business Commerce with a major in Accounting from Hong Kong Shue Yan University in 2005, and is currently a practicing member of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group, Ms. Lui worked for various accounting firms and specialised in auditing and accounting.

Mr. Lo Ding To (勞碇淘), aged 32, was appointed as an executive Director on 27 September 2013 and resigned on 1 November 2017. Mr. Lo Ding To, a son of Mr. Lo Yan Yee and Ms. Cheng Yeuk Hung, has had ample opportunity and is able to gain first hand knowledge and insight into the management and operation of the Group ever since his childhood through observing how the Group has been and is managed under his parents. While learning from his parents the skill and technique of managing and operating the Group's business operation, he also enjoys the benefit of their guidance and advice. Hence, even before Mr. Lo Ding To joined the Group, he is already well versed in the Group's day-to-day management and business operations. He therefore has an extensive understanding of the Group's overall business needs and compliance requirements. When Mr. Lo Ding To joined the Group in 2009 after his graduation from the University of East Anglia, United Kingdom, on the basis of his early learning and experience as aforesaid, he brought in new ideas about business strategy and operational functions, which help to enhance the production and quality assurance systems of the Group. Mr. Lo Ding To supervised a staff team in the then processing factory and 毅高達電子（深圳）有限公司 (Yi Gao Tech Electronics (Shenzhen) Co., Ltd*) and has been responsible for product development, quality control, production planning, logistics, shipping, warehouse and inventory management, as well as vendor management activities. Mr. Lo Ding To is currently the general manager of the Group and is responsible for overseeing the implementation of the day-to-day manufacturing operations. Mr. Lo Ding To obtained a Bachelor of Science in business management from the University of East Anglia, United Kingdom in 2009.

Ms. Tai Shan Yu, Yoko (戴珊瑜), aged 43, is the purchasing manager of the Group. She has over 20 years of procurement and material control experience. She joined the Group in 1996 as the procurement and material control executive and was promoted to the purchasing manager of the Group in January 2011. She currently leads a team of staff to coordinate the customer quotation and the sourcing of raw materials. She is responsible for (i) developing strategies for reducing the cost of raw materials; (ii) handling supply chain issues and maintaining good relationship with suppliers; (iii) preparing reports on the trend of cost of raw materials; and (iv) monitoring the trends of EMS industry and keeping abreast of the technology changes. Prior to joining the Group, Ms. Tai had worked as a senior clerk in a company engaged in production of chemical products from 1993 to 1995 and was responsible for the procurement of chemical materials. Ms. Tai finished Form Four in 1992. She has been the director and shareholder of Zhumu Company Limited since 15 February 2019.

* For identification purpose only

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Board and the management of the Company are committed to establishing good corporate governance practices and procedures. The maintenance of high standard of business ethics and corporate governance practices has always been one of the Group's goals. The Company believes that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture, thereby leading to the enhancement of shareholders' value.

The Board has adopted the Corporate Governance Code (the "**Code**") as set out in Appendix 15 to the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**"). To us, maintaining high standards of corporate governance practices is not just complying with the provisions but also enhancing corporate performance and accountability.

Save as disclosed below, the Company has complied with the code provisions of the Code throughout the year ended 31 March 2019 (the "**Financial Year**").

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the standard set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Model Code**") as it own code governing securities transactions of the Directors. The Company has confirmed, having made specific enquiry of the Directors, all the Directors have complied with the standard set out in the Model Code throughout the year ended 31 March 2019.

BOARD OF DIRECTORS

The Board comprises:

Executive Directors:	Mr. Lo Yan Yee *(Chairman)* Ms. Cheng Yeuk Hung Ms. Zhou Jia Lin (resigned on 7 September 2018) Mr. Leung Kwok Kuen, Jacob Mr. Tansri Saridju Benui (appointed on 7 September 2018)
Non-executive Director:	Mr. Chan Chun Kit
Independent Non-executive Directors:	Mr. Lam Wai Yuen Mr. Cheung Chin Wa, Angus (resigned on 30 April 2019) Ms. Zhou Ying Mr. Leung Yu Tung, Stanley (appointed on 30 April 2019)

The biographical details of the Directors and other senior management are set out on pages 13 to 16 of this report.

THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has complied with Rule 5.05(2) of the GEM Listing Rules during the Financial Year relating to the requirement that at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise. During the Financial Year, the Company has complied with Rules 5.05A and 5.05(1) of the GEM Listing Rules relating to the appointment of independent non-executive Directors representing at least one-third of the Board. Each independent non-executive Director has given an annual confirmation of his/her independence to the Company, and the Company considers them to be independent under Rule 5.09 of the GEM Listing Rules.

BOARD MEETING ATTENDANCE

The attendance records of each member in the Board meetings during the Financial Year are set out as follows:

Name of directors	Number of meetings attended/held
Mr. Lo Yan Yee	8/8
Ms. Cheng Yeuk Hung	8/8
Ms. Zhou Jia Lin (appointed on 22 October 2014, redesignated on 9 May 2017 and resigned on 7 September 2018)	3/5
Mr. Leung Kwok Kuen, Jacob (appointed on 7 September 2015 and redesignated on 25 August 2017)	8/8
Mr. Tansri Saridju Benui (appointed on 7 September 2018)	2/3
Mr. Chan Chun Kit	7/8
Mr. Lam Wai Yuen	6/8
Mr. Cheung Chin Wa, Angus (resigned on 30 April 2019)	7/8
Ms. Zhou Ying	6/8

ANNUAL GENERAL MEETING

During the Financial Year, the Company held the annual general meeting on 30 July 2018. Mr. Lo Yan Yee, Ms. Cheng Yeuk Hung, Mr. Leung Kwok Kuen, Jacob and Mr. Chan Chun Kit, attended such annual general meeting.

Pursuant to code provision A.6.7 of the Code, independent non-executive directors should attend general meetings. Mr. Lam Wai Yuen, Ms. Zhou Ying and Mr. Cheung Chin Wa, Angus were unable to attend the annual general meeting of the Company held on 30 July 2018 due to their other prior engagements.

RESPONSIBILITIES OF THE BOARD

The Board is responsible for leadership and control of the Group and is collectively responsible for promoting the success of the Group by directing and supervising the Group's affairs. The Board focuses on formulating the Group's overall strategies, authorising the development plan and budget; monitoring financial and operating performance; reviewing the effectiveness of the internal control system; supervising and managing management's performance of the Group; and setting the Group's values and standards. The management is delegated with the authority and the responsibility by the Board for the day-to-day management, administration and operation of the Group. The delegated functions are reviewed by the Board periodically to ensure that they accommodate the needs of the Group.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to the code provision A.2.1 of the Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing. The roles of the chairman and the chief executive officer of the Company are segregated and performed by Mr. Lo Yan Yee and Mr. Cheng Kwing Sang, Raymond, respectively.

RELATIONSHIP BETWEEN THE DIRECTORS AND SENIOR MANAGEMENT

Ms. Cheng Yeuk Hung and Mr. Lo Yan Yee are couples. Mr. Lo Ding To is a son of Ms. Cheng Yeuk Hung and Mr. Lo Yan Yee. Mr. Cheng Kwing Sang, Raymond is the elder brother of Ms. Cheng Yeuk Hung.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The current articles of association of the Company (the "**Articles**") provide that at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every 3 years.

Each of the executive Directors has entered into a service contract with the Company for an initial term of one year with effect from (i) 11 October 2013 (in respect of Mr. Lo Yan Yee, Ms. Cheng Yeuk Hung); (ii) 7 September 2015 (in respect of Mr. Leung Kwok Kuen, Jacob who was appointed on 7 September 2015 as non-executive Director and redesignated on 25 August 2017); and (iii) 7 September 2018 (in respect of Mr. Tansri Saridju Benui), which shall be automatically renewed for successive terms of one year until terminated by either party giving not less than three months' written notice to the other party. Each of the non-executive Directors has entered into an appointment letter with the Company for an initial term of one year with effect from 30 January 2015 (in respect of Mr. Chan Chun Kit); which shall be automatically renewed for successive terms of one year until terminated by either party giving not less than three months' written notice to the other party. Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of one year with effect from (i) 11 October 2013 (in respect of Mr. Lam Wai Yuen); (ii) 29 August 2017 (in respect of Ms. Zhou Ying); and (iii) 30 April 2019 (in respect of Mr. Leung Yu Tung, Stanley), which shall be automatically renewed for successive terms of one year until terminated by either party giving not less than three months' written notice to the other party.

DIRECTORS' LIABILITY INSURANCE AND INDEMNITY

Pursuant to the code provision A.1.8 of the Code, the Company should arrange appropriate insurance coverage in respect of legal action against its Directors. The Company has arranged the directors and officers liability insurance for its Directors during the Financial Year.

PROFESSIONAL DEVELOPMENT

To assist Directors' continuing professional development, the Company recommends Directors to attend relevant seminars to develop and refresh their knowledge and skills. All the Directors, namely Mr. Lo Yan Yee, Ms. Cheng Yeuk Hung, Mr. Tansri Saridju Benui, Mr. Leung Kwok Kuen, Jacob, Mr. Chan Chun Kit, Mr. Lam Wai Yuen, Mr. Cheung Chin Wa, Angus, and Ms. Zhou Ying participated in continuous professional development programmes such as external seminars organised by qualified professionals, to develop and refresh their knowledge and skills in relation to their contribution to the Board during the Financial Year. A record of the training for the respective Directors are kept and updated by the company secretary of the Company.

All the Directors also understand the importance of continuous professional development and are committed to participating any suitable training to develop and refresh their knowledge and skills.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") was established on 27 September 2013. The major roles and functions of the Audit Committee are to review and supervise the financial reporting process, financial controls, internal control and risk management system of the Company and to provide recommendations and advices to the Board on the appointment, re-appointment and removal of external auditor as well as their terms of appointment. During the Financial Year, the Company adopted a whistleblowing policy in order to allow our employees or other stakeholders (e.g. suppliers and customers) of the Company to raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company.

The Audit Committee currently consists of three independent non-executive Directors namely Mr. Lam Wai Yuen, Mr. Leung Yu Tung, Stanley and Ms. Zhou ying. Mr. Lam Wai Yuen is the chairman of the Audit Committee. No member of the Audit Committee is a member of the former or existing auditor of the Company. The terms of reference of the Audit Committee are available at the Company's website and on the website of the Stock Exchange.

During 1 April 2018 up to the date of this report, the Audit Committee had reviewed the first quarterly results and report of the Company for the three months ended 30 June 2018, the interim results and report of the Company for the six months ended 30 September 2018, the third quarterly results and report of the Company for the nine months ended 31 December 2018 and the annual results and report of the Company for the year ended 31 March 2019. The Audit Committee also reviewed the Group's internal control system for the year. All issues raised by the Audit Committee are addressed and/or dealt with by the relevant member of the management team and the work, findings and recommendations of the Audit Committee are reported regularly to the Board. During the Financial Year, there was no disagreement between the Board and the Audit Committee regarding the external auditor and there was no issue of significant importance requiring disclosure in this report under the GEM Listing Rules. The Group's annual results for the year ended 31 March 2019 had been reviewed by the Audit Committee prior to the submission to the Board for approval. Members of the Audit Committee were of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and that adequate disclosure have been made.

The attendance records of each member of the Audit Committee meeting during the Financial Year are set out as follows:

Name of members of Audit Committee	**Number of meetings attended/held**
Mr. Lam Wai Yuen	5/5
Mr. Cheung Chin Wa, Angus (resigned on 30 April 2019)	5/5
Ms. Zhou Ying	4/5

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") was established on 27 September 2013. The Remuneration Committee currently consists of the two independent non-executive Directors Ms. Zhou Ying Pai, Mr. Leung Yu Tung, Stanley and one executive Director, Ms. Cheng Yeuk Hung. Ms. Zhou Ying is the chairman of the Remuneration Committee. The terms of reference of the Remuneration Committee are available at the Company's website and on the website of the Stock Exchange.

The roles and functions of the Remuneration Committee include consulting the Board about the remuneration proposals for all Directors and senior management, making recommendation to the Board on the Company's remuneration policy and structure for all Directors and senior management. The Remuneration Committee has adopted the approach under B.1.2(c)(ii) of the code provisions of the Code to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

The attendance records of each member of the Remuneration Committee during the Financial Year are set out as follows:

Name of members of Remuneration Committee	Number of meetings attended/held
Ms. Cheng Yeuk Hung	1/1
Mr. Cheung Chin Wa, Angus (resigned on 30 April 2019)	1/1
Ms. Zhou Ying	1/1

NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") was established on 27 September 2013. The Nomination Committee currently consists of the two independent non-executive Directors Ms. Zhou Ying, Mr. Leung Yu Tung, Stanley and one executive Director Mr. Leung Kwok Kuen, Jacob. Ms. Zhou Ying is currently the chairman of the Nomination Committee. The terms of reference of the Nomination Committee are available at the Company's website and on the website of the Stock Exchange.

The roles and functions of the Nomination Committee include reviewing the structure, size and composition of the Board, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals nominated for directorship (if necessary), assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive officer.

During the Financial Year, the Board adopted a Board Diversity Policy setting out the approach to diversity of members of the Board. The Company recognises and embraces the benefits of diversity of Board members. It endeavors to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business. All the appointments for the Board members will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members.

Selection and appointment of new directors will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background, educational background, ethnicity, professional ethnicity, skills, knowledge, length of services and such qualities and attributes that may be required by the Board. The ultimate decision will be made upon the merits and contribution that the selected candidates will bring to the Board.

The Nomination Committee shall review the Board Diversity Policy established for implementing diversity on the Board periodically.

The Nomination Committee will review the Board diversity policy from time to time. It will discuss any revisions to the Board diversity policy and make recommendation to the Board for approval.

During the Financial Year, the Board adopted the Nomination Policy, which sets out the key selection criteria and nomination procedures of the Nomination Committee in making recommendations to Board on the appointment of Directors and succession planning for Directors.

In assessing the suitability of the candidate to the Board regarding the appointment or re-appointment of any existing Director(s), the Nomination Committee will consider the following factors: (a) commitment for responsibilities of the Board in respect of available time and effort; (b) qualifications, including accomplishment and experience in the relevant industries the Company's business is involved in; (c) reputation for integrity; (d) experience in the Company's principal business and/or the industry in which the Company operates, (e) (in the case of an independent non-executive Director) independence requirements set out in the GEM Listing Rules; and (f) diversity in aspects including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and the number of directorships in other listed/public companies, and in the case of independent non-executive Directors, the length of service, where an independent non-executive Director serving more than nine years could be relevant to the determination of a non-executive Director's independence.

The Nomination Committee shall convene a meeting to invite nominations of candidates from Directors (if any) or it may also nominate candidates for its consideration. The Nomination Committee may adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks. Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

The Nomination Committee will review the Nomination Policy periodically to ensure that it fulfils the Company's needs and complies with the regulatory requirements and good corporate governance practice. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The attendance records of each member of the Nomination Committee are set out as follows:

Name of members of Nomination Committee	Number of meetings attended/held
Ms. Zhou Ying (appointed on 29 August 2017)	1/1
Mr. Cheung Chin Wa, Angus (resigned on 30 April 2019)	1/1
Mr. Leung Kwok Kuen, Jacob	1/1

INVESTMENT COMMITTEE

The investment committee of the Company ("**Investment Committee**") was established on 25 August 2017 and Mr. Chan Chun Kit, Mr. Cheung Chin Wa, Angus and Ms. Lui Wing Shan (Company Secretary and Chief Financial Officer) were appointed as members of the Investment Committee on the same date. The Investment Committee currently consists of one non-executive Director, Mr. Chan Chun Kit, one independent non-executive Director, Mr. Leung Yu Tung, Stanley, and the Company Secretary and Chief Financial Officer, Ms. Lui Wing Shan. Mr. Chan Chun Kit is the chairman of the Investment Committee. The overall objective of the Investment Committee is to monitor and supervise investment affairs of the Company, review and evaluate investment projects, and recommend investment proposals to the Board, in order to facilitate the strategic investment of the Company.

The attendance records of each member of the Investment Committee are set out as follows:

Name of members of Investment Committee	Number of meetings attended/held
Mr. Chan Chun Kit	4/4
Mr. Cheung Chin Wa, Angus (resigned on 30 April 2019)	4/4
Ms. Lui Wing Shan	4/4

CORPORATE GOVERNANCE FUNCTIONS

No corporate governance committee has been established by the Company and the Board is responsible for performing the corporate governance duties according to the code provision D.3.1 of the Code, which include:

(1) developing and reviewing the policies and practices on corporate governance of the Group and making recommendations to the Board;

(2) reviewing and monitoring the training and continuous professional development of Directors and senior management;

(3) reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements;

(4) developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to Directors and employees; and

(5) reviewing the Company's compliance with the Code and disclosure in the corporate governance report of the Company.

During the Financial Year, the Board reviewed and monitored the training and continuous professional development of the Directors and company secretary of the Company to comply with the Code and the GEM Listing Rules. Further, the Board also reviewed and monitored the Group's policies and practices on compliance with legal and regulatory requirements. Lastly, the Board reviewed the Company's compliance with the Code and the disclosure of the corporate governance report.

INTERNAL CONTROL AND RISK MANAGEMENT

The Board is responsible for the Company's internal control system and risk management procedures and for reviewing the effectiveness of the Company's internal control. The Board has conducted a review on the system of internal controls of the Group, and it has taken and/or will take necessary actions and steps to address the internal control issues and deficiencies. The major deficiencies of the Group's internal control system and the Company's actions are set out on page 12 of this report.

The Group is committed to the identification, monitoring and management of risks associated with its business activities. The Group's internal control system is designed to provide reasonable assurance against material misstatement or loss and to manage and minimise risks of failure in operational systems and fulfillment of business objective. The system includes a defined management structure with segregation of duties and a cash management system such as monthly reconciliation of bank accounts.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The management provides such explanation and information to the Board and reports regularly to the Board on the financial position and prospects of the business of the Company so as to enable the Board to make an informed assessment of the financial and other information put before the Board for approval.

The Directors acknowledge their responsibilities for preparing the financial statements of the Group that give a true and fair view of the state of affairs of the Group. The Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Group's ability to continue as a going concern and the Board has prepared the financial statements on a going concern basis. The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the shareholders of the Company. A statement by auditor about their reporting responsibility is set out in the Independent Auditors' Report.

Auditors' Remuneration

During the Financial Year, the fees paid to the Company's auditors is set out as follows:

Services rendered	**Fees paid/ payable** (HK$'000)
Audit services	530
Non-audit services	7

The accounts for the Financial Year were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for re-appointment as the auditors of the Company at the forthcoming annual general meeting.

COMPANY SECRETARY

Ms. Lui Wing Shan ("**Ms. Lui**") was appointed as the company secretary of the Company on 1 June 2014. The biographical details of Ms. Lui are set out under the section headed "Biographical Details of Directors and Senior Management".

Ms. Lui has been informed of the requirement of Rule 5.15 of the GEM Listing Rules, and she confirmed that she had attained no less than 15 hours of relevant professional training during the Financial year.

DIVIDEND POLICY

The Company has a dividend policy to set out the approach by the Board in recommending dividends, to allow the shareholders of the Company to participate in the Company's profits and for the Company to retain adequate reserves for future growth.

Determination Mechanism: The Board has discretion to declare and distribute dividends to the shareholders of the Company. The Board shall take into account the following factors of the Group when considering the declaration and payment of dividends:

- the Group's current and future operations and earnings;
- the Group's liquidity position and future commitments at the time of declaration of dividend;
- any contractual restrictions on payment of dividends by the Company to its shareholders or by the Company's subsidiaries to the Company;
- the retained earnings and distributable reserves of the Company and each of the members of the Group;
- the Group's working capital requirements, capital expenditure requirements and future expansion plans;
- the general market conditions; and
- any other factors that the Board deems appropriate.

