壹家壹品
新生活美学

2019年報
ANNUAL REPORT

壹家壹品（香港）控股有限公司*

EJE(HONG KONG) HOLDINGS LIMITED

(a company incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)

Stock Code 股份代號：8101



*For identification purpose only
*僅供識別

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This report, for which the directors (the "Directors") of EJE (HONG KONG) Holdings Limited (the "Company") collectively and individually accept full responsibilities, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") of the Stock Exchange 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: (1) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and (2) there are no other matters the omission of which would make any statement in this report misleading.

CONTENTS

PRC OFFICE
Eastern Section of Guangzhou Economic
and Technological Development District,
Huangpu District, Guangdong Province,
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China Insurance Group Building,
141 Des Voeux Road Central,
61–65 Gilman Street and
73 Connaught Road Central,
Hong Kong

WEBSITE
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BOARD OF DIRECTORS
Executive Directors
Mr. Qin Yuquan *(Chairman)*
Mr. Hung Cho Sing
Mr. Chau Tsz Kong Alan
(appointed on 17 December 2018)
Mr. Wong Siu Ki
(resigned on 17 December 2018)
Mr. Matthew Chung

Independent Non-executive Directors
Mr. Tang Kin Chor
Mr. Chan Chun Wing
Mr. Li Siu Yui

AUTHORISED REPRESENTATIVES
Mr. Chau Tsz Kong Alan
(appointed on 17 December 2018)
Mr. Wong Siu Ki
(resigned on 17 December 2018)
Mr. Wong King Chung

COMPANY SECRETARY
Mr. Wong King Chung

COMPLIANCE OFFICER
Mr. Wong King Chung

AUDIT COMMITTEE
Mr. Chan Chun Wing *(Chairman)*
Mr. Tang Kin Chor
Mr. Li Siu Yui

NOMINATION COMMITTEE
Mr. Tang Kin Chor *(Chairman)*
Mr. Chan Chun Wing
Mr. Li Siu Yui

REMUNERATION COMMITTEE
Mr. Li Siu Yui *(Chairman)*
Mr. Tang Kin Chor
Mr. Chan Chun Wing

AUDITOR
Elite Partners CPA Limited

LEGAL ADVISER
Lin and Associates

THE CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
Codan Trust Company (Cayman) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 22, Hopewell Centre,
183 Queen's Road East,
Hong Kong

PRINCIPAL BANKERS
Agricultural Bank of China
Industrial and Commercial Bank of China
Construction Bank of China
Public Bank (Hong Kong)
Bank of Communications (Hong Kong)
Bank of China (Hong Kong)

STOCK CODE
8101

CHAIRMAN'S STATEMENT

Dear Shareholders,

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

There were many challenges in last year and yet we have a very fruitful year for the last 12 months. The Chinese economy is battling a number of serious headwinds, including a long-running trade war with the United States, weak consumption at home and slower export demand abroad, as well as debt problems in both the public and private sectors.

Despite of conservative views from majority analysts in general, China's economy grew 6.4 per cent in the first quarter of 2019 compared to a year earlier, the joint-slowest growth rate since quarterly growth records began to be published 27 years ago. This growth rate beat the median forecast of a Bloomberg survey of economists, which predicted gross domestic product (GDP) growth would slow to 6.3 per cent for the quarter. This growth rate of GDP suggest that Beijing's stimulus measures are starting to boost the Chinese economy, as intended. It has been estimated that stimulus, through expansionary monetary policy, tax cuts and infrastructure spending, could be as high as 4.25 per cent of GDP this year.

INDUSTRY REVIEW

Chinese furniture market witnessed a healthy