Review: The Board reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the dividend policy at any time, and it shall in no way constitute a legally binding commitment by the Company in respect of its future dividends and/or in no way obligate the Company to declare a dividend at any time or from time to time.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of the Company shall be held in each year and at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting ("**EGM**").

RIGHT TO CONVENE EXTRAORDINARY GENERAL MEETING

Pursuant to Article 58 of the Articles, any one or more members holding at the date of the 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, shall at all times have the right, by written requisition sent to the Company's principal office as set out in the manner below, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, be signed by the requisitionist(s) and deposited to the Board or the company secretary of the Company at the Company's principal place of business at Room 3207A, 32nd Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, Hong Kong, and such may consist of several documents in like form, each signed by one or more requisitionists.

The request will be verified with the Company's branch share registrar in Hong Kong and upon their confirmation that the request is proper and in order, the company secretary of the Company will ask the Board to convene an EGM by serving sufficient notice in accordance with the Articles and the statutory requirements to all the registered members. On the contrary, if the request which has been verified is not in order, the shareholders will be advised of this outcome and accordingly, an EGM will not be convened as requested. If within twenty-one days from the date of the deposit of the requisition the Board fails to proceed to convene such meeting, the requisitionist(s), may convene a meeting in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed by the Company to the requisitionist(s).

RIGHT TO PUT ENQUIRIES TO THE BOARD

Shareholders have the right to put enquiries to the Board. All enquiries shall be in writing and sent by post to the principal place of business of the Company in Hong Kong for the attention of the company secretary.

RIGHT TO PUT FORWARD PROPOSALS AT GENERAL MEETINGS

There are no provisions allowing shareholders to purpose new resolutions at the general meetings under the Cayman Islands Companies Law (2011 Revision). However, shareholders are requested to follow Article 58 of the Articles for including a resolution at an EGM. The requirements and procedures are set out above.

The procedures for shareholders of the Company to propose a person for election as director is posted on the Company's website.

INVESTOR RELATIONS

The Company has established a range of communication channels between itself and its shareholders, investors and other stakeholders. These include the annual general meeting, the annual, interim and quarterly reports, notices, announcements and circulars and the Company's website at www.echogroup.com.hk.

For the Financial Year, there had been no change in the Company's constitutional documents.

Report of the Directors

The Directors are pleased to present their report together with the audited consolidated financial statements of the Company for the year ended 31 March 2019.

CORPORATE REORGANISATION AND PLACING

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 21 December 2010 under the Companies Law of the Cayman Islands.

Pursuant to the pre-listing reorganisation of the Group ("**Reorganisation**") to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group on 14 March 2013. Details of the Reorganisation were set out in the paragraph head "Reorganisation" in the section headed "History and development" in the Prospectus.

Following the capitalisation issue of 130,000,000 Shares and the placing of 60,000,000 Shares at a price of HK$0.60 per Share, the Company was listed on the GEM on 11 October 2013.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the manufacturing and trading of electronic products and accessories. The principal activities of its principal subsidiaries are set out in Note 25 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during the Financial Year.

An analysis of the Group's performance for the year by segments is set out in Note 6 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31 March 2019 and the state of affairs of the Company and of the Group as at that date are set out in the financial statements on pages 54 to 158.

The Board does not recommend the payment of any final dividend for the year ended 31 March 2019.

BUSINESS REVIEW

The business review of the Group for the year ended 31 March 2019 is set out in the section headed "Management Discussion and Analysis" on the pages 6 to 12 of the annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to supporting environmental sustainability. The Group is committed to implementing policies and measures in our daily business operations to foster reduction of the Group's environmental impact. Energy saving and power monitoring systems are in place of various business units to monitor our environmental performance. The Company also strives to implement recycling and reducing measures in office premises where applicable.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the year under review, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by our Group that had a significant impact on the business and operations of our Group.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognises that employees are our valuable assets. Thus employee management focuses on recruiting and nurturing the right people. Staff performance is measured on a regular and structured basis to provide employees with appropriate feedback and to ensure their alignment with the Group's corporate strategy.

Our Group also understands that maintaining long-term good relationship with business partners is also one of the primary objectives of the Group. Accordingly, our management have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the year under review, there was no material and significant dispute between our Group and its business partners.

FINANCIAL SUMMARY

The summary of the results and of the assets and liabilities of the Group is set out on page 159.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group are set out in Note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital during the year are set out in Note 31 to the consolidated financial statements.

INTEREST CAPITALISED

No interest was capitalised by the Group during the year ended 31 March 2019.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, SALES OR REDEMPTION OF SHARES

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

RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended 31 March 2019 are set out in Note 37 and Note 34 to the consolidated financial statements and the consolidated statement of changes in equity on page 62, respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2019, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to HK$27.71 million. The amount represents the net of Company's contribution reserve, share premium, and accumulated losses, which may be distributable 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 and when they fall due in the ordinary course of business.

MAJOR CUSTOMERS AND SUPPLIERS

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

(1) The aggregate amount of revenue attributable to the Group's five largest customers represented approximately 50.23% of the Group's total revenue. The amount of revenue from the Group's largest customer represented approximately 27.42% of the Group's total revenue.

(2) The aggregate amount of purchases attributable to the Group's five largest suppliers represented approximately 25.93% of the Group's total purchases. The amount of purchases from the Group's largest supplier represented approximately 12.10% of the Group's total purchases.

None of the Directors nor any of their close associates nor any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and/or five largest suppliers during the year ended 31 March 2019.

DIRECTORS

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

Executive Directors

Mr. Lo Yan Yee *(Chairman)*
Ms. Cheng Yeuk Hung
Ms. Zhou Jia Lin (appointed on 22 October 2014 and redesignated on 9 May 2017 and resigned on 7 September 2018)
Mr. Leung Kwok Kuen, Jacob
Mr. Tansri Saridju Benui (appointed on 7 September 2018)

Non-executive Director

Mr. Chan Chun Kit

Independent non-executive Directors

Mr. Lam Wai Yuen
Mr. Cheung Chin Wa, Angus (resigned on 30 April 2019)
Ms. Zhou Ying
Mr. Leung Yu Tung, Stanley (appointed on 30 April 2019)

BIOGRAPHIES OF DIRECTORS AND OTHER SENIOR MANAGEMENT

The biographical details of the Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 13 to 16 of this report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors has a service contract with the Company which is not determinable by the Group within one year without payment of a compensation, other than the statutory compensation. Each of the non-executive Directors has entered into an appointment letter with the Company for an initial term of one year with effect from 30 January 2015 (in respect of Mr. Chan Chun Kit); which shall be automatically renewed for successive terms of one year until terminated by either party giving not less than three months' written notice to the other party. Each of the independent non-executive Directors has entered into an appointment letter with the Company for an initial term of one year with effect from (i) 11 October 2013 (in respect of Mr. Lam Wai Yuen); (ii) 29 August 2017 (in respect of Ms. Zhou Ying); (iii) 17 March 2014 (in respect of Mr. Cheung Chin Wa, Angus) (who resigned on 30 April 2019); and (iv) 30 April 2019 (in respect of Mr. Leung Yu Tung, Stanley) which shall be automatically renewed for successive terms of one year until terminated by either party giving not less than three months' written notice to the other party. The appointment of the Directors is subject to the provisions of the Articles in force from time to time including, but not limited to, the removal provisions and provisions on retirement by rotation and re-election.

Report of the Directors

Pursuant to the Articles, Mr. Tansri Saridju Benui and Mr. Leung Yu Tung, Stanley shall hold office until the forthcoming annual general meeting, and Mr. Lo Yan Yee and Mr. Chan Chun Kit shall retire from their offices as Directors in the forthcoming annual general meeting. They will offer themselves for re-election as the Directors in the forthcoming annual general meeting.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN CONTRACTS

None of the Directors nor the controlling shareholder of the Company had any material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year ended 31 March 2019.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the Financial Year. The Company has taken out and maintained appropriate insurance cover in respect of potential legal actions against its Directors and officers.

SHARE OPTIONS SCHEMES

The Company has two share option schemes namely, the pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**") and the share option scheme (the "**Share Option Scheme**") which were both adopted on 27 September 2013.

Pre-IPO Share Option Scheme

The Company has adopted the Pre-IPO Share Option Scheme on 27 September 2013 under which the Company has granted options to certain Directors of the Group to subscribe for an aggregate of 80,000,000 shares of the Company with an exercise price of HK$0.15, which is equal to the placing price as defined in the Prospectus.

As at 31 March 2019, details of the share options granted under the Pre-IPO Share Option Scheme are as follows:

Directors	Outstanding as at 31 March 2018	Exercised	Lapsed	Reclassified	Outstanding as at 31 March 2019	Exercise period	Approximate percentage of issued capital of the Company upon exercise of all the options
Mr. Lo Yan Yee	22,800,000	–	–	–	22,800,000	11 October 2016– 11 October 2023	2.19%
Ms. Cheng Yeuk Hung	22,800,000	–	–	–	22,800,000	11 October 2016– 11 October 2023	2.19%
Directors	45,600,000	–	–	–	45,600,000		4.38%
Employees	34,400,000	–	–		34,400,000	11 October 2016– 11 October 2023	3.31%
	80,000,000	–	–	–	80,000,000		7.69%

Share Option Scheme

During the year ended 31 March 2019, no option was granted, exercised or lapsed under the Share Option Scheme.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2019, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("**SFO**") which (i) are 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 are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules are as follows:

(i) Long positions in the shares of the Company

Name of Director	Capacity	Number of Shares	Approximate percentage of interest
Ms. Cheng Yeuk Hung	Personal interest	97,560,000	9.56%
Mr. Lo Yan Yee	Interest of spouse	97,560,000	9.56%

Note: Mr. Lo Yan Yee is the executive Director and the spouse of Ms. Cheng Yeuk Hung, and is deemed under the SFO to be interested in those 97,560,000 shares in which Ms. Cheng Yeuk Hung is interested.

(ii) Long position in underlying shares of the Company

Name	Capacity	Description of equity derivatives	Number of underlying shares
Mr. Lo Yan Yee	Personal interest	Options	22,800,000
(executive Director)	Interest of spouse	Options	22,800,000
			45,600,000
Ms. Cheng Yeuk Hung	Personal interest	Options	22,800,000
(executive Director)	Interest of spouse	Options	22,800,000
			45,600,000
Mr. Cheng Kwing Sang, Raymond (chief executive officer)	Personal interest	Options	22,400,000

Save as disclosed above, as at 31 March 2019, none of the Directors or chief executive of the Company has any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of SFO) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standard of dealings by Directors of the Company as referred to in Rule 5.46 of the GEM Listing Rules, or required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2019, so far as is known to the Directors, the following persons (other than a director or chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under section 336 of the SFO:

Name	Capacity and nature of interest	Number of shares	Percentage of the Company's issued share capital	Long/Short position/ Lending Pool
Adamas Asset Management (HK) Limited	Investment manager	66,338,000	6.91%	Long position

Name	Capacity and nature of interest	Number of shares	Number of underlying shares	Total	Percentage of the Company's issued share capital
Yeung Tong Seng Terry	Beneficiary of a trust (other than discretionary interest)	–	178,784,905		
	Beneficiary owner	–	10,444,401		
		–	189,229,306 (note 1)	189,229,306	18.55%

Note:

1. These underlying Shares are Shares to be issued to a holder or holders of the convertible bonds issued by the Company.

Save as disclosed above, as at 31 March 2019, the Directors are not aware of any other persons (other than a director or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under section 336 of the SFO.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 March 2019.

REMUNERATION OF THE DIRECTORS

Details of the remuneration of the Directors of the Company are set out in Note 13 to the consolidated financial statements in this annual report.

EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices. The remunerations of the Directors are determined with reference to the economic situation, the market condition, the responsibilities and duties assumed by each Director as well as their individual performances.

CONFIRMATION OF INDEPENDENCE

Each independent non-executive Director has given an annual confirmation of his/her independence to the Company, and the Company considers them to be independent under Rule 5.09 of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, the Company has maintained a sufficient public float as at the latest practicable date prior to the issue of this annual report as required under the GEM Listing Rules.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The consultancy fee paid to Vashion Assets Management Limited, the sales to, purchase of property, plant and equipment from and rental paid to Mobile Computer Land Limited and the remuneration to the Directors as disclosed in Note 38 to the consolidated financial statements constituted continuing connected transactions under Chapter 20 of the GEM Listing Rules, and are exempt from the reporting, announcement and independent shareholders' approval requirements under the GEM Listing Rules. Other than that, the Directors are not aware of any related party transactions as disclosed in Note 38 to the consolidated financial statements that constituted a connected transaction or a continuing connected transaction of the Group under the GEM Listing Rules.

COMPETING BUSINESS

For the year ended 31 March 2019, the Directors are not aware of any business or interest of the Directors, the controlling shareholder(s) of the Company and their respective close associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 17 to 26 of this report.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 March 2019 and up to the date of this report.

AUDITORS

The financial statements for the year were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. A resolution for the re-appointment of HLB Hodgson Impey Cheng Limited as the auditors of the Company for the subsequent year is to be proposed at the forthcoming annual general meeting.

By Order of the Board

Lo Yan Yee
Chairman

Hong Kong, 19 June 2019

Environmental, Social and Governance Report

1. ABOUT THIS REPORT

This is the third report presents the corporate social responsibility performance of Echo International Holdings Group Limited (stock code: 08218) (the "**Company**") during the Financial Year.

Reporting scope: This report covers the locations of operations of the Company and its subsidiary 毅高電子(深圳)有限公司 (collectively, the "**Group**") in Hong Kong and the PRC.

Reporting period: 1 April 2018 to 31 March 2019.

Report release cycle: This is a yearly report published concurrently with the Company's annual report.

Report references: This Report is prepared pursuant to the revised "Environmental, Social and Governance ("**ESG**") Reporting Guide" issued by The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") in December 2015.

2. BACKGROUND OF THE GROUP

The Group is engaged in electronics manufacturing services (EMS) in Hong Kong since 1989 and was listed on the Growth Enterprise Market ("**GEM**") of the Stock Exchange on 11 October 2013.

The Group is an EMS provider incorporated in Hong Kong and is principally engaged in the manufacturing and trading of electronic products and accessories. The Group provides integrated manufacturing services, including provision of design verification, procurement, manufacturing, assembly, testing and inspection, packaging and after-sales services for its brand customers. The Group's products mainly include PCB assemblies used in beauty related products, fishing related products, security related products and other electronic related products, e.g. hair remover, starter, control board, charger board and other miscellaneous electronic products. In addition, the Group also provides a one-stop manufacturing and assembly services of electronic products such as security alarm, buzzer, fire alarm, massage toner, fishing indicator and communicator. The above businesses, including the operations of our headquarters in Hong Kong, 毅高電子(深圳)有限公司 in China and the two restaurants the Group newly-opened and their back offices in 2018, are also covered by this Report.

3. PRINCIPLE OF THE GROUP'S SOCIAL RESPONSIBILITY

The Group is committed to support corporate sustainable development with efforts to implement various policies and measures in daily operations so as to reduce the Group's impact on the environment and the society.

4. RELATIONSHIPS WITH STAKEHOLDERS

We welcome comments and suggestions from readers on this report. All of the comments and suggestions from our customers, business partners, the public, the media or social groups will help determine and reinforce the Group's future sustainability strategies. Please feel free to give us feedbacks through the following ways:

Echo International Holdings Group Limited
Address: Room 3207A, 32nd Floor, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, New Territories, Hong Kong
Telephone: (852) 2412 0878
Facsimile: (852) 2415 4249
Email address: info@echogroup.com.hk

In order to strengthen the Group's business development and corporate social responsibility, we actively listen to the opinions of all stakeholders and continuously obtain an understanding of and respond to the concerns of different stakeholders, so as to build a relationship based on mutual trust and mutual benefit with our stakeholders to promote sustainable development. Set forth below are the principal communication channels we used to communicate with our stakeholders.

Key stakeholders	Principal communication channels
Shareholders	• Company's website • Annual reports and interim reports • Annual general meetings and other general meetings • Press releases, announcements, financial and other information in relation to the Company and its business
Staff	• Newsletters to the staff • Company's intranet
Customers	• Visits and meetings • Telephone conferences • Customer surveys • Exhibitions
Suppliers and contractors	• Tendering process • Regular meetings
Community	• Volunteer activities • Charity events

5. Awards

Award	Issuing authority
Grade 3 Enterprise of Production Safety Standardization (安全生產標準化三級企業)	Shenzhen Dangerous Chemical Safety Management Association (深圳市危險化學品安全管理協會)

6. Environmental protection

Management principles and policies

The Group has been committed to and has devoted great efforts to practising environmental protection and promoting sustainable development to fulfill its social responsibility as a corporate citizen. We has endeavored to reduce irrecoverable damages to the environment resulted from the Group's operations by implementing environmental management measures covering various aspects such as carbon emissions reduction, energy saving and green procurement. Meanwhile, in order to achieve a beautiful green life, we have established a sound environmental management system, with an aim to achieve the goals of complying with regulations, improving environmental performance and preventing environmental pollution.

The Group strictly complies with all applicable environmental laws and regulations. During the reporting period, there was no case of prosecution against the Group in relation to the violation of environmental laws.

6.1 Pollution control

Responses to climate change

It is an indisputable fact that global warming is becoming more and more serious. The Group has been paying attention to climate change issues. In this regard, the Group seeks to take the optimal measures to reduce greenhouse gas emissions from business operations and combat climate change. We aim at reducing energy consumption and greenhouse gas footprint as well as mitigating the impacts of climate change through the implementation of regional procurements, the use of environmentally-friendly materials and the optimisation of manufacturing process.

The carbon reduction measures adopted by the Group during the reporting period include:

- Use on-line network communications, with an aim of reducing massive greenhouse gas emissions produced by transportation such as airplanes;

- Have formulated the regional procurement policy, and local suppliers shall be selected in first priority, to reduce energy consumption and greenhouse gas emissions resulted from additional transportation; and

- Environmentally-friendly equipment are preferred, such as: air-conditioning equipment with variable frequency drives and refrigerants which can reduce the damages to the ozone layer. Electromagnetic stoves are used to replace gas stoves

In terms of exhaust emissions, as the Group's main business is the manufacturing of electronic products, the Group has only a very small amount of exhaust emissions generated by the Group's vehicles during its operation. In order to ensure that the exhaust emissions of vehicles meet the national standards, the vehicles are subject to inspection annually.

During the reporting period, the Group's total greenhouse gas emissions are as follows:

Total greenhouse gas emissions (tonnes of carbon dioxide equivalent)

Greenhouse gas emissions	Direct emissions (tonnes of carbon dioxide equivalent)	Energy indirect emissions
1,058.87	6.71	1,052.16

Waste management

The Group attaches great importance to waste management. For the management of non- hazardous waste, the Group adopts the 5R (i.e. Refuse, Reduce, Reuse, Repair and Recycle) management strategy with an aim of realising "zero" emission, so that our waste management commitment can be met.

Our domestic factory in Shenzhen has strictly complied with the provisions of the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes". The wastes are treated in a harmless manner and classified and recycled based on the Group's Solid Waste Management Measures. Furthermore, the hazardous wastes listed in the "National Hazardous Waste List" based on the "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes" will be properly stored and labeled. We will engage companies which are qualified to process and recycle hazardous solid waste when the amount of waste stored reaches a certain level.

In terms of the restaurants, all the food wastes of the restaurants will be properly stored and disposed in accordance with the requirements of the Environmental Protection Department. The restaurants also provide waste sorting bins to sort and recycle different types of waste.

Set forth below is the total amount of waste produced during the reporting period:

Hazardous waste	Non-hazardous waste
60 kilogrammes	51.2 tonnes

Wastewater discharge reduction

The Group strives to deal with sewage discharge in a responsible manner. During the reporting period, our factory in Shenzhen optimised the manufacturing process so that the circuit boards no longer need cleaning; as a result, sewage discharge was reduced effectively. When there is a need for sewage discharge, we will discharge the sewage into the municipal sewage pipes in compliance with the requirements of environmental protection laws. The restaurants also hold licences under the "Water Pollution Control Ordinance" issued by the Environmental Protection Department and discharge waster in accordance with the requirements of the licences. In addition, our restaurants have also set up water management policies to reduce water consumption and effectively control water pollution.

6.2 Making good use of resources

The Group has been managing our resources in a prudent way. The resources used in our daily operations are mainly electrical energy. We actively consider and adopt different methods to reduce the use of existing resources. We have formulated a series of policies to provide our staff with more specific advices and measures on energy and water saving management.

Energy saving and consumption reduction

As a socially responsible company, the Group always adheres to the business philosophy of "green operation, energy conservation". In order to further reduce energy consumption, the Group's factory in Shenzhen conducted numerous customerised energy saving reforms in the past. For example:

- We reformed the lighting system by replacing the original lighting with 300 LED lighting. It was estimated that over 2,400 kWh of electricity (i.e. approximately 2.08 tonnes of carbon dioxide equivalent) was reduced for the year;

- For the cooling process of plastic injection moulding machines, we replaced the air cooling system with water cooling system to increase and accelerate the cooling effect with lesser energy consumption;

- Air-conditioning heat pump system is used to provide hot water to our staff quarters so as to reduce the massive consumption of natural resources; and

- We examine the status of each of our equipment on a regular basis so that repairing and maintenance works can be conducted in a timely manner, hence, the energy waste due to ageing machinery can be reduced.

The restaurants have also taken a number of measures to reduce electricity consumption:

- Control the air conditioning system to maintain the indoor temperature at 25 degrees;

- Turn off unnecessary air-conditioning systems, lighting systems and other power-consuming machinery during off-hours; and

- Post environmental signs at prominent places to remind employees to save energy and resources.

Water conservation and efficiency enhancement

Water is one of our most important natural resources. In order to cherish the precious water resources, the Group makes every effort to maximise the water resources used in its business operations. We have actively introduced the concept of water conservation to our staff and reinforced the maintenance, inspections and management of water- consuming equipment, with an aim to achieve the objective of water conservation. We will carry out inspections in the water-consuming areas of the factory area from time to time to prevent water wasting due to facility damages. The Group will also monitor and analyse its monthly water consumption condition on a regular basis for formulating more effective water conservation plans and measures to ensure that its water conservation goals will be achieved. Meanwhile, we also encourage our stakeholders to make the best use of water resources to build a culture of water conservation.

Paper use reduction

The Group has been committed to reducing the paper use in the office. We have set up our company e-mail, adopted enterprise resource planning (ERP) system and human resources system, and developed network communications through creating corporate WeChat groups. Meanwhile, we have also established a file server for storing all internal information and statistics, which can be accessed by our staff with authorisation of the Company. By implementing the above control measures, it is believed that the use of paper can be reduced and a paperless office can be realised.

During the reporting period, the major types of resources consumed in the operation and production course of the Group are summarised as follows:

Resources	**Unit**	**Total consumption**
Electricity	kilowatts-hour	691,462.00
Gasoline consumed by cars	liters	2,607.97
Water	cubic meters	10,630.00
Gas	megajoules	873,744.00
Plastics used for packaging	tonnes	2.41
Paper used for packaging	tonnes	10.72

6.3 Green operation

In order to fulfill its due corporate social responsibilities, the Group has formulated green office policies and management measures, and actively integrated environmental responsibility into its daily operations to reduce the impacts on the environment and the consumption of natural resources, thereby promoting the concept of environmental protection amongst various aspects of the supply chain.

Green offices

The Group promotes its environmental protection related policies through internal trainings and bulletin boards, aiming to raise the staff's awareness of environmental protection, and conducts regular inspections on the Company's operating environment to assess potential risks and formulate corresponding countermeasures for improvement. During the reporting period, we adopted the following measures for green offices:

- Advocate the use of double-sided paper and other measures to save office supplies;
- Refuse to use disposable tools at meals to reduce the load on waste disposal;
- Purchase sustainable foods from the market and refuse to use ecologically destructive foods;
- Adjust the temperature of air-conditioners to 25 degrees or above to ensure a comfortable working environment and to save energy at the same time;
- All machines are required to be turned off during non-office hours and daily inspections are conducted after work;
- Reminders on water and electricity conservation are posted at prominent positions at the place of operation to remind the staff to save energy and resources;
- Purchase equipment and machines with higher energy efficiency based on the information indicated on energy labels to reduce energy consumption.

Green operation

The Group gives priority to the development and selection of materials, products and services that will not cause severe damages to the environment. Since 2005, the Group has started to use materials that meet the requirements under the Restriction of Hazardous Substances (RoHS) Directive as raw materials for production, which limit the use of certain hazardous substances in electrical and electronic devices. Besides, as part of the management procedures, we require our suppliers to sign letters of guarantee to ensure the products and materials they provided are in compliance with relevant environmental laws and the Group's requirements. We hope that the implementation of environmental protection policies and measures in the supply chain will raise stakeholders' awareness of environmental protection.

7. People-oriented

Management principles and policies

The Group is firmly committed to fulfilling its social responsibilities in the course of business development. The Group understands that the absorption, retention and cultivation of talents will enable the Group to maintain its market competitiveness. We are dedicated to providing our employees and customers with the best possible offers, and adhere to the principles of "anti-discrimination" and "diversification". With an aim of providing the safest and most reliable working environment, we also implement various plans and measures. We encourage work-life balance and provide career development training to achieve the goal of becoming " An Excellent Employer".

7.1 Growth on win-win basis

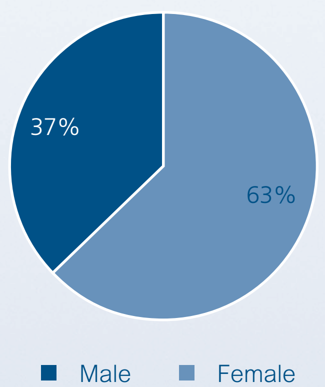
Management principles and policies

We have always been aiming for "An Excellent Employer" and committed to providing our employees with a harmonious and safe working environment where each of them will be respected. We have also arranged training courses and provided career development opportunities to our employees as appropriate so that they can pursue excellence at work. Besides, we review and improve relevant policies on a regular basis to ensure that we comply with local laws and industry standards.

During the reporting period, there were no irregularities or complaints in relation to discrimination or recruitment being discovered or received by the Group.

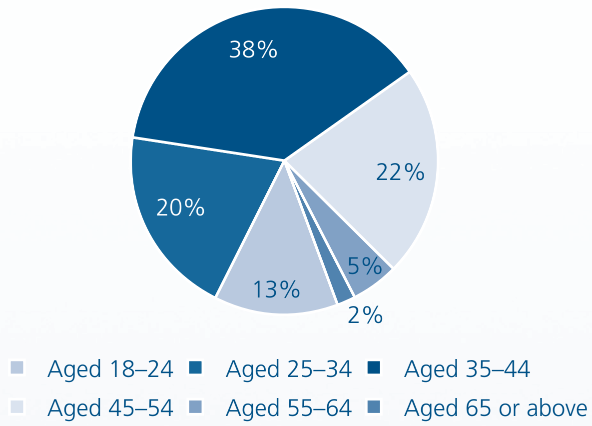
Profile about the Group's employees for the past year is summarised as follows:

Breakdown of employees by gender



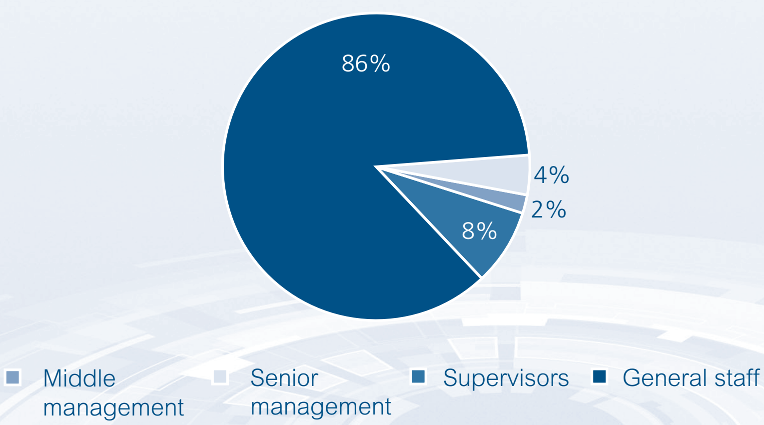
Male	65
Female	110

Breakdown of employees by age



18-24	22
25-34	35
35-44	67
45-54	38
55-64	9
65>	4

Breakdown of employees by position



Senior management	7
Middle management	4
Supervisors	13
General staff	151

Equal opportunity and diversity

We have a set of clear and transparent processes of employees recruitment and promotion, and emphasize the principle of equal opportunity. Applicants are assessed based on their qualifications, personal talents and work experience, and will not be refused for their gender, age, nationality, religious beliefs or sexual orientations. We will also meet with employees who have decided to resign to collect their feedback and make improvements.

Rights and interests protection

We have entered into employment contracts with our employees according to the local employment laws and regulations to protect employees' statutory rights and interests, and have provided our employees with medical insurance and minimum wages according to the requirements of the laws. Our employees are also entitled to benefits such as paid holidays, sick leave, work-related injury leave and maternity leave. In addition, the Group has established a set of comprehensive compensation system and annual salary adjustment system. We regularly assess and adjust the range of starting salary and salary adjustment for different ranks with reference to market conditions, the Group's performance and annual staff appraisal to ensure that our employees can be rewarded for their contributions and share the results of the Group. In terms of the dismissal policy, the Group has set up a rigorous and prudent dismissal process in accordance with the "Labor Law of the People's Republic of China" and the "Hong Kong Employment Ordinance". If the employees of the Group have committed gross dereliction of duty or serious violations of laws and regulations or the rules and regulations of the Group, the Group may terminate their employment contract.

Employee benefits

The Group considers its employees as the most important family members. Providing employees with a work-life balanced environment is part of our commitment to its employees, and we hope that they can work together with the Group in a safe and stable environment to achieve success in the future. Therefore, in addition to basic rights and interests, we have also prepared comprehensive benefit package for our employees so that their basic necessities of living can be taken care of.

Welfare	• Prepare birthday presents for our employees' birthday • Provide our employees with living quarters for free • Provide free meals and offer various kinds of cooling drinks such as dessert soup and Chinese herbal tea depending on seasons and weather
Additional marriage and parenting benefits	• Provide 170 days of maternity leave for our female employees giving birth • Provide 15 days of paternity leave for our male employees who are going to have new born babies
Benefits for personal safety and insurance	• Purchase additional inpatient medical insurance for our employees to enable them to enjoy medical services at lower cost and purchase social insurance for our employees working at domestic factories in the PRC • Purchase pension insurance for our current employees so that they can maintain their retirement life with the monthly pensions paid when they retire • We provide additional pension to retired employees who have worked for 20 years or more in recognition of their contributions over the years
Life balance	• Our employees are not encouraged or forced to work overtime so that they can maintain balance between family and work • Our mainland factories are equipped with recreational facilities such as basketball courts and badminton courts so that our employees can enjoy better life in their spare time • We have adopted employee caring measures such as organizing group tours, arranging extra meals on festivals and holidays and providing psychological counseling services, so as to help them ease working pressure and enhance their sense of belonging to the Company

Employee communication

The Group understands that cohesiveness among employees is an important driving force for enterprise development. Establishing a good communication channel network is the cornerstone of the relationships between employees and the Group. Therefore, the Group welcomes and values its employees' opinions. With the efforts made by all of our employees and the help of sub-districts office in the community, our trade union was established in 2012 and has continued to develop. Our employees can make suggestions for the Company at any time via suggestion boxes, mail boxes, telephones and WeChat. In addition, the Group discusses relevant labour issues according to its internal and external environment in the middle of each year with an aim of enhancing relevant employees' benefits.

7.2 Occupational health and safety

Management principles and policies

The Group fully recognizes the importance of occupational health and safety to the manufacturing and catering industry. Therefore, we strive to create the best working environment for our valued employees. We have advocated and upheld the idea of "Safety First" and strived in achieving the goal of zero industrial accident. We have formulated a set of suitable safety management plan in accordance with the laws and regulations, including the "Occupational Health System", "Fire Safety System" and "Employee Operation Guidelines", to regulate the Group's management work on occupational safety and health, so as to reduce and control potential occupational safety and health hazards in business operations .

During the reporting period, the Group was not aware of any violation of local laws and regulations related to occupational health and safety, or any situations involving our employees' loss of lives due to work. However, during the reporting period, the lost working days due to occupational incident is 33 days. The Group will endeavor to improve occupational health and safety performance so as to prevent the re-occurrence of similar incident.

Safety management for our plants

The workshop area in our plants is the core region for our production and also the principal work place for our employees. To ensure that our employees can work in a safe environment and reduce the accident rate, we adopt the most stringent management measures. We identify the level of risk and the occurrence possibility of risks through work risk assessment reports, thereby providing appropriate measures, such as providing employees with the necessary work safety equipment, facilities and tools.

Occupational health and safety inspection

In order to effectively review our occupational health and safety performance, the Group arranges designated personnel for the safety matters within our plants, including regular inspection of plant environment and workshop equipment. Condition of personal protective equipment is examined and relevant warning labels are posted at high-risk areas. Meanwhile, we have installed forced exhaust system, vacuum cleaning equipment, heat insulation layer and forced ventilation system to protect our employees' health and create a more ideal working environment.

Training on safety

We actively promote workplace safety culture. We provide employees with adequate training on occupational health to keep up employees' awareness against workplace health and safety, thereby minimising work-related risks, preventing the occurrence of accidents in operation and reducing occupational hazards. Moreover, in order to enable our employees to understand and practice the contingency measures in case of emergency, we arrange different emergency drills every year, such as fire drills and integrated emergency drills.

Occupational safety and health management for our restaurants

The number of industrial accidents occurred in the catering industry rank first among all industries in Hong Kong. Therefore, the Group maintains constant vigilance in this regard and strives to enhance the occupational safety and health standards and culture within our restaurants. We have been sharing with our staff the information on occupational safety and health in the catering industry issued by the Occupational Safety and Health Council to provide preventive advice on different workplace safety risks and minimize the possibility of injury.

Safety management at office

We provide our employees with suitable facilities in our office such as adjustable chairs with handles, the latest training on the operation of display devices, and regular risk assessment of using display devices. In addition to provision of equipment, the Group will provide the newly recruited employees with training on safety at office, so as to raise our employees' safety awareness.

7.3 Career development

Management principles and policies

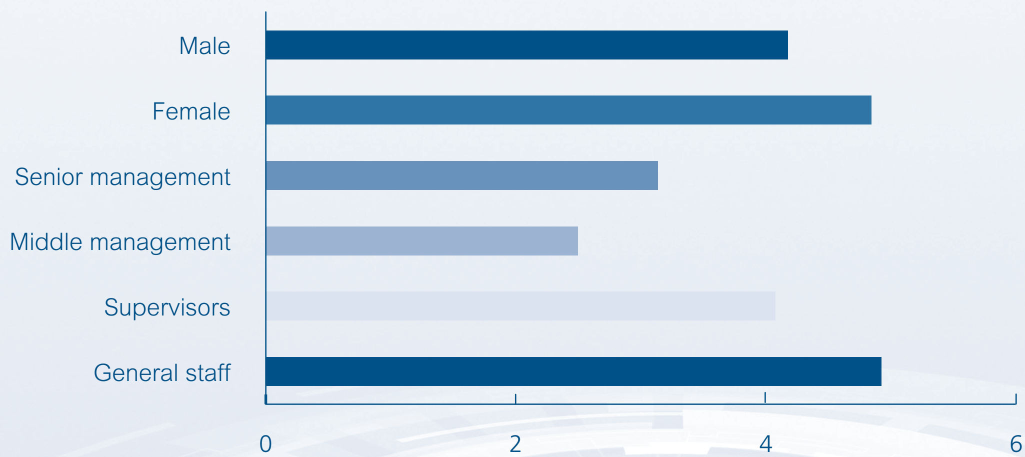
The Group believes that acquisition of new knowledge and technology can enable the Group to maintain its competitiveness. Therefore, we encourage our employees to be lifelong learner to grow together with the Group and foster a continuous learning culture to enhance the value of teams and the professionalism of employees, thus helping the Group sustain its success.

In order to assist our newly recruited employees to adapt to the Group's work culture and environment, we provide pre-employment training for them, including information about our corporate culture, employee handbooks, job skills and relevant safety knowledge, with an aim of enhancing their understanding of the Company, their position and working environment.

In addition, we are dedicated to building a professional technical team through providing latest courses in relation to skills and management to our employees on a regular basis. In addition, employees may apply for relevant courses held by relevant trade unions or colleges. The Company will consider internal promotion for those employees with good performance when they finish their courses.

The average number of training hours per employee of the Group received during the reporting period is as follows:

Average number of training hours per employee (hours)



Male	4.18
Female	4.85
Senior management	3.14
Middle management	2.50
Supervisors	4.08
General staff	4.93

7.4 Rights and interests protection

Management principles and policies

The Group has been committed to protecting its employees' rights and interests and creating a fair working environment for them. Therefore, the Group strictly prohibits the recruitment of child labour and illegal labour and the use of any forms of forced labour. To avoid hiring illegal labour, during job recruitment, we check every applicant's identification card and other valid documents for age verification. We strictly verify the identification of each applicant to ensure that relevant information complies with local laws. In case overtime work is needed for completing their tasks, in order to ensure that it is on voluntary basis and under the principle of fairness, employees will fill in overtime application sheets after being informed of the overtime working tasks.

During the reporting period, the Group was not aware of any case in relation to the use of child labour and forced labour.

8. Operational commitment

8.1 Supply chain management

Management principles and policies

The steady development of the Group's business is dependent on the reliable support of its suppliers. Suppliers are one of the important stakeholders in the Group's business value chain, and our relationship with them is close and inseparable. The Group is also fully committed to building a good partnership with our suppliers. To promote the business and cooperation with suppliers,, the Group has stipulated internal rules to regulate the process of public tender and quotation. The Group will also explain our principles and expectations to our partners and establish effective mechanisms to ensure that both parties will strictly act in accordance with laws and regulations.

Green supply chain

While actively consolidating its internal sustainable development management, the Group also hopes to exert its influence in the supply chain to contribute to sustainable development together with suppliers, customers and other stakeholders. Therefore, the Group gives first priority to the suppliers with awards or certificates in relation to corporate social responsibility. The scope of corporate social responsibility includes elements such as product and service quality, environmental protection, community involvement and conscientious employer. We require all suppliers to comply with the "Code for Suppliers" prepared by the Group and we assess on annual basis whether the suppliers' performance meets our requirements for corporate social responsibility, product and service quality.

Suppliers' engagement

The Group stipulated new supplier management measures in 2017. The Company will adopt a series of measures to evaluate supplier's performance and appropriateness before entering into a transaction, with an aim to ensure the suppliers are in compliance with all local laws and regulations as well as the Group's requirements.

The control measures included:

- Conduct sample tests to ensure that the materials provided meet relevant standards for producing safe products with high quality.

- Conduct company background investigations, which include reviewing the relationship between the supplier's management and the Company to prevent conflicts of interest; conducting site inspections to ensure that the supplier will be able to provide suitable services or products that meets relevant standards and prevent the occurrence of fraud; and conducting investigations through the Internet to review the supplier's basic information and past governance performance.

8.2 Safe production

Management principles and policies

The Group has been upholding the operating philosophy of "Quality First", and has been committed to providing customers with high quality, professional and excellent products and services. Therefore, we are committed to providing customers with quality, healthy and safe products and services in compliance with applicable local and international laws. Since 2000, we have been continuously accredited with the international management standards of the quality management system (ISO 9001).

During the reporting period, the Group has not received any reports or related complaints on product recalls due to safety and quality issues.

Quality service

Customer satisfaction has always been the key to the success of the Group. We strive to exceed our customers' expectations by improving the performance of all aspects of our business. We have developed the code of practices for employees to improve customer service processes. Furthermore, when quality and safety problems arise in our products or services, the Group will immediately conduct an in-depth investigation to identify the causes, and at the same time, the Group will formulate corresponding mitigation measures to reduce the impact of the problems and prevent re-occurrence of the same problems.

Product safety

The Group provides customers with accurate and true information about product quality and safety. The products provided by us are subject to quality inspection and the product quality and safety inspection records can be provided at the request of individual customers. Quality assurance is given for all of our products.

After-sale services

Customer feedback is the major contributor for driving the Group forward, and therefore we maintain good communication with our customers to understand their requirements so as to improve our products and services. Hotline service is also available for customers' enquiries on product details.

Privacy protection for consumers' information

In terms of customer's personal data and confidential documents, personal data collected and held are properly protected by us. To prevent leakage of information, we also prohibit our employees from disclosing any confidential or proprietary information to third parties. All of our employees are required to comply with privacy policies regarding personal information and local regulations to protect customers' information. During the reporting period, we did not receive any complaint in relation to proven breach of customer privacy or loss of customer information.

Fair business practices

The Group adopts sound promotion and marketing practices, and any advertisement shall not make a description, claim or explanation that is inconsistent with the facts. We will also formulate our sales and promotional documents in accordance with the relevant laws and codes of practice to ensure that our promotional materials and advertising content are true, fair and reasonable and not misleading, so as to protect the interests of consumers.

8.3 Corporate governance

Management principles and policies

The Group is committed to building a corporate culture of integrity and business ethics. We will not tolerate any form of corruption, including bribery, extortion, fraud and money laundering. Therefore, in order to establish ethical corporate culture, the Board of the Company is comprised of members from different institutions to jointly monitor the corporate governance of the Company.

During the reporting period, the Group was not aware of any lawsuits involving corruption filed against the Group or its individual employee or any cases regarding corruption.

Prevention and supervision

In order to promote a corporate culture of integrity and anti-corruption, we have established internal code of business ethics. When there are cases of conflict of interest, they must be reported to the human resources department. If any employee is involved in any corruption and fraud conduct, we will impose penalties based on the influence and consequence of such conduct according to the corporate rules. If the behavior violates the law, it will be handled by the judicial authority according to law with zero tolerance.

Furthermore, we will also provide anti-corruption trainings to management and procurement department which are facing higher risks of conflict of interest to minimise the risk of participating in corruption and bribery activities. Meanwhile, we have also stipulated an equal, open and fair tendering process for the procurement of products or services, which will be reviewed and approved by personnel at different ranks based on the contracted amounts so as to reduce the risk of participating in corruption and bribery activities.

Whistleblowing policy

In order to resolutely resist the occurrence of incidents such as corruption and fraud, the Group has whistleblowing policy in place. Employees and all stakeholders can report any suspected inappropriate or illegal behaviour to the Group through confidential ways such as email and telephone. All reported cases are kept confidential to protect the interests of the whistleblowers. We will not tolerate any behavior of corruption. Serious cases will be reported to the relevant law enforcement authorities.

9. Community contribution

We understand that we should fulfill our obligations as a corporate citizen and contribute to the communities we serve. Although the Group has not formulated any policy on charitable donations, we have made donations and sponsorships to support non-profit making organisations in respond to the cultural, educational and other social needs.

Summary of data performance

Environmental performance		
Employees	**Unit**	
Number of employees	Number of persons	175
Pollutants emissions		
Solid waste		
Hazardous waste	kilogrammes	60.00
Hazardous waste intensity	kilogrammes per employee	0.34
Non-hazardous waste	tonnes	51.20
Non-hazardous waste intensity	tonnes per employee	0.29
Greenhouse gas emissions and intensity		
Total greenhouse gas emissions	tonnes of carbon dioxide equivalent	1,058.87
Direct emission	tonnes of carbon dioxide equivalent	6.71
Energy-related indirect emissions	tonnes of carbon dioxide equivalent	1,052.61
Emission intensity	tonnes of carbon dioxide equivalent per employee	6.05
Energy use		
Power purchased	kilowatts-hour	691,462.00
Intensity of power consumed	kilowatts-hour per employee	3,951.21
Gasoline (mobile source)	liters	2,607.97
Intensity of gasoline consumed	liters per employee	14.90
Municipal water	cubic meters	10,630.00
Intensity of water consumed	cubic meters per employee	60.74
Gas	KJ	873,744.00
Intensity of gas consumed	KJ per employee	4,992.82
Packaging material consumption		
Plastic	tonnes	2.41
Paper	tonnes	10.72

HONG KONG STOCK EXCHANGE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE INDEX

國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F Gloucester Tower
The Landmark
11 Pedder Street Central
Hong Kong

TO THE SHAREHOLDERS OF
ECHO INTERNATIONAL HOLDINGS GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Echo International Holdings Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 60 to 158, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of 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 Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter

Valuation of financial instruments

Refer to Notes 3, 21, 29 and 36 to the consolidated financial statements

As at 31 March 2019, the Group held derivative financial assets measured at fair value amounted to approximately HK$8,201,000, representing 13% of total assets.

Management engaged independent professional external valuers to determine the fair value of financial instruments at acquisition date and year end date. The valuation of derivative financial assets is complex and requires application of significant judgment by the management.

These valuation techniques, in particular those that include significant unobservable inputs, involve management using subjective judgements and assumptions. With different valuation techniques and assumptions applied, the valuation results can vary significantly.

Our procedures in relation to the valuation of financial instruments included:

- Evaluating the competency, capabilities and objectivity of the independent professional external valuer;
- Assessing the appropriateness of the valuation methodology, key assumptions and estimates used based on our knowledge of the relevant market and using our valuation experts;
- Challenging the reasonableness of key assumptions used based on our knowledge of the business and industry; and
- Checking, on a sampling basis, the accuracy and relevance of the input data used.

We found that the assumptions made by the management in relation to the valuation of financial instruments to be reasonable based on available evidence.

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Interests in associates Refer to Notes 3 and 16 to the consolidated financial statements. On 24 October 2018, the Group acquired 30% equity interest in Bluemount Financial Group Limited and its subsidiaries (collectively named as "Bluemount Group"). The fair value of total consideration was HK$6,200,000 was recognised in relation to the investment in Bluemount Group. The fair value of net identifiable of associate's assets acquired exceeded the fair value of consideration paid at date of acquisition. As a result, the Group has recognised gain from bargain purchase of approximately HK$11,241,000 in the consolidated statement of profit or loss and other comprehensive income. Management engaged independent professional external valuers to determine fair values of the assets and liabilities acquired in the acquisitions, including the identification and valuation of intangible assets and determine the recoverable amount of investment in associate at year end date based on value in use calculation for impairment assessment. The valuations requires the application of significant judgement and estimation by the management in determining the appropriate appropriate valuation methodology to be used, use of subjective assumptions and various unobservable inputs.	Our procedures in relation to the management's determination of fair values of associates' net identifiable assets acquired and impairment assessments of interests in associates included: • Evaluating the competency, capabilities and objectivity of the independent professional external valuer; • Assessing the appropriateness of the valuation methodology, key assumptions and estimates used based on our knowledge of the relevant industry and using our valuation experts; • Challenging the reasonableness of key assumptions used based on our knowledge of the business and industry; and • Checking, on a sampling basis, the accuracy and relevance of the input data used. We found that the assumptions made by the management in relation to the value in use calculations to be reasonable based on available evidence.

Independent Auditors' Report

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditors' report thereon ("**Other Information**").

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

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

RESPONSIBILITIES OF THE DIRECTORS AND THE AUDIT COMMITTEE 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 the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of the 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 is responsible for overseeing the Group's financial reporting process.

AUDITORS' 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 auditors' 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.

AUDITORS' 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 auditors' 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 auditors' 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 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 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.

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

From the matters communicated with 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 auditors' 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 director on the audit resulting in this independent auditors' report is Shek Lui.

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

Shek Lui
Practising Certificate Number: P05895

Hong Kong, 19 June 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5	**52,817**	38,324
Cost of sales		**(41,295)**	(28,679)
Gross profit		**11,522**	9,645
Other gains or loss, net	7	**6,859**	1,068
Selling and distribution expenses		**(1,475)**	(1,188)
Administrative and other expenses		**(24,275)**	(23,491)
Finance costs	8	**(2,043)**	(720)
Share of result of associates	16	**14,721**	–
Profit/(loss) before taxation	9	**5,309**	(14,686)
Taxation	10	**(37)**	(30)
Profit/(loss) for the year		**5,272**	(14,716)
Other comprehensive (loss)/income, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating of foreign operations		**(2,252)**	997
Other comprehensive (loss)/income for the year, net of income tax		**(2,252)**	997
Total comprehensive income/(loss) for the year		**3,020**	(13,719)
Profit/(loss) for the year attributable to the owners of the Company		**5,272**	(14,716)
Total comprehensive income/(loss) for the year attributable to the owners of the Company		**3,020**	(13,719)
Earnings/(loss) per share			
— Basic (in HK cents)	12	**0.5**	(1.6)
— Diluted (in HK cents)	12	**0.1**	(1.6)

All of the Group's operations are classed as continuing.

The accompanying notes form an integral part of consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	15	**4,817**	2,585
Interests in associates	16	**20,921**	–
Deferred tax asset	30	**18**	–
		25,756	2,585
Current assets			
Inventories	17	**12,625**	13,301
Trade receivables	18	**4,616**	4,728
Amount due from a related company	19	**98**	196
Deposits, prepayments and other receivables	20	**3,891**	6,343
Financial assets at fair value through profit or loss	21	**8,201**	1,737
Pledged time deposits	22	**2,039**	2,012
Cash and bank balances	22	**8,310**	13,340
		39,780	41,657
Current liabilities			
Trade payables	23	**2,293**	3,667
Accruals and other payables	24	**2,158**	2,571
Trade deposits received		**–**	1,268
Contract liabilities	26	**654**	–
Tax payable		**212**	41
Bank borrowing	27	**146**	–
Obligation under finance lease	28	**121**	96
		5,584	7,643
Net current assets		**34,196**	34,014
Total assets less current liabilities		**59,952**	36,599
Non-current liabilities			
Bank borrowing	27	**402**	–
Obligation under finance lease	28	**259**	399
Convertible bonds	29	**17,411**	7,586
Deferred tax liabilities	30	**922**	399
		18,994	8,384
Net assets		**40,958**	28,215
Capital and reserves			
Share capital	31	**2,550**	2,400
Reserves		**38,408**	25,815
Total equity		**40,958**	28,215

Approved by the Board of Directors on 19 June 2019 and signed on its behalf by:

Lo, Yan Yee *Executive Director*	**Cheng, Yeuk Hung** *Executive Director*

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Share capital HK$'000	Share premium HK$'000	Contribution reserve HK$'000 Note 34(a)	Capital reserve HK$'000 Note 34(b)	Share option reserve HK$'000 Note 34(c)	Exchange reserve HK$'000 Note 34(d)	Convertible bond-equity component reserve HK$'000 Note 34(e)	Accumulated losses HK$'000	Total HK$'000
As at 1 April 2017	2,000	28,840	4,836	(89)	5,794	(1,214)	–	(26,982)	13,185
Total comprehensive income/(loss) for the year	–	–	–	–	–	997	–	(14,716)	(13,719)
Share placing	400	25,680	–	–	–	–	–	–	26,080
Issuance cost on share placing	–	(1,044)	–	–	–	–	–	–	(1,044)
Issuance of convertible bonds	–	–	–	–	–	–	4,242	–	4,242
Issuance cost on convertible bonds	–	–	–	–	–	–	(119)	–	(119)
Deferred tax liability arising from issue of convertible bonds	–	–	–	–	–	–	(410)	–	(410)
As at 31 March 2018	2,400	53,476	4,836	(89)	5,794	(217)	3,713	(41,698)	28,215
Impact of adopting HKFRS 9 (Note 2)	–	–	–	–	–	–	–	(24)	(24)
Restated opening balance under HKFRS 9 as at 1 April 2018	2,400	53,476	4,836	(89)	5,794	(217)	3,713	(41,722)	28,191
Total comprehensive (loss)/income for the year	–	–	–	–	–	(2,252)	–	5,272	3,020
Issue of shares in relation to acquisition of associates	150	5,850	–	–	–	–	–	–	6,000
Issuance of convertible bonds	–	–	–	–	–	–	4,518	–	4,518
Issuance cost on convertible bonds	–	–	–	–	–	–	(127)	–	(127)
Deferred tax liability arising from issue of convertible bonds	–	–	–	–	–	–	(644)	–	(644)
As at 31 March 2019	**2,550**	**59,326**	**4,836**	**(89)**	**5,794**	**(2,469)**	**7,460**	**(36,450)**	**40,958**

The accompanying notes form an integral part of consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Operating activities			
Profit/(loss) before taxation		**5,309**	(14,686)
Adjustments for:			
Interest income	7	**(35)**	(7)
Gain on disposal of property, plant and equipment		**–**	(210)
Change in fair value of financial assets at fair value through profit or loss	7	**(5,562)**	294
Inventories write down		**–**	832
Share of result of associates	16	**(14,721)**	–
Interest expenses	8	**2,043**	720
Depreciation of property, plant and equipment	15	**1,269**	444
Allowance for expected credit loss/impairment loss recognised in respect of trade receivables	9, 18	**81**	690
Allowance for expected credit loss recognised in respect of amount due from a related company	9, 19	**1**	–
Operating cash flows before movements in working capital		**(11,615)**	(11,923)
Decrease/(increase) in trade receivables		**3**	(722)
Increase in inventories		**(137)**	(1,147)
Decrease/(increase) in deposits, prepayments and other receivables		**2,207**	(2,443)
Decrease/(increase) in amount due from a related company		**96**	(121)
Decrease in accruals and other payables		**(334)**	(1,028)
(Decrease)/increase in trade deposits received		**(1,268)**	568
Increase in contract liabilities		**654**	–
(Decrease)/increase in trade payables		**(1,306)**	901
Cash used in operations		**(11,700)**	(15,915)
Income tax paid		**–**	–
Net cash used in operating activities		**(11,700)**	(15,915)
Investing activities			
Interest received		**35**	7
Increase in pledged time deposits	22	**(27)**	(2)
Proceeds from disposal of property, plant and equipment		**–**	426
Purchase of property, plant and equipment	15	**(3,502)**	(1,439)
Net cash used in investing activities		**(3,494)**	(1,008)

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
Financing activities			
Proceeds from bank borrowing		**746**	–
Repayment of bank borrowing		**(198)**	–
Repayment of debenture		**–**	(8,000)
Issue of share capital		**–**	26,080
Payment of transaction cost on share placing		**–**	(1,044)
Interest paid	32	**(1,312)**	(650)
Repayment of obligation under finance leases		**(115)**	(341)
Proceeds from issue of convertible bonds	29	**13,000**	10,000
Payment of transaction cost on issue of convertible bonds	29	**(417)**	(392)
Net cash generated from financing activities		**11,704**	25,653
Net (decrease)/increase in cash and cash equivalents		**(3,490)**	8,730
Cash and cash equivalents at the beginning of the year		**13,340**	3,629
Effect of exchange rates on the balance of cash held in foreign currencies		**(1,540)**	981
Cash and cash equivalents at the end of the year		**8,310**	13,340
Analysis of the balance of cash and cash equivalents:			
Cash and bank balance		**8,310**	13,340

Note:

Major non-cash transaction

During the year ended 31 March 2019, the Group invested for 30% equity interests in Bluemount Group, which was settled by issue 6,000,000 ordinary shares with share price HK$0.1 and deposit amounted to HK$200,000. Details of the acquisition are disclosed in Note 16.

1. GENERAL INFORMATION

Echo International Holdings Group Limited was incorporated as an exempted company with limited liability in Cayman Islands on 21 December 2010 under the Companies Law of the Cayman Islands. The addresses of the registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business of the Company is Room 3207A, 32/F, Cable TV Tower, 9 Hoi Shing Road, Tsuen Wan, Hong Kong. The shares of the Company are listed on the Growth Enterprise Market ("**GEM**") of the Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). Its ultimate controlling shareholder is Ms. Cheng Yeuk Hung ("**Madam Cheng**").

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are engaged in the manufacturing and trading of electronic products and accessories. The consolidated financial statements are presents in Hong Kong dollars ("**HK$**"), which is the same as the functional currency of the Company. All values are rounded to nearest thousands (HK$'000) unless otherwise stated.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARD ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has adopted all of the new standards, amendments and interpretations ("**new and amendments to HKFRSs**") (which included all HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") that are relevant to its operations and effective for annual periods beginning on or after 1 April 2018.

A summary of the new and amendments HKFRSs are set out as below:

Amendments to HKAS 28	Annual improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRS 1	Annual improvements to HKFRSs 2014–2016 Cycle
Amendments to HKFRS 2	Classification and Measurement of Share-Based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARD ("HKFRSs") (CONTINUED)

(a) Impact on the consolidated financial statements

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the application of new HKFRSs have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail by standard below:

Consolidated statement of financial position (extract)	**31 March 2018**	**HKFRS 9**	**HKFRS 15**	**1 April 2018**
	HK$'000	HK$'000	HK$'000	HK$'000
Non-current asset				
Deferred tax asset	–	5	–	5
Current assets				
Trade receivables	4,728	(28)	–	4,700
Amount due from a related company	196	(1)	–	195
Net current assets	34,014	(29)	–	33,985
Current liabilities				
Trade deposits received	1,268	–	(1,268)	–
Contract liabilities	–	–	1,268	1,268
Total assets less current liabilities	36,599	(24)	–	36,575
Net assets	28,215	(24)	–	28,191
Capital and reserves				
Reserves	25,815	(24)	–	25,791
Total equity	28,215	(24)	–	28,191

(b) HKFRS 9 *Financial Instruments* — Impact of adoption

In the current year, the Group has applied HKFRS 9 *Financial Instruments* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities; (2) expected credit losses ("**ECL**") for financial assets and (3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2019 are recognised in the opening retained profits and other components of equity, without restating comparative information.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARD (“HKFRSs”) (CONTINUED)

(b) HKFRS 9 *Financial Instruments* — Impact of adoption (Continued)

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

Accounting policies resulting from application of HKFRS 9 are disclosed in Note 3.

Summary of effects arising from initial application of HKFRS 9

(i) Classification and measurement

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

Non-equity investments held by the Group are classified into one of the following measurement categories:

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

- FVTOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses. When the investment is derecognized, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARD ("HKFRSs") (CONTINUED)

(b) HKFRS 9 *Financial Instruments* — Impact of adoption (Continued)

Summary of effects arising from initial application of HKFRS 9 (Continued)

(i) Classification and measurement (Continued)

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

There is no impact on the Group's accounting for financial liabilities. The Group accounts for the accruals, trade deposits received and other payables, borrowings and convertible bonds at financial liabilities that are designated at fair value through profit or loss. The derecognition rules have been transferred from HKAS 39 *Financial Instruments: Recognition and Measurement* and have not been changed. The Group's financial liabilities previously carried at amortised costs remained to be measured at amortised costs under HKFRS 9.

(ii) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. Except for those which had been determined as credit impaired under HKAS 39, the remaining balances are grouped based on past due analysis. The Group has therefore estimated the expected loss rates for the trade receivables on the same basis.

Except for those which had been determined as credit impaired under HKAS 39, ECL for other financial assets at amortised cost, including amount due from a related company, other receivables, pledged bank deposits, cash and cash balances, are assessed on 12-month ECL ("**12m ECL**") basis as there had been no significant increase in credit risk since initial recognition.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The impact of the change in impairment methodology is as follow.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARD ("HKFRSs") (CONTINUED)

(b) HKFRS 9 *Financial Instruments* — Impact of adoption (Continued)

Summary of effects arising from initial application of HKFRS 9 (Continued)

(ii) Impairment under ECL model (Continued)

Loss allowances of trade receivables and amount due from a related company as at 31 March 2018 reconciled to the opening loss allowances as at 1 April 2018 are as follows:

	Trade receivables	**Amount due from a related company**
	HK$'000	HK$'000
At 31 March 2018 — HKAS 39	690	–
Amounts re-measured through opening — accumulated losses	28	1
At 1 April 2018 — HKFRS 9	718	1

(c) HKFRS 15 *Revenue from Contracts with Customers and the related amendments*

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 April 2018.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARD ("HKFRSs") (CONTINUED)

(c) HKFRS 15 *Revenue from Contracts with Customers and the related amendments (Continued)*

Set out below are the amounts by which each financial statement line item was affected as at 1 April 2018 as a result of the adoption of HKFRS 15:

	HKAS 18 carrying amount as at 31 March 2018	Reclassification	HKFRS 15 carrying amount as at 1 April 2018
	HK$'000	HK$'000	HK$'000
Trade deposits received (Note)	1,268	(1,268)	–
Contract liabilities (Note)	–	1,268	1,268

Note: As a result of the changes in the Group's accounting policies, except for the reclassification of the contract liabilities from trade deposits received of approximately HK$1,268,000 at initial application, HKFRS 15 was generally adopted without restating any other comparative information. The adoption of HKFRS 15 in the current period does not result in any impact on the amounts reported in the consolidated financial statements and/or disclosures set out in the consolidated financial statements except that, the Group has adopted the following accounting policies on contract liabilities with effect from 1 April 2018 as stated in Note 26 to consolidated financial statements.

New and amendments to HKFRSs that have been issued but are not yet effective

The Group has not applied the following new and amendments to HKFRSs that have been issued but are not yet effective in the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKAS 19	Employee Benefits[1]
Amendments to HKAS 28	Investments in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[2]
Amendments to HKFRS 3	Business Combination[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[5]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]

1 Effective for annual periods beginning on or after 1 January 2019.

2 Effective for business combination and asset acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

3 Effective for annual periods beginning on or after a date to be determined.

4 Effective for annual periods beginning on or after 1 January 2020.

5 Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company (the "**Directors**") anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the financial statements in the foreseeable future.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARD ("HKFRSs") (CONTINUED)

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group.

Furthermore, extensive disclosures are required by HKFRS 16.

At 31 March 2019, the Group has non-cancellable operating lease commitments of approximately HK$11,287,000 as disclosed in Note 39 to the consolidated financial statements. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained earnings without restating comparative information. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs (which also include Hong Kong Accounting Standards ("**HKASs**") and interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong, the disclosure requirement of the Hong Kong Companies Ordinance ("**CO**") and the applicable disclosure provisions of The Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**").

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the consolidated financial statements and estimates with a significant risk of material adjustments in the next year are discussed in Note 4 to the consolidated financial statements.

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of preparation (Continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in the Group's ownership interests in existing subsidiaries (Continued)

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

Business combinations

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below); and

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (Continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or another measurement basis required by another HKFRSs.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss and other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9/HKAS 39 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations (Continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intragroup transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Separate financial statements

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

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of an associate are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is or the portion so classified is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method. The financial statements of an associate used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the an associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates (Continued)

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate and the retained interest is a financial asset within the scope of HKFRS 9/HKAS 39, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the or joint venture and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2)

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

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

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

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

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

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

A contract asset and a contract liability relating to a contract are accounted for an presented on a net basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue from contracts with customers (upon application of HKFRS 15 in accordance with transitions in Note 2) (Continued)

(i) Sales of goods

Revenue from sales of goods is recognised at the point in time when goods are delivered to customers generally on the time the related risks and rewards of ownership has transferred.

(ii) Subcontracting income

Revenue from the provision of subcontracting service is recognised at the point in time when the services are provided.

(iii) Interest income

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). Interest income is presented as "interest income" where it is mainly earned from financial assets that are held for cash management purposes.

(iv) Revenue from restaurants operations

The Group recognises revenue from restaurants operations which provides catering services. Revenue from restaurants operations is recognised at a point in time when the services are rendered. A receivable is recognised by the Group when the services are rendered to the customers at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Revenue recognition (before application of HKFRS 15 on 1 April 2018)

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the consolidated statement of profit or loss and other comprehensive income as follows:

(i) Sales of goods

Revenue is recognised when goods are recognised on the transfer of risks and rewards of ownership, which generally considers with the time when goods are delivered to customers and title has passed. Revenue is recognised after deduction of any trade discounts.

(ii) Subcontracting income

Revenue from the provision of subcontracting service is recognised when the service are provided.

(iii) Interest income

Interest income from bank deposits is accrued on a timing basis, by reference to the principal outstanding and at the interest rate applicable.

(iv) Service income

Revenue from restaurant operations is recognised when catering services have been provided to the customers.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leasing

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

The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

The functional currency of the Company and its Hong Kong subsidiaries are HK$. The functional currency of the People's Republic of China ("**PRC**") subsidiary is Renminbi ("**RMB**"). The consolidated financial statements is presented in HK$ which is the Group's presentation currency. This is also the currency of the primary economic environment in which the Group operates. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

In preparing the consolidated financial statements of each individual Group entities, transactions in currencies other than that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the exchange rates prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the reporting period in which they arise, except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;

- exchange difference on transactions entered into in order to hedge certain foreign currency risks; and

- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statements, the asset and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign translation reserve (attributable to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to non-controlling interests and is not recognised in profit or loss. For all other partial disposals (i.e. partial disposal of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

Goodwill and fair value adjustments to identifiable assets acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in entity under the heading of exchange reserve.

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.

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

Retirement benefit costs

Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statements of comprehensive income as they become payable in accordance with the rules of the MPF Scheme.

As stipulated by the rules and regulations of the PRC, the Company's subsidiary registered in the PRC are required to contribute to a state-sponsored retirement plan for all its PRC employees at certain percentages of the basic salaries predetermined by the local governments. The state-sponsored retirement plan is responsible for the entire retirement benefit obligations payable to retired employees and the Group has no further obligations for the actual retirement benefit payments or other post-retirement benefits beyond the annual contributions.

The costs of employee retirements are recognised as expenses in the consolidated statements of comprehensive income in the period in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form in integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted to use.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year end. Taxable profit differs from profit/loss before tax as reported in the consolidated statements of comprehensive income 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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of the 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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.

The measurement of deferred tax liabilities and assets 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.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when it relates to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively when current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognised in the consolidated statements of financial position so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit and loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (Continued)

The estimated useful lives for the current and comparative periods are as follows:

Leasehold improvements	5 years
Furniture and fixtures	5 years
Office equipment	3–4 years
Computer equipment	3–4 years
Motor vehicles	3–4 years
Mould	3–4 years
Plant and machinery	3–4 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

Depreciation methods, useful lives and residual values are reassessed at each reporting date.

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

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is computed using the weighted average basis and, in the case of work in progress and finished goods, includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price for inventories less the estimated costs of completion and costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognized as an expense in which the reversal occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Provisions

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

Provisions are reviewed at the end of each of reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligations.

Convertible bonds

Convertible bonds issued by the Group that contain both the liability, conversion option and redemption options components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability, an equity instrument and embedded derivative. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is classified as an equity instrument. A redemption option that will be settled by the exchange of a fixed amount of cash or another financial asset is a redemption option derivative.

At the date of issue, both the liability component and redemption option derivative are recognised at fair value. In subsequent periods, the liability component of the convertible bonds is carried at amortised cost using the effective interest method. The redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss.

The conversion option classified as equity is determined by deducting the amount of the liability component and redemption option components from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible bonds, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Convertible bonds (Continued)

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability, equity and redemption option components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Note: Convertible bonds issued by the Group are measured at amortised cost, using the effective interest method. Transaction costs are included in the carrying amount of the convertible bonds and amortised over the period of the convertible bonds using the effective interest method.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. All regular way purchases or sales of financial assets are recognised and derecognised on trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2)

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

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

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

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

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

A financial asset is classified as held for trading if:

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2) (Continued)

(i) Amortised cost and interest income

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

(ii) Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments/receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of revaluation reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits/will continue to be held in the revaluation reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other gains or loss, net" line item in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (upon application of HKFRS 9 in accordance with transitions in Note 2) (Continued)

(iv) Financial assets at FVTPL

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains or loss, net" line item.

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2)

The Group recognises a loss allowance for expected credit loss (the "**ECL**") on financial assets which are subject to impairment under HKFRS 9 (including trade receivables, amount due from a related company, other receivables, pledged bank deposits and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) (Continued)

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

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 90 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) (Continued)

(ii) Definition of default

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

Irrespective of the above, the Group considers that default has occurred when a financial asset is over 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

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

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

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

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (upon application HKFRS 9 with transitions in accordance with Note 2) (Continued)

(v) Measurement and recognition of ECL

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

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

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

- Nature of financial instruments (i.e. the Group's trade receivables and deposits and other receivables are each assessed as a separate group. Loans to related parties are assessed for expected credit losses on an individual basis);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (before application of HKFRS 9 on 1 April 2018)

The Group's financial assets are classified into financial assets at fair value through profit or loss ("**FVTPL**"), loans and receivables. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

(i) Effective interest method

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

Income is recognised on effective basis for debt instruments.

(ii) Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is held for trading.

A financial asset is classified as held for trading if:

(a) it has been acquired principally for the purpose of selling it in the near term; or

(b) on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

(c) it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the "net loss on financial assets at fair value through profit or loss" line item. Fair value is determined in the manner described in Note 21 and 29.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018)

(i) Financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimate future cash flows of the investment have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contracts, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of within 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018) (Continued)

(i) Financial assets (Continued)

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. 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 financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) Other assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (before application of HKFRS 9 on 1 April 2018) (Continued)

(ii) Other assets (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loan and receivables (including trade receivables, amount due from a related company, other receivables, pledged time deposits and cash and bank balances) are measured at amortised cost using the effective interest method, less any impairment.

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (Continued)

Other financial liabilities

Other financial liabilities (including trade payables, debentures, convertible bonds other payables, bank overdrafts, borrowings and obligation under finance leases) are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

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

Interest expense as recognised on an effective interest basis.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the asset expire, or when financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial asset to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in other comprehensive income and accumulated in equity is recognised in profit or loss.

Financial liabilities are removed from the Group's consolidated statements of financial position when the obligations specified in the relevant contract are discharged cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties transactions

A party is considered to be related to the Group if:

(1) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group.

(2) An entity is related to the Group if any of the following conditions applies:

(i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) both entities are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (1);

(vii) a person identified (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group is a part, provides key management personnel services to the group or to the parent of the Group.

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

A related party transaction is a transfer of resources, services or obligations between reporting entity and a related party, regardless of whether a price is charged.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's executive directors, being the chief operating decision maker, for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individual material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. A contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Share-based payment arrangements

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the date of grant and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share options reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share options reserve will be transferred to retained earnings.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(a) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and distribution expenses. These estimates are based on the current market condition and historical experience of selling products of similar nature. It could change significantly as a result of competitor actions in response to severe industry cycles. Management reassesses these estimations at the end of the reporting period to ensure inventories are shown at the lower of cost and net realisable value.

(b) Provision of ECL for trade receivables and amount due from a related company

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At each of the reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables and amount due from a related company with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and amount due from a related company are disclosed in Note 36.

(c) Income taxes

Determining income tax provisions involve judgment on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions and tax provisions are set up accordingly. The tax treatment of such transactions is reconsidered periodically to take into account all changes in tax legislations. Deferred tax assets are recognised for tax losses not yet used and temporary deductible differences. As those deferred tax assets can only be recognised to the extent that it is probable that future taxable profit will be available against which the unused tax credits can be utilised, management's judgment is required to assess the probability of future taxable profits. Management's assessment is constantly reviewed and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax asset to be recovered.

(d) Impairment test for interests in associates

The Group completed its annual impairment test for interests in associates by comparing the recoverable amount of interests in associates to its carrying amount as at 31 March 2019. The Group has engaged the independent professional external valuer to carry out a valuation of the interests in associates as at 31 March 2019 based on the value in use calculations. This valuation uses cash flow projections based on financial estimates covering a five-year period, and a pre-tax discount rate of approximately 12.67% (2018: N/A). The cash flows beyond the five-year period are extrapolated using a steady 2.5% (2018: N/A) growth rate for the brokerage and money lending industries in which are operated by associates.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(e) Carrying value of financial instruments not quoted in an active market

As at 31 March 2019, the carrying value of the Group's financial assets at fair value through profit or loss determined by valuation technique as these financial instruments do not have a quoted market price. The Directors use their judgments in selecting an appropriate valuation technique. Valuation techniques commonly used by the market practitioners are applied. In determining the carrying value of these instruments, assumptions are made based on currently available market data adjusted for specific features of these instruments.

(f) Determination of fair values of identifiable assets in relation to acquisition of associates

The associates' identifiable assets and liabilities acquired had to be measured at their respective fair values as at the date of acquisition. The difference between the cost of acquisition and the Group share of the associates' net assets fair value at date of acquisition should be recognised as goodwill in the interests in associates at statement of financial position or recognised as gain on bargain purchase at the consolidated statement of profit or loss and other comprehensive income. In the absence of an active market for the acquisition transactions undertaken by the Group, in order to determine the fair values of associates' assets and liabilities acquired, the Directors had made their estimates according to the valuation results produced by independent professional external valuers. During year ended 31 March 2019, the fair value of identifiable intangible assets, net of tax, arising from the acquisition of Bluemount Financial Group Limited ("**Bluemount Financial**") is approximately HK$20,010,000, gain on bargain purchase of approximately HK$11,241,000 was recognised as result of the acquisition. Details of the acquisition are disclosed in Note 16.

(g) Share-based payment

For grants of share options that are conditional upon satisfying specified vesting conditions, the fair value of services received is determined by reference to the fair value of share options granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share option reserve).

At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share options reserve.

When share options are exercised, the amount previously recognised in share options reserve will be transferred to share premium. When share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

5. REVENUE

The principal activities of the Group are manufacturing and trading of electronic products and accessories and provision of food catering services. The amount of each significant category of revenue recognised during the year is as follows:

Revenue from contract with customers:

	2019	2018
	HK$'000	HK$'000
Recognition at a point in time:		
— Sale of electronic products	**39,830**	37,609
— Subcontracting income	**–**	227
— Revenue from restaurant operations	**12,987**	488
	52,817	38,324

6. SEGMENT INFORMATION

Information reported internally to the directors of the Group (chief operating decision maker) for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- trading of electronic products;
- manufacturing and trading of electronic products and accessories and subcontracting income; and
- provision of food catering services.

The Group reportable segments are strategic business units that operate different activities. They are managed separately because each business has different market and requires different marketing strategies.

Segment revenues reported below represents revenue generated from external customers. There were no intersegment sales for both years.

Segment result represents the profit/(loss) generated by each segment without allocation of corporate income and central administration costs including directors' emoluments, share based payment, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

6. SEGMENT INFORMATION (CONTINUED)

Segment revenues and results

The following is an analysis of the Group's turnover and results from continuing separations by reportable and operating segments:

For the year ended 31 March 2019

	Trading of electronic products HK$'000	Manufacturing and trading of electronic products and accessories and subcontracting income HK$'000	Provision of food catering services HK$'000	Total HK$'000
Revenue	**2,759**	**37,071**	**12,987**	**52,817**
Segment results	**541**	**(1,881)**	**(4,278)**	**(5,618)**
Unallocated other revenue and gains				**6,670**
Unallocated selling and distribution expenses				**(626)**
Unallocated administrative and other expenses				**(7,713)**
Loss from operations				**(7,287)**
Finance costs				**(2,043)**
Allowance for expected credit loss recognised in respect of trade receivables and amount due from a related company				**(82)**
Share of result of associates				**14,721**
Profit before taxation				**5,309**
Taxation				**(37)**
Profit for the year				**5,272**

6. SEGMENT INFORMATION (CONTINUED)

Segment revenues and results (Continued)

For the year ended 31 March 2018

	Trading of electronic products HK$'000	Manufacturing and trading of electronic products and accessories and subcontracting income HK$'000	Provision of food catering services HK$'000	Total HK$'000
Revenue	3,999	33,837	488	38,324
Segment results	1,488	(8,105)	(878)	(7,495)
Unallocated other revenue and gains				732
Unallocated selling and distribution expenses				(708)
Unallocated administrative and other expenses				(6,495)
Loss from operations				(13,966)
Finance costs				(720)
Loss before taxation				(14,686)
Taxation				(30)
Loss for the year				(14,716)

6. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities
As at 31 March 2019

	Trading of electronic products HK$'000	Manufacturing and trading of electronic products and accessories and subcontracting income HK$'000	Provision of food catering services HK$'000	Total HK$'000
Segment assets	**1,496**	**15,041**	**3,740**	**20,277**
Unallocated corporate assets				**45,259**
Consolidated assets				**65,536**
Segment liabilities	**328**	**2,619**	**–**	**2,947**
Unallocated corporate liabilities				**21,631**
Consolidated liabilities				**24,578**

6. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (Continued)

As at 31 March 2018

	Trading of electronic products HK$'000	Manufacturing and trading of electronic products and accessories and subcontracting income HK$'000	Provision of food catering services HK$'000	Total HK$'000
Segment assets	603	17,697	1,425	19,725
Unallocated corporate assets				24,517
Consolidated assets				44,242
Segment liabilities	456	4,479	146	5,081
Unallocated corporate liabilities				10,946
Consolidated liabilities				16,027

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than unallocated corporate assets (mainly comprising interests in associates, certain of financial assets at fair value through profit or loss, amount due from a related company, deposits, payments and other receivables); and
- all liabilities are allocated to operating segments other than unallocated corporate liabilities (mainly comprising certain of bank borrowings, obligations under finance leases, accruals and other payables).

6. SEGMENT INFORMATION (CONTINUED)

Other segment information
For the year ended 31 March 2019

	Trading of electronic Products HK$'000	Manufacturing and trading of electronic products and accessories and subcontracting income HK$'000	Provision of food catering services HK$'000	Unallocated HK$'000	Total HK$'000
Amount included in the measure of segment results					
Capital expenditure	**–**	**749**	**2,712**	**41**	**3,502**
Depreciation of property, plant and equipment	**–**	**435**	**709**	**125**	**1,269**

For the year ended 31 March 2018

	Trading of electronic Products HK$'000	Manufacturing and trading of electronic products and accessories and subcontracting income HK$'000	Provision of food catering services HK$'000	Unallocated HK$'000	Total HK$'000
Amount included in the measure of segment results					
Capital expenditure	–	15	1,436	600	2,051
Depreciation of property, plant and equipment	–	306	68	70	444

6. SEGMENT INFORMATION (CONTINUED)

Other segment information (Continued)

Amounts regularly provided to the chief operating decision maker but not included in the measure of segment results of segments assets:

For the year ended 31 March 2019

	Trading of electronic Products HK$'000	Manufacturing and trading of electronic products and accessories and subcontracting income HK$'000	Provision of food catering services HK$'000	Unallocated HK$'000	Total HK$'000
Interest income	–	3	–	32	35
Finance costs	–	33	–	2,010	2,043

For the year ended 31 March 2018

	Trading of electronic Products HK$'000	Manufacturing and trading of electronic products and accessories and subcontracting income HK$'000	Provision of food catering services HK$'000	Unallocated HK$'000	Total HK$'000
Interest income	–	1	–	6	7
Finance costs	–	–	–	720	720

6. SEGMENT INFORMATION (CONTINUED)

Revenue from major products and services

The Group's revenue from its major products and services are as follows:

	2019	2018
	HK$'000	HK$'000
Security alarm	**678**	579
Hair remover	**646**	538
Buzzer	**4,812**	5,695
Massage toner	**5**	87
Fishing indicator	**14,500**	15,984
Charger board	**5,304**	540
Control board	**8,903**	8,526
Fire alarm	**707**	590
Communicator	**–**	546
Others	**1,516**	525
Manufacturing and trading of electronic products	**37,071**	33,610
Trading of electronic products	**2,759**	3,999
Subcontracting income	**–**	227
Revenue from restaurants operation	**12,987**	488
	52,817	38,324

6. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group operates in two principal geographical areas — manufacturing in the PRC and trading business in Hong Kong.

The Group's geographical segments are classified according to the location of customers. There are four customer-based geographical segments. Segment revenue from external customers by the location of customer is as follows:

	Revenue from external customers	
	2019	2018
	HK$'000	HK$'000
Hong Kong	**16,333**	4,200
Asian Countries, other than Hong Kong (Note (a))	**5,561**	5,089
European Countries (Note (b))	**22,953**	22,711
North and South American Countries (Note (c))	**6,882**	5,766
Others	**1,088**	558
	52,817	38,324

Notes:

(a) Asian countries include the PRC, India, Korea, Malaysia, Singapore, Taiwan and Thailand.

(b) European countries include Belgium, Bulgaria, Denmark, Finland, Germany, Italy, Poland, Portugal, Russia, Slovakia, Spain, Sweden, Switzerland and United Kingdom.

(c) North and South American countries include Argentina, Brasil, Canada and the United States.

6. SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

The Group's geographical segments are also classified by the location of assets, information about its non-current assets by geographical location are set out below:

	Additions to Non-current assets		Non-current assets	
	2019	2018	**2019**	2018
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong	**3,052**	2,051	**4,712**	2,528
PRC	**–**	–	**105**	57
	3,052	2,051	**4,817**	2,585

Information about major customers

For the year ended 31 March 2019, the Group's customer base includes one customers relate to manufacturing and trading of electronic products operating segment (2018: two customers) with whom transactions have individually exceeded 10% of the Group's revenue. No other single customer contributed 10% or more to the Group's revenue for both years ended 31 March 2019 and 2018.

Revenue from major customers, amounted to 10% or more of the Group's revenue is set out below:

	Revenue from external customers	
	2019	2018
	HK$'000	HK$'000
Customer A	**14,500**	15,996
Customer B (Note)	**–**	3,860
	14,500	19,856

Note:

No information on revenue for the current year is disclosed for these customers since they did not contribute 10% or more to the Group's revenue for the year ended 31 March 2019.

7. OTHER GAINS OR LOSS, NET

	2019 HK$'000	2018 HK$'000
Bank interest income	**35**	7
Net foreign exchange gain	**–**	136
Sundry income	**956**	1,009
Gain on disposal of property, plant and equipment	**–**	210
Rental income	**306**	–
Change in fair value of derivative financial asset component of convertible bonds (Note 29)	**5,562**	(294)
	6,859	1,068

8. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on:		
— Debenture wholly repayable within one year	**–**	483
— Convertible bonds wholly repayable within five years (Note 29)	**1,989**	200
— Bank overdrafts wholly repayable within five years	**–**	4
— Bank borrowing	**33**	–
— Obligation under finance lease	**21**	33
	2,043	720

9. PROFIT/(LOSS) BEFORE TAXATION

	2019 **HK$'000**	2018 HK$'000
Profit/(loss) before taxation is arrive after charging:		
Staff costs including directors' remuneration	**22,750**	19,698
Contribution to retirement schemes	**1,174**	850
Share based payment expenses	**–**	–
Total staff costs	**23,924**	20,548
Depreciation of property, plant and equipment (Note 15)	**1,269**	444
Auditors' remuneration		
— Audit services	**530**	450
— Non-audit services	**7**	7
Cost of inventories sold	**35,337**	28,679
Inventories write down (Note (a))	**–**	832
Operating lease rental expenses	**5,067**	3,518
Net foreign exchange loss/(gain)	**982**	(136)
Gain on disposal of property, plant and equipment	**–**	(210)
Allowance for expected credit loss/impairment loss recognised in respect of trade receivables, net of reversal	**81**	690
Allowance for expected credit loss recognised in respect of amount due from a related company	**1**	–

Note:

(a) The amount is included in administrative expenses.

10. TAXATION

	2019	2018
	HK$'000	HK$'000
Current tax		
— Hong Kong	**171**	41
Deferred taxation (Note 30)	**(134)**	(11)
	37	30

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

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

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits arising in Hong Kong for the year ended 31 March 2018.

PRC subsidiary is subject to PRC Enterprise Income Tax at 25%. No provision the PRC Enterprise Income Tax has been made as the subsidiary incorporated in the PRC had no assessable profits arising in the PRC for the year ended 31 March 2019 and 2018.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands ("**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI for the year ended 31 March 2019 and 2018.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

The Group has tax losses of approximately HK$7,048,000 (2018: HK$3,762,000) which are available indefinitely for affecting against future taxable profits of the companies in which the losses arose and deferred tax assets have not been recognised in respect of these losses because in the opinion of the Directors, it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

10. TAXATION (CONTINUED)

The tax charge for the year can be reconciled to the profit/(loss) before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 **HK$'000**	2018 HK$'000
Profit/(loss) before taxation	**5,309**	(14,686)
Tax at the applicable tax rate	**632**	(2,995)
Tax effect of non-deductible expense for tax purpose	**472**	93
Unrecognised temporary difference	**(15)**	69
Tax effect of tax losses not recognised	**1,911**	3,022
Income tax at concessionary rate	**(165)**	–
Tax reduction for the year	**(20)**	–
Tax effect of income not taxable for tax purpose	**(2,778)**	(159)
	37	30

11. DIVIDENDS

The board of directors did not recommend the payment of any dividend for the year ended 31 March 2019 (2018: Nil).

12. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share attributable to the owners of the Company is based on the following data:

Basic earnings/(loss) per share	2019 HK$'000	2018 HK$'000
Profit/(loss)		
Profit/(loss) attributable to owners of the Company for the purpose of calculating basic earnings/(loss) per share	**5,272**	(14,716)

Diluted earnings/(loss) per share	2019 HK$'000	2018 HK$'000
Earnings/(loss) used in the calculation of basic earnings/(loss) per share	**5,272**	(14,716)
Imputed interest on convertible bonds, net of tax	**1,660**	–
Fair value gain arising from convertible bonds	**(5,562)**	–
Earnings/(loss) used in the calculation of diluted earnings/(loss) per share	**1,370**	(14,716)

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**986,136,986**	912,219,178
Effect of dilutive potential ordinary shares:		
— Conversion of convertible bonds	**126,026,348**	–
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**1,112,163,334**	912,219,178
Earnings/(loss) per share		
— Basic (in HK cents)	**0.5**	(1.6)
— Diluted (in HK cents)	**0.1**	(1.6)

12. EARNINGS/(LOSS) PER SHARE (CONTINUED)

Basic earnings/(loss) per share for the years ended 31 March 2019 and 2018 are calculated by dividing the profit or loss for the year attributable to owners of the Company by the weighted average number of shares in issue during the year.

Diluted earnings per share for the years ended 31 December 2019 are calculated by adjusting the weighted average number of shares in issue during the year to assume conversion of all dilutive potential ordinary shares. The weighted average number of ordinary shares as above are adjusted by the number of shares that would have been issued assuming the conversion of convertible bonds.

The diluted loss per share is the same as the basic loss per share for the year ended 31 March 2018 because the Company's share options and convertible bonds outstanding during these years were anti-dilutive.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The aggregate amounts of emoluments paid by the Group to the directors and the chief executive officer of the Company during the year are as follows:

	2019 **HK$'000**	2018 HK$'000
Directors' fees	**1,082**	1,031
Salaries, allowances and benefits in kind	**2,456**	3,063
Discretionary bonus	**100**	138
Retirement scheme contributions	**44**	57
Share based payment expenses	**–**	–
	3,682	4,289

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

Details for the emoluments of each director of the Company during the year are as follows:

For the year ended 31 March 2019

	Share base payment HK$'000	Directors' fee HK$'000	Salaries allowance and benefits in kind HK$'000	Discretionary bonus HK$'000	Retirement scheme contribution HK$'000	Total HK$'000
Executive directors:						
Mr. Lo Yan Yee (Chairman)	–	135	600	40	–	775
Ms. Cheng Yeuk Hung ("**Madam Cheng**")	–	135	600	40	18	793
Ms. Zhou Jia Lin (Note (b))	–	52	296	–	8	356
Mr. Leung Kwok Kuen, Jacob (Note (d))	–	135	720	–	18	873
Mr. Tansri Saridju Benui (Note (f))	–	85	–	–	–	85
Non-executive director:						
Mr. Chan Chun Kit	–	135	–	–	–	135
Independent non-executive directors:						
Ms. Zhou Ying (Note (e))	–	135	–	–	–	135
Mr. Cheung Chin Wa, Angus (Note (g))	–	135	–	–	–	135
Mr. Lam Wai Yuen	–	135	–	–	–	135
Chief-executive officer:						
Mr. Cheng Kwing Sang	–	–	240	20	–	260
	–	1,082	2,456	100	44	3,682

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

For the year ended 31 March 2018

	Share base payment HK$'000	Directors' fee HK$'000	Salaries allowance and benefits in kind HK$'000	Discretionary bonus HK$'000	Retirement scheme contribution HK$'000	Total HK$'000
Executive directors:						
Mr. Lo Yan Yee (Chairman)	–	120	600	40	–	760
Ms. Cheng Yeuk Hung ("**Madam Cheng**")	–	120	600	40	18	778
Ms. Zhou Jia Lin (Note (b))	–	120	674	–	17	811
Mr. Leung Kwok Kuen, Jacob (Note (d))	–	120	434	–	11	565
Mr. Lo Ding To (Note (a))	–	70	245	18	11	344
Non-executive director:						
Mr. Chan Chun Kit	–	120	–	–	–	120
Independent non-executive directors:						
Ms. Zhou Ying (Note (e))	–	71	–	–	–	71
Mr. Cheung Chin Wa, Angus (Note (g))	–	120	–	–	–	120
Mr. Lam Wai Yuen	–	120	–	–	–	120
Mr. Ang Chuk Pai (Note (c))	–	50	–	–	–	50
Chief-executive officer:						
Mr. Cheng Kwing Sang	–	–	510	40	–	550
	–	1,031	3,063	138	57	4,289

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

Notes:

(a) Mr. Lo Ding To has resigned as an executive director on 1 November 2017.

(b) Ms. Zhou Jia Lin has redesignated as an executive director on 9 May 2017 and resigned on 7 September 2018.

(c) Mr. Ang Chuk Pai has resigned as an independent non-executive director on 29 August 2017.

(d) Mr. Leung Kwok Kuen, Jacob has been redesignated as an executive director on 25 August 2017.

(e) Ms. Zhou Ying has been appointed as an independent non-executive director on 29 August 2017.

(f) Mr. Tansri Saridju Benui has been appointed as an executive director on 7 September 2018.

(g) Mr. Cheung Chin Wa, Angus has been resigned as an independent non-executive director on 30 April 2019.

For the year ended 31 March 2019, there were no amounts paid during the year to the directors in connection with their retirement from employment with the Group, or inducement to join (2018: Nil). There was no arrangement under which the directors and chief executive officer waived or agreed to waive any remuneration during the year (2018: Nil). During the year ended 31 March 2019, none of the directors and chief executive officer has share options under the share option scheme operated by the Company (2018: Nil).

14. EMPLOYEES' EMOLUMENTS

(a) Five highest paid individual

The five highest paid individuals during the year are three directors (2018: three) with their emoluments disclosed in Note 13.

The detail of the emoluments of the remaining two (2018: two) highest paid individuals are as follows:

	2019	2018
	HK$'000	HK$'000
Salaries, allowances and other benefits	**1,375**	1,292
Retirement schemes contributions	**36**	36
	1,411	1,328

The emoluments of the two (2018: two) individuals with the highest emoluments are fell within the following band:

	Number of individuals	
	2019	2018
Nil to HK$1,000,000	**2**	2

(b) Senior Management of the Company

The emoluments of the senior management other than the highest paid individuals of the Group are within the following band:

	Number of individuals	
	2019	2018
Nil to HK$1,000,000	**8**	9

During the year, no emoluments were paid by the Group to the directors or any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived or agreed to waive any emoluments during the year.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Improvements HK$'000	Furniture & fixtures HK$'000	Office equipment HK$'000	Computer equipment HK$'000	Motor vehicles HK$'000	Mould HK$'000	Plant and machinery HK$'000	Total HK$'000
Cost								
As at 1 April 2017	3,189	229	1,637	879	1,072	32	4,509	11,547
Additions	1,259	187	18	29	558	–	–	2,051
Written off on disposal	(256)	(2)	–	–	(552)	–	–	(810)
Exchange realignment	–	–	18	–	29	–	171	218
As at 31 March 2018 and 1 April 2018	4,192	414	1,673	908	1,107	32	4,680	13,006
Additions	2,004	708	32	12	746	–	–	3,502
Exchange realignment	–	–	(4)	–	(20)	–	(112)	(136)
As at 31 March 2019	**6,196**	**1,122**	**1,701**	**920**	**1,833**	**32**	**4,568**	**16,372**
Accumulated depreciation								
As at 1 April 2017	2,313	211	1,571	841	892	32	4,509	10,369
Provided for the year	240	10	40	29	125	–	–	444
Written off on disposal	(42)	–	–	–	(552)	–	–	(594)
Exchange realignment	–	–	16	–	15	–	171	202
As at 31 March 2018 and 1 April 2018	2,511	221	1,627	870	480	32	4,680	10,421
Provided for the year	733	150	26	16	344	–	–	1,269
Exchange realignment	–	–	(11)	–	(12)	–	(112)	(135)
As at 31 March 2019	**3,244**	**371**	**1,642**	**886**	**812**	**32**	**4,568**	**11,555**
Carrying amount								
As at 31 March 2019	**2,952**	**751**	**59**	**34**	**1,021**	**–**	**–**	**4,817**
As at 31 March 2018	1,681	193	46	38	627	–	–	2,585

Note: The carrying amount of the Group's property, plant and equipment which was held under finance lease as at 31 March 2019 and 2018 were approximately HK$391,000 and HK$502,000 respectively (Note 28).

As at 31 March 2019, the carrying amount of motor vehicle which have been pledged to secure bank borrowing of the Group was approximately HK$541,000 (2018: Nil) (Note 27).

16. INTERESTS IN ASSOCIATES

On 24 October 2018, the Company entered into a sale and purchase agreement (the "**Acquisition Agreement**") with an independent third party (the "**Vendor**") pursuant to which the Vendor had conditionally agreed to sell and the Company has conditionally agreed to purchase 6,903,090 ordinary share at the market price of HK$0.1 each in Bluemount Group, representing 30% of the entire equity interest of Bluemount Group at a consideration of HK$11,000,000, which was satisfied by cash amounted to HK$200,000 and the Company issuing consideration shares in the sum of HK$10,800,000 to the Vendor. At the date of acquisition, the fair value of consideration shares was HK$6,000,000 (Note 31) and total fair value of consideration paid was HK$6,200,000. Upon completion of this transaction, the Company held a 30% equity interest in Bluemount Group and exercised significant influence over Bluemount Group, and therefore Bluemount Group and its subsidiaries are classified as associates of the Company.

	2019 **HK$'000**
Unlisted	
Cost of investment in associates	**6,200**
Share of result of associates (Note (a))	**14,721**
	20,921

Details of each of the Group's associates at the end of the reporting period are as follow:

Name of associates	Country of incorporation/ registration/ Principle place business	Paid-up capital or registered capital	Proportion of ownership interest and voting power attributable to the Company — Direct 2019	Direct 2018	Indirect 2019	Indirect 2018	Principal activities	Type of legal entity
Bluemount Financial	Hong Kong	HK$23,010,300	**30%**	–	**–**	–	Investment holding	Limited liability company
Bluemount Securities Limited	Hong Kong	HK$18,000,000	**–**	–	**30%**	–	Brokerage services	Limited liability company
Bluemount Asset Management Limited	Hong Kong	HK$5,000,000	**–**	–	**30%**	–	Portfolio and investment management service	Limited liability company
Bluemount Credit Limited	Hong Kong	HK$100	**–**	–	**30%**	–	Money lending	Limited liability company
Bluemount Capital Limited	Hong Kong	HK$10,000	**–**	–	**30%**	–	Dormant	Limited liability company
Bluemount Commodities Limited	Hong Kong	HK$100	**–**	–	**30%**	–	Dormant	Limited liability company

16. INTERESTS IN ASSOCIATES (CONTINUED)

Summary financial information of Bluemount Group

Summarised financial information in respect of the Group's associates are set out below. The summarised financial information below represents amounts shown in Bluemount Group's consolidated financial statements prepared in accordance with HKFRSs.

	2019 HK$'000
Current assets	130,483
Non-current assets	1,282
Current liabilities	(63,040)
Non-current liabilities	(19,000)
Equity	49,725

	2019 HK$'000
Revenue	21,848
Profit and total comprehensive income for the period	11,600
Dividends received from associate during the period	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in Bluemount Group recognised in these consolidated financial statements:

	2019 HK$'000
Net assets of Bluemount Group	49,725
Fair value adjustment, net of tax (Note (b))	20,010
Net assets of Bluemount Group after adjusting for fair value adjustment at the date of acquisition	69,735
Proportion of the Group's ownership interest	30%
The Group's share of net assets of Bluemount Group	20,921

Notes:

(a) On completion of the acquisition of the shares in Bluemount Group, the reasons of fair value of net assets acquired as of the acquisition date exceeded the fair value of the consideration transferred, were mainly due to (1) adoption of marketability discount and minority discount in determining the purchase consideration and (2) issue price of consideration shares was lower than the contract issue price at acquisition date . Accordingly, the Group recognised a gain on bargain purchase of HK$11,241,000 which was the exceed of fair value of associates' net identifiable assets acquired to the fair value of consideration paid in the line item "Share of result of associates" in the consolidated statement of profit or loss and other comprehensive income.

(b) As at 24 October 2018, the fair value adjustment, net of tax, of interests in associates of approximately HK$20,010,000. The fair value adjustment of associates net identifiable assets was, valued by an independent professional external valuer, based on currently available market data adjusted for specific features of interests in associates.

17. INVENTORIES

	2019 HK$'000	2018 HK$'000
Raw materials	**8,982**	6,298
Work-in-progress	**1,929**	5,832
Finished goods	**1,714**	1,171
	12,625	13,301

18. TRADE RECEIVABLES

	As at 31 March 2019 HK$'000	As at 31 March 2018 HK$'000
Trade receivables	**4,725**	5,418
Less: allowances for expected credit loss/allowances for doubtful debts (Note 36)	**(109)**	(690)
	4,616	4,728

The following is an analysis of trade receivables by age, presented based on the invoice date. The analysis below is net of allowance for expected credit loss/for doubtful debts:

	As at 31 March 2019 HK$'000	As at 31 March 2018 HK$'000
0 to 30 days	**2,783**	2,813
31 to 60 days	**644**	1,528
61 to 90 days	**24**	322
91 to 180 days	**1,165**	65
	4,616	4,728

18. TRADE RECEIVABLES (CONTINUED)

The average credit period on sales of goods ranges from 0 to 90 days. In view of the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest bearing.

The trade receivables are denominated in HK$, United States Dollars ("**US$**") and RMB.

Trade receivables disclosed above include amounts which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful receivables because there was no significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

Aging of trade receivables that are past due but not impaired.

Overdue by:	As at 31 March 2018 HK$'000
0 to 30 days	507
31 to 60 days	229
61 to 90 days	34
91 to 180 days	31
Over 180 days	–
	801

Receivables that were past due but not impaired related to a number of independent customers that have 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 was no significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Further details on the Group's credit policy and credit risk and assessment for expected credit loss arising from trade receivables are set out in Note 36.

19. AMOUNT DUE FROM A RELATED COMPANY

Name of related company	**As at 31 March 2019 HK$'000**	As at 31 March 2018 HK$'000
Mobile Computer Land Limited (Note (i))	**100**	196
Less: allowance for expected credit loss (Note 36)	**(2)**	–
	98	196

The maximum amount due from a related company outstanding during the years ended 31 March 2019 and 2018 are as follows:

Name of related company	**As at 31 March 2019 HK$'000**	As at 31 March 2018 HK$'000
Mobile Computer Land Limited (Note (i))	**387**	288

Note:

(i) Mr. Lo Ding Kwong, is the son of Madam Cheng and the shareholder of Mobile Computer Land Limited.

The amount due from a related company is unsecured, interest free and recoverable on demand.

Upon initial adoption of HKFRS as at 1 April 2018, an expected credit loss of HK$1,000 was recognised to retained earnings.

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 March 2019 HK$'000	As at 31 March 2018 HK$'000
Deposits paid and prepayments to suppliers (Note (a))	**246**	997
Other deposits paid and prepayments	**3,645**	5,346
	3,891	6,343

Note:

(a) The amount was mainly related to guarantees paid to against other raw materials suppliers to secure a stable supply raw material or requested by such suppliers.

21. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 HK$'000	2018 HK$'000
Redemption option derivative (Note 29)	**8,201**	1,737

22. PLEDGED TIME DEPOSITS/CASH AND BANK BALANCES

	As at 31 March 2019 HK$'000	As at 31 March 2018 HK$'000
Cash and bank balances	**8,310**	13,340
Pledged time deposits	**2,039**	2,012
	10,349	15,352

As at 31 March 2019 and 31 March 2018, cash in hand and at bank comprise of following currencies:

	As at 31 March 2019 HK$'000	As at 31 March 2018 HK$'000
HKD	**5,649**	11,950
USD	**2,385**	983
RMB	**273**	404
Other	**3**	3
	8,310	13,340

Cash in hand and at bank compose:

In the cash and bank balances at the year ended 31 March 2019 and 2018 mainly include amounts of approximately RMB232,000 and RMB324,000 (equivalent to approximately HK$273,000 and HK$404,000 respectively) which were not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB into other currencies through bank authorisation to conduct foreign exchange business.

22. PLEDGED TIME DEPOSITS/CASH AND BANK BALANCES (CONTINUED)

Pledged time deposits:

As at 31 March 2019, time deposits are made for varying periods of between one day to three months depending cash requirements of the Group and carrying fixed interest rate of 1.81% (2018: 0.29%) per annum of approximately HK$2,039,000 (2018: HK$2,012,000) was pledged as collateral for bank facility of the Company.

Bank overdrafts:

The Group's overdrafts facilities accounting to HK$2,000,000 (2018: HK$2,000,000), none of which (2018: Nil) has been utilised at the end of the reporting period, are secured by the pledge of the Group's time deposits amounting to HK$2,039,000 (2018: HK$2,012,000).

23. TRADE PAYABLES

Details of the aging analysis are as follows:

	As at 31 March 2019 HK$'000	As at 31 March 2018 HK$'000
Within 30 days	**1,323**	1,688
31 to 60 days	**190**	984
61 to 90 days	**384**	360
91 to 180 days	**207**	305
Over 180 days	**189**	330
	2,293	3,667

The average credit period on purchase of certain goods is generally within 30 days to 90 days.

24. ACCRUALS AND OTHER PAYABLES

	As at 31 March 2019 HK$'000	As at 31 March 2018 HK$'000
Accruals	**1,090**	1,962
Other payables	**89**	12
Other tax payables	**979**	597
	2,158	2,571

25. PARTICULARS OF SUBSIDIARIES

Details of the Company's subsidiaries as at 31 March 2019 and 2018 are set out as below:

Name of subsidiaries	Place/Principal Place of Operation and date of incorporation	Paid-up capital or registered capital	Percentage of equity and voting power attributable to the Company				Principal activities	Type of legal entity
			Direct		Indirect			
			2019	2018	**2019**	2018		
Echo Asia (Hong Kong) Limited	Hong Kong, 30 June 2015	HK$10,000	**100%**	100%	**–**	–	Investment holding	Limited liability company
Gold Treasure Hung Group Limited	BVI, 6 December 2010	US$10,000	**100%**	100%	**–**	–	Investment holding	Limited liability company
Echo Electronics Company Limited	Hong Kong, 24 December 2003	HK$10,000	**–**	–	**100%**	100%	Trading of electronic products and accessories	Limited liability company
Yi Gao Tech Electronics (Shenzhen) Co., Ltd.	The PRC, 26 May 2011	HK$4,000,000	**–**	–	**100%**	100%	Manufacture of electronic products and accessories	Limited liability company
Chiu Cuisine Group Limited	Hong Kong, 4 May 2018	HK$10,000	**–**	–	**100%**	–	Investment holding	Limited liability company
Chiu Cuisine Limited (formerly known as Chiu Cuisine (Hong Kong) Limited)	Hong Kong, 20 October 2017	HK$10,000	**–**	–	**100%**	100%	Provision of food catering services	Limited liability company
Yuk Cuisine Limited (formerly known as Chiu Cuisine Connoisseur Limited)	Hong Kong, 29 March 2018	HK$10,000	**–**	–	**100%**	100%	Provision of food catering services	Limited liability company

26. CONTRACT LIABILITIES

	2019 HK$'000
Arising from deposits of delivery of goods (Note)	**654**

Note: Revenue is recognised when control of the goods has transferred to the customer, being at the point the goods are delivered to the customer. When the customer initially purchases the goods and paid in advance, the transaction price received at that point by the Group is recognised as contract liability until the goods have been delivered to the customer.

At initial application of HKFRS 15 at 1 April 2018, contract liabilities of approximately HK$1,268,000 was reclassified from trade deposit received. The entire amount of contract liabilities at 1 April 2018 are recognised as revenue in the current year.

27. BANK BORROWING

The analysis of the carrying amount of bank borrowing is as follows:

	As at 31 March 2019 HK$'000	As at 31 March 2018 HK$'000
Secured	**548**	–
The carrying amount of the above borrowing is repayable*:		
— within one year	**146**	–
— within a period of more than one year but not exceeding two years	**151**	–
— within a period of more than two years but not exceeding five years	**251**	–
	548	–
Less: amount due within one year shown under current liabilities	**(146)**	–
	402	–

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

The secured bank borrowing was secured by motor vehicle included in property, plant and equipment with carrying amount of approximately HK$541,000 (2018: Nil), details please refer to Note 15.

28. OBLIGATION UNDER FINANCE LEASE

The Group leased the motor vehicles under finance lease. Interest rates underlying all obligations under finance leases are fixed at respective contract rates at 2% (2018: 2%) per annum for the years ended 31 March 2019 and 2018 respectively.

	As at 31 March 2019 HK$'000	As at 31 March 2018 HK$'000
Minimum lease payments under finance lease		
— within one year	**136**	136
— in more than one year but more than five years	**272**	408
	408	544
Less: future finance charges	**(28)**	(49)
Present value of finance lease	**380**	495

	As at 31 March 2019 HK$'000	As at 31 March 2018 HK$'000
Present value of minimum lease payments under finance lease		
— within one year	**121**	96
— in more than one year but not more than five years	**259**	399
	380	495
Less: amount due within one year shown under current liabilities	**(121)**	(96)
	259	399

The Group's obligations under finance lease are secured by the lessor's title to the leased assets, which have a carrying amount of approximately HK$391,000 and HK$502,000 as at 31 March 2019 and 2018 respectively (Note 15).

29. CONVERTIBLE BONDS

The convertible bonds issued have been split as to the derivative financial asset component (redemption option derivative component embedded in convertible bonds); the financial liability component (convertible bonds) and equity component (convertible bonds reserve). The following tables summarise the movements of the derivative financial assets; derivative financial liabilities; financial liabilities and equity component during the years ended 31 March 2019 and 2018.

Derivative financial assets — Redemption option derivative component:

	Convertible Bond 1 HK$'000	**Convertible Bond 2** HK$'000	**Total** HK$'000
At 1 April 2017	–	–	–
Issue of convertible bonds	(1,975)	–	(1,975)
Issuance cost of convertible bonds	(56)	–	(56)
Change in fair value of derivative financial asset component of convertible bonds (Note 7)	294	–	294
At 31 March 2018 and 1 April 2018	(1,737)	–	(1,737)
Issue of convertible bonds	–	(876)	(876)
Issuance cost of convertible bonds	–	(26)	(26)
Change in fair value of derivative financial asset component of convertible bonds (Note 7)	(1,425)	(4,137)	(5,562)
As 31 March 2019	**(3,162)**	**(5,039)**	**(8,201)**

Financial liabilities — Financial liability component:

	Convertible Bond 1 HK$'000	**Convertible Bond 2** HK$'000	**Total** HK$'000
At 1 April 2017	–	–	–
Issue of convertible bonds	7,733	–	7,733
Issuance cost of convertible bonds	(217)	–	(217)
Effective interest charged (Note 8)	200	–	200
Interest paid	(130)	–	(130)
At 31 March 2018 and 1 April 2018	7,586	–	7,586
Issue of convertible bonds	–	9,358	9,358
Issuance cost of convertible bonds	–	(264)	(264)
Effective interest charged (Note 8)	1,083	906	1,989
Interest paid	(700)	(558)	(1,258)
As 31 March 2019	**7,969**	**9,442**	**17,411**

29. CONVERTIBLE BONDS (CONTINUED)

Equity component:

	Convertible Bond 1 HK$'000	Convertible Bond 2 HK$'000	Total HK$'000
At 1 April 2017	–	–	–
Issue of convertible bonds	4,242	–	4,242
Issuance cost of convertible bonds	(119)	–	(119)
Deferred tax liability arising from issue of convertible bonds (Note 30)	(410)	–	(410)
At 31 March 2018 and 1 April 2018	3,713	–	3,713
Issue of convertible bonds	–	4,518	4,518
Issuance cost of convertible bonds	–	(127)	(127)
Deferred tax liability arising from issue of convertible bonds (Note 30)	–	(644)	(644)
As 31 March 2019	**3,713**	**3,747**	**7,460**

As at 31 March 2019, the outstanding principal of the convertible bonds was HK$23,000,000 (2018: HK$10,000,000).

The initial fair value of the liability portion of the bond was determined using a market interest rate for an equivalent non-convertible bond at the issue date. The liability is subsequently recognised on an amortised cost basis until extinguished on conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option and recognised in shareholders' equity, net of income tax, and not subsequently remeasured.

Convertible Bond 1

On 23 January 2018 (the "**Issue Date 1**"), the Company issued in aggregate of HK$10,000,000, 7.0% convertible bonds and recognised its book as of fair values appraised by an independent financial valuer ("**Convertible Bond 1**"). The Convertible Bond 1 entitle the holders to convert them into a maximum of 50,761,421 conversion shares of the Company at any time between the date of issue of the bonds and their settlement date on (i) the fifth anniversary of the Issue Date 1 or (ii) if it is not a business date, the business day immediately before such date (the "**Maturity Date 1**") at the initial conversion price of HK$0.197 per conversion share per convertible bonds (subject to adjustment).

Unless previously redeemed, converted, purchased or cancelled, the Company will redeem all of the Convertible Bond 1 on the Maturity Date 1 at price equal to 100% of the principal amounts of the Convertible Bond 1 to be redeemed, together with accrued interest. The Company is entitled to voluntarily redeem the whole or any part of the Convertible Bond 1 after the first anniversary of the issue date of the Convertible Bond 1.

29. CONVERTIBLE BONDS (CONTINUED)

Convertible Bond 1 (Continued)

The Convertible Bond 1 contain three components: liability component, equity component and redemption option derivative, which is classified as financial assets at fair value through profit or loss. The equity component is presented in equity heading "convertible bonds equity component reserve". The redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss. The effective interest rate of the liability component is 14.28% per annum.

The key inputs used for the calculation of the fair value of redemption option derivative component of Convertible Bond 1 are as follows:

	As at 23 January 2018
Risk free rate	1.72%
Volatility	44.39%
Discount rate	14.09%

Convertible Bond 2

On 20 August 2018 (the "**Issue Date 2**"), the Company issued in aggregate of HK$13,000,000, 7.0% convertible bonds and recognised its book as of fair values appraised by an independent financial valuer ("**Convertible Bond 2**"). The Convertible Bond 2 entitle the holders to convert them into a maximum of 122,641,509 conversion shares of the Company at any time between the date of issue of the bonds and their settlement date on (i) the fifth anniversary of the Issue Date 2 or (ii) if it is not a business date, the business day immediately before such date (the "**Maturity Date 2**") at the initial conversion price of HK$0.106 per conversion share per convertible bonds (subject to adjustment).

Unless previously redeemed, converted, purchased or cancelled, the Company will redeem all of the Convertible Bond 2 on the Maturity Date 2 at price equal to 100% of the principal amounts of the Convertible Bond 2 to be redeemed, together with accrued interest. The Company is entitled to voluntarily redeem the whole or any part of the Convertible Bond 2 after the first anniversary of the issue date of the Convertible Bond 2.

The Convertible Bond 2 contain three components: liability component, equity component and redemption option derivative, which is classified as financial assets at fair value through profit or loss. The equity component is presented in equity heading "convertible bonds equity component reserve". The redemption option derivative is measured at fair value with changes in fair value recognised in profit or loss. The effective interest rate of the liability component is 16.22% per annum.

29. CONVERTIBLE BONDS (CONTINUED)

Convertible Bond 2 (Continued)

The key inputs used for the calculation of the fair value of redemption option derivative component of Convertible Bond 2 are as follows:

	As at 20 August 2018
Risk free rate	2.05%
Volatility	78.12%
Discount rate	16.11%

30. DEFERRED TAXATION

For the purpose of presentation in the consolidation statement of financial position, certain deferred tax assets and liabilities have been offset the following is the analysis of deferred tax balances for financial reporting purpose:

	2019 HK$'000	2018 HK$'000
Deferred tax asset	**18**	–
Deferred tax liabilities	**(922)**	(399)
	(904)	(399)

The following table is the major deferred tax asset and liabilities recognised and the movements thereon during the current and prior year:

	ECL provision HK$'000	**Convertible bonds** HK$'000	**Total** HK$'000
At 31 March 2017	–	–	–
Issuance of Convertible Bond 1	–	(410)	(410)
Credited to consolidated statement of profit or loss (Note 10)	–	11	11
At 31 March 2018	–	(399)	(399)
Impact of adopting HKFRS 9	5	–	5
At 1 April 2018	5	(399)	(394)
Issuance of Convertible Bond 2	–	(644)	(644)
Credited to consolidated statement of profit or loss (Note 10)	13	121	134
At 31 March 2019	**18**	**(922)**	**(904)**

31. SHARE CAPITAL

	Par value	Number of shares	Nominal value
	HK$	'000	HK$'000
Issued and fully paid:			
As at 1 April 2017	0.0025	800,000	2,000
Issue of share capital under placing (Note (a))	0.0025	160,000	400
As at 31 March 2018 and 1 April 2018	0.0025	960,000	2,400
Issue of shares in relation to acquisition of associates (Note (b))	0.0025	60,000	150
As at 31 March 2019	**0.0025**	**1,020,000**	**2,550**

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

Notes:

(a) On 18 July 2017, the Company placed 160,000,000 new shares to not less than six places at the placing price of HK$0.163 per placing share with total gross proceeds of HK$26,080,000 and the related issue expenses were HK$1,044,000.

(b) On 24 October 2018, the Company placed 60,000,000 new shares at the issue price of HK$0.1 for the purpose of acquisition of associates with cash payment of HK$200,000 for acquisition of associates, details please refer to Note 16.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Debenture	Convertible bonds	Obligation under finance lease	Bank overdrafts	Bank borrowing	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2017	8,000	–	224	988	–	9,212
Issue of convertible bonds	–	7,733	–	–	–	7,733
Issuance cost of convertible bonds	–	(217)	–	–	–	(217)
Purchase of property, plant and equipment	–	–	612	–	–	612
Finance cost recognised (Note 8)	483	200	33	4	–	720
Finance cost paid	(483)	(130)	(33)	(4)	–	(650)
Financing cash outflows	(8,000)	–	(341)	(988)	–	(9,329)
At 31 March 2018 and 1 April 2018	–	7,586	495	–	–	8,081
Issue of convertible bonds	–	9,358	–	–	–	9,358
Issuance cost of convertible bonds	–	(264)	–	–	–	(264)
Proceeds from bank borrowing	–	–	–	–	746	746
Finance cost recognised (Note 8)	–	1,989	21	–	33	2,043
Finance cost paid	–	(1,258)	(21)	–	(33)	(1,312)
Financing cash outflows	–	–	(115)	–	(198)	(313)
At 31 March 2019	–	**17,411**	**380**	–	**548**	**18,339**

33. PRE-IPO SHARE OPTION SCHEME/SHARE OPTION SCHEME

The Company has conditionally adopted the Pre-IPO Share Option Scheme and the Share Option Scheme on 27 September 2013.

As at the date of 30 September 2013, options to subscribe for 20,000,000 shares under the Pre-IPO Share Option Scheme have been granted to the Directors except for the independent non-executive Directors.

The Company has also conditionally adopted the Share Option Scheme. No option has been granted under the Share Option Scheme. The Share Option Scheme will be valid and effective for a period of ten years commencing from the date of adoption, after which period no further options will be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects with respect to options granted during the life of the Share Option Scheme.

33. PRE-IPO SHARE OPTION SCHEME/SHARE OPTION SCHEME (CONTINUED)

The Eligible Persons of the Share Option Scheme include directors, consultants or advisers and any other person has contributed to the Group (the "**Eligible Persons**"). The subscription price of the share options shall be a price determined by the board of directors and shall be at least the highest of (i) the closing price per share as stated in the Stock Exchange's daily quotation sheet on the offer date; (ii) the average of the closing prices per share as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the offer date; or (iii) the nominal value of the share.

An offer shall remain open for acceptance by the Eligible Persons concerned for such period as determined by the board of directors, being a date not later than ten business days after the offer date by which the Eligible Persons must accept the offer or be deemed to have declined it, provided that no such offer shall be open for acceptance after the tenth anniversary of the date of adoption of the Share Option Scheme or after the Share Option Scheme has been terminated in accordance with the provisions of the Share Option Scheme.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other Share Option Schemes shall not in aggregate exceed 10% of the total number of shares in issue as at the date of approval of the Share Option Scheme. The Company may grant options to specified participant(s) beyond the 10% limit provided that the options granted in excess of such limit are specifically approved by the shareholders in general meeting and the participants are specifically identified by the Company before such approval is sought. In seeking such approval, a circular must be sent to the shareholders containing the required details in accordance with Chapter 23 of the GEM Listing Rules.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme together with any options outstanding and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company in issue shall not exceed 30% (or such higher percentage as may be allowed under the GEM Listing Rules) of the total number of shares in issue from time to time.

The total number of shares issued and to be issued upon exercise of the options granted to each Eligible Persons (including both exercised and outstanding options under the Share Option Scheme) in any twelve-month period must not exceed 1% of the issued share capital of the Company. Where any further grant of options to an Eligible Persons would result in excess of such limit shall be subject to the approval of the shareholders at general meeting with such Eligible Persons and his associates abstaining from voting.

To quantify the effect of the options granted under the Pre-IPO Share Option Scheme, the Company has engaged an independent external valuer, Roma Appraisals Limited ("**Roma**") to compute the fair value of the granted options.

33. PRE-IPO SHARE OPTION SCHEME/SHARE OPTION SCHEME (CONTINUED)

The fair value of the options granted under the Pre-IPO Share Options Scheme is determined using Black Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on the Directors' best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavior consideration. Expected volatility is based on the average historical volatilities of the comparable over the expected option periods of 6.5 years. Risk free rate is based on the period average yields of the Exchange Fund Notes of comparable terms issued by the Hong Kong Monetary assumptions.

The variables and assumptions used in computation of the fair value of Pre-IPO Share Options Scheme are based on the Directors' best estimate. The value of an option varies with different variables of certain objective assumption.

Inputs into the valuation model

Grant date share price	HK$0.555
Exercise price	HK$0.150
Expected volatility	54.806%
Expected option period	6.542 years
Risk free rate	1.53%
Expected dividend yield	0.00%

Movements in the share options granted to the former directors, directors, employees of the Company and other eligible participants during the year were as follows:

	Date of grant	Exercise price	Number of Share outstanding 31 March 2017	Reclassification of share options during the year	Number of share outstanding 31 March 2018	Number of share outstanding 31 March 2019
		HK$	'000	'000	'000	'000
Director	27 September 2013	0.15	57,600	(12,000)	45,600	45,600
Employee	27 September 2013	0.15	22,400	12,000	34,400	34,400
		–	80,000	–	80,000	80,000

Details of specific categories of options are as follows:

Date of grant	Vesting period	Exercise period	Exercise price
September 2013	11 October 2013– 10 October 2016	11 October 2016– 11 October 2023	HK$0.15

The options outstanding at the year ended 31 March 2018 have a weighted average remaining contractual life of 4.53 years (2018: 5.53 years). During the years ended 31 March 2019 and 2018, no share option was granted, exercised, expired or lapsed.

34. RESERVES

The movement of reserves of the Group during the year was shown in the consolidated statement of changes in equity on page 62.

(a) Contribution reserve

Pursuant to the deed of mutual set-off dated 27 September 2013 entered into between Madam Cheng (an executive director, the controlling shareholder and a founder of the Company) and the Company, Madam Cheng agreed to bear the expenses incurred by the Company in connection with the listing to the extent of HK$5.77 million by setting off against the debt of the Company owing to Madam Cheng. According to Conceptual Framework for Financial Reporting 2010 and Hong Kong Accounting Standards 1 (Revised) Presentation of Financial Statements, this represents a transaction between the Company and the controlling shareholder, and the amount will be recognised in equity rather than consolidated statements of comprehensive income prior to the listing.

(b) Capital reserve

The capital reserve of the Group represents the capital contributions by Madam Cheng, a director and controlling shareholder of the Company, to the subsidiaries directly held by Madam Cheng before the reorganisation. The additions during the year represent the injection of additional paid-up capital by the equity holders of the subsidiaries to the respective companies by the owners of the subsidiaries, which were consolidated from the effective date of acquisition.

(c) Share option reserve

Share option reserve relates to share option granted under the Company's share option scheme and which are reclassified to share capital and share premium when the share option were exercised and to accumulated losses when the share options were lapsed or expired.

(d) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong.

(e) Convertible bonds-equity component reserve

The convertible bonds-equity component reserve represents the value of the unexercised equity component (conversion rights) of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds. If the convertible bonds are not converted at the maturity date, the convertible bonds equity reserve will be reclassified subsequently to profit or loss.

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the year.

The capital structure of the Group consists of bank overdrafts, bank borrowings, obligation under finance leases and equity attributable to owners of the Company (comprising issued share capital and reserves).

35. CAPITAL RISK MANAGEMENT (CONTINUED)

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost and the risks associated with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as raising and repayment of bank borrowings.

The gearing ratio at the end of the reporting period was as follow:

	2019	2018
	HK$'000	HK$'000
Debt	**18,339**	8,081
Equity	**40,958**	28,215
Gearing ratio	**44.8%**	28.6%

36. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2019	2018
	HK$'000	HK$'000
Financial assets		
Financial Assets at fair value through profit or loss		
— Redemption option derivative	**8,201**	1,737
Amortised costs		
Loan and receivables (including cash and bank balances)		
— Trade receivables	**4,616**	4,728
— Amount due from a related company	**98**	196
— Other receivables	**810**	450
— Pledged time deposits	**2,039**	2,012
— Cash and bank balances	**8,310**	13,340
Financial liabilities		
Amortised costs		
— Trade payables	**2,293**	3,667
— Bank borrowing	**548**	–
— Convertible bonds	**17,411**	7,586
— Other payables	**89**	13
— Obligation under finance lease	**380**	495

36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies

The directors of the Company monitors and manages the financial risks relating to the operations of the Group through internal risks reports which analyses exposures by degree and magnitude of risks. These risks include market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The Group's major financial instruments include trade receivables, pledged time deposits, trade payables, convertible bonds, other receivables, other payables, amount due from a related company, cash and bank balances, bank borrowing and obligation under finance leases. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Credit risk and impairment assessment

As at 31 March 2019, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk limited to trade receivables, amount due from a related company, deposits and other receivables and bank balances which will cause the carrying amount of each financial asset in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

<u>Trade receivables</u>

In order to minimise the credit risk, the management of the Company has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow up action is taken to recover overdue debts. The Company has set the policies in place to ensure that transactions are made to customers with an appropriate credit history. In addition, the Group performs impairment assessment under ECL model upon application of HKFRS 9 (2018: incurred loss model) on trade receivables based on provision matrix. In this regard, the directors of the Company consider that the Company's credit risk is significantly reduced.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivables.

<u>Cash and cash equivalents</u>

As at 31 March 2019 and 2018, all cash and cash equivalents were deposited in state owned banks and reputable financial institutions and were hence without significant credit risk. The Group has no significant concentration of credit risks, with exposure spread over a number of counter parties.

<u>Other receivables</u>

As at 31 March 2019, the other receivables were mainly related to other tax receivables from PRC government. As a result, the directors assessed the expected credit loss rate of other receivables were immaterial. Thus, no loss allowance for other receivables were recognised during the year.

36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Provision matrix — debtors' aging

As part of the Group's credit risk management, the Group uses debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix as at 31 March 2019 within lifetime ECL (not credit impaired). Trade receivables with significant outstanding balances or credit-impaired with gross carrying amounts of approximately HK$4,725,000 as at 31 March 2019 were assessed individually. Amount due from a related company approximately HK$100,000 as at 31 March 2019 were assessed individually.

Gross carrying amount

At 31 March 2019	**Average loss rate**	**Trade receivables** HK$'000	**Loss allowance** HK$'000
Current (not past due)	0.50%	2,484	12
1–30 days past due	0.87%	93	1
31–90 days past due	1.69%	806	14
91–180 days past due	3.85%	193	7
More than 180 days past due	6.49%	1,149	75
		4,725	109

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

During the year ended 31 March 2019, the Group provided approximately HK$109,000 impairment allowance for trade receivables based on the provision matrix. Impairment allowance of approximately HK$35,000 and HK$74,000 were made on debtors with significant balances and credit impaired debtors respectively.

36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Provision matrix — debtors' aging (Continued)

During the year ended 31 March 2019, the Group provided approximately HK$2,000 impairment allowance for amount due from a related company under general approach. Impairment allowance of approximately HK$2,000 was made on a related company with significant.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) HK$'000	**Lifetime ECL (credit-impaired)** HK$'000	**Total** HK$'000
As at 31 March 2018 under HKAS 39	–	690	690
Adjustment upon application of HKFRS 9	28	–	28
As at 1 April 2018 — As restated	28	690	718
Change due to financial instruments recognised as at 1 April			
— Transfer to credit-impaired	(2)	2	–
— Impairment losses recognised	24	72	96
— Impairment losses reversed	(15)	–	(15)
— Write-offs	–	(690)	(690)
As at 31 March 2019	**35**	**74**	**109**

36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Fair value measurements

The fair values of financial assets and financial liabilities are determined as follows:

(i) the fair values of financial assets and financial liabilities with standard terms and conditions traded on active liquid markets are determined with reference to quoted market prices; and

(ii) the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

No analysis is disclosed since the Group has no financial instruments that are measured subsequent to initial recognition at fair value at the end of the reporting period.

Interest rate risk

The cash flow interest rate risk relates primarily to variable-rate borrowings. It is the Company's policy to keep its borrowings at fixed rates of interests so as to minimise the fair value interest rate risk.

The Company has no significant interest-bearing liabilities except for borrowings and obligation under finance leases, details of which have been disclosed in Notes 27 and 28 respectively.

The Company has no significant interest rate risk during the year.

Foreign currency risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to HK$, USD and RMB. HK$ is pegged to the USD and the foreign exchange exposures between them are considered limited, therefore, the Group is mainly exposed to the effects of fluctuation in RMB. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider the need of hedging significant foreign currency exposures.

No sensitivity analysis on foreign currency risk is performed since the Group's has no material foreign currency denominated monetary assets and liabilities at the end of the reporting period.

36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk

The Group has laid down an appropriate liquidity risk management framework for the management of the short, medium and long-term funding and liquidity management, which is reviewed regularly by the Directors. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and maintains a conservative level of long-term funding to finance its short-term financial assets.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the contractual maturities of the undiscounted financial liabilities including interest that will accrue to those liabilities except where the Group are entitled and intends to repay the liability before its maturity.

As at 31 March 2019

	Weighted Average Interest rate	On demand or within one year HK$'000	More than one year but not two years HK$'000	More them two years not five years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
Non-derivate financial liabilities						
Trade payables	–	2,293	–	–	2,293	2,293
Other payables	–	89	–	–	89	89
Convertible bonds	15.4%	–	–	23,000	23,000	17,411
Bank borrowing	1.8%	163	163	257	583	548
Obligation under finance lease	2%	136	136	136	408	380
		2,681	299	23,393	26,373	20,721

36. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

As at 31 March 2018

	Weighted Average Interest rate	On demand or within one year HK$'000	More than one year but not two years HK$'000	More them two years not five years HK$'000	Total undiscounted cash flow HK$'000	Total carrying amount HK$'000
Non-derivate financial liabilities						
Trade payables	–	3,667	–	–	3,667	3,667
Other payables	–	13	–	–	13	13
Convertible bonds	14.3%	–	–	10,000	10,000	7,586
Obligation under finance lease	2%	136	272	136	544	495
		3,816	272	10,136	14,224	11,761

(c) Fair value measurements of financial instruments

(i) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The fair values of financial assets and financial liabilities are determined as follows:

(a) the fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and

(b) the fair value of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

36. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments (Continued)

(i) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required) (Continued)

Except for the liability component of convertible bonds which recorded at amortised cost as below, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Group's consolidated statement of financial position approximate to their fair values.

	31 March 2019		31 March 2018	
	Carrying amount HK$'000	**Fair value HK$'000**	Carrying amount HK$'000	Fair value HK$'000
Non-current liabilities				
Convertible bonds	**17,411**	**18,790**	7,586	7,763

The fair value of the liability component is the present value of the contractually determined stream of future cash flows discounted at the interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without conversion option.

As at 31 March 2019, the fair value of convertible bonds of approximately HK$18,790,000 (2018: HK$7,763,000). The fair value of liabilities component of convertible bonds was valued by an independent valuer. The convertible bonds was calculated by discounting the future cash flow at market rate and including some unobservable inputs. See Note 29 for the details information of convertible bonds.

36. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurements of financial instruments (Continued)

(ii) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's and the Company's financial assets and financial liabilities are measured at fair value at 31 March 2019 and 31 March 2018. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

	Fair Value as At 31 March 2019 HK$'000	Fair value hierarchy	Valuation techniques and key input	Significant unobservable inputs
Financial assets				
Derivative financial instruments: — Redemption option derivative embedded in the Convertible Bond 1	3,162	Level 3	Binominal model **Key inputs:** Risk free rate, volatility and discount rate	Risk free rate of 1.41%, volatility of 89.43%, and discount rate of 13.55% (note)
Derivative financial instruments: — Redemption option derivative embedded in the Convertible Bond 2	5,039	Level 3	Binominal model **Key inputs:** Risk free rate, volatility and discount rate	Risk free rate of 1.40%, volatility of 91.30%, and discount rate of 13.40% (note)

	Fair Value as At 31 March 2018 HK$'000	Fair value hierarchy	Valuation techniques and key input	Significant unobservable inputs
Financial assets				
Derivative financial instruments: — Redemption option derivative embedded in the Convertible Bond 1	142	Level 3	Binominal model **Key inputs:** Risk free rate, volatility and discount rate	Risk free rate of 1.74%, volatility of 43.65%, and discount rate of 14.19% (note)

Note:

An increase in the discount rate in isolation would result in a decrease in the fair value measurement of term extension derivative embedded in the convertible bond.

An increase in the share price volatility in isolation would result in a decrease in the fair value measurement of term extension derivative embedded in the convertible bond.

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019 **HK$'000**	2018 HK$'000
Non-current assets		
Interests in associates	**20,921**	–
	20,921	–
Current assets		
Amount due from subsidiaries	**24,367**	22,116
Deposits, prepayments and other receivables	**170**	304
Pledged time deposits	**2,039**	2,012
Financial assets at fair value through profit or loss	**8,201**	1,737
Cash and bank balance	**4,527**	10,964
	39,304	37,133
Current liabilities		
Amounts due to subsidiaries	**934**	934
	934	934
Net current assets	**38,370**	36,199
Total assets less current liabilities	**59,291**	36,199
Non-current liabilities		
Convertible bonds	**17,411**	7,586
Deferred taxation	**922**	398
	18,333	7,984
Net assets	**40,958**	28,215
Capital and reserves		
Share capital	**2,550**	2,400
Reserves (Note)	**38,408**	25,815
Total equity	**40,958**	28,215

Approved by the Board of Directors on 19 June 2019 and signed on its behalf by:

Lo, Yan Yee
Executive Director

Cheng, Yeuk Hung
Executive Director

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Note:

A summary of the Company's reserve is as follows:

	Share Premium	Contribution reserve	Share option reserve	Convertible bonds-equity component reserve	Accumulated loss	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2017 and 1 April 2017	28,840	4,836	5,794	–	(28,285)	11,185
Total comprehensive loss for the year	–	–	–	–	(13,719)	(13,719)
Share placing	25,680	–	–	–	–	25,680
Issuance cost on share placing	(1,044)	–	–	–	–	(1,044)
Issuance of convertible bonds	–	–	–	4,242	–	4,242
Issuance cost on convertible bonds	–	–	–	(119)	–	(119)
Deferred tax liability arising from issue of convertible bonds	–	–	–	(410)	–	(410)
As at 31 March 2018 and 1 April 2018	53,476	4,836	5,794	3,713	(42,004)	25,815
Total comprehensive loss for the year	–	–	–	–	2,996	2,996
Share placing	5,850	–	–	–	–	5,850
Issuance of convertible bonds	–	–	–	4,518	–	4,518
Issuance cost on convertible bonds	–	–	–	(127)	–	(127)
Deferred tax liability arising from issue of convertible bonds	–	–	–	(644)	–	(644)
As at 31 March 2019	**59,326**	**4,836**	**5,794**	**7,460**	**(39,008)**	**38,408**

As at 31 March 2019, the Company's reserves available for distribution, calculated in accordance with the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, amounted to approximately HK$25,154,000 (2018: HK$16,308,000). The amount represents the net of Company's contribution reserve, share premium, and accumulated losses, which may be distributable 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 and when they fall due in the ordinary course of business.

38. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had entered into transactions with related parties which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business, as shown below:

(a) Significant related party transactions

Particulars of significant related party transactions during the year, the Group entered into the following transactions with related parties:

Nature of related party transactions

	2019 **HK$'000**	2018 HK$'000
Sales to Mobile Computer Land Limited (Note (i))	**618**	738
Rental paid to Mobile Computer Land Limited (Note (i))	**574**	519
Purchase of property, plant and equipment paid to Mobile Computer Land Limited (Note (i))	**3**	3
Consultancy fee paid to Vashion Assets Management Limited (Note (ii))	**1,200**	1,200

Notes:

(i) The sales to, purchase of property, plant and equipment from and rental paid to Mobile Computer Land Limited which major shareholder is Mr. Lo Ding Kwong, is the son of Madam Cheng, constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules, but is fully exempt from shareholders' approval and all disclosure requirements under Chapter 20 of the GEM Listing Rules.

(ii) Consultancy contracts entered into between the Group and its Director Ms. Zhou Jia Lin in an amount of approximately HK$574,000 (2018: approximately HK$519,000) also constitutes a connected transaction for the Company under Chapter 20 of the GEM Listing Rules, but is fully exempt from shareholders' approval and all disclosure requirements under Chapter 20 of the GEM Listing Rules.

(b) Key management personnel remuneration

Remuneration for key personnel management, including amount paid to the Company's directors and certain of the highest paid employees, as disclosed in Notes 13 and 14 respectively to the consolidated financial statements, is as follows:

	2019 **HK$'000**	2018 HK$'000
Salaries and allowances (including directors' fee)	**5,230**	7,668
Retirement scheme contribution	**98**	151
	5,328	7,819

39. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group leases its office properties and factory under operating lease arrangements. Leases for the properties are negotiated for terms of two years.

At the end of reporting period, the Group had total future minimum lease payables under non-cancellable operating leases falling due as follows:

	2019	2018
	HK$'000	HK$'000
Within one year	**6,826**	7,077
In the second to fifth years inclusive	**4,461**	11,161
	11,287	18,238

40. CAPITAL COMMITMENT

The Group and the Company did not have any significant capital commitments as at 31 March 2019 and 2018.

41. COMPARATIVES

The Group has initially applied HKFRS 15 and HKFRS 9 at 1 April 2018. Under the transition method, comparative information is not restated. Further details of the changes in accounting policies as disclosed in Note 2.

42. SUBSEQUENT EVENT

Besides elsewhere in consolidated financial statement, the Group did not have other material subsequent event.

43. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 19 June 2019.

Financial Summary

For the year ended 31 March 2019

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

	For the year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Results					
Revenue	**52,817**	38,324	41,657	58,345	51,807
Profit/(loss) before taxation	**5,309**	(14,686)	(13,993)	(13,880)	(12,631)
Taxation	**(37)**	(30)	–	141	–
Profit/(loss) for the year	**5,272**	(14,716)	(13,993)	(13,739)	(12,631)
Attributable to:					
Owners of the Company	**5,272**	(14,716)	(13,993)	(13,739)	(12,631)

	For the year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Assets and liabilities					
Total assets	**65,536**	44,242	29,462	44,383	49,811
Total liabilities	**24,578**	(16,027)	(16,277)	(17,169)	(9,885)
	40,958	28,215	13,185	27,214	39,926
Total equity	**40,958**	28,215	13,185	27,214	39,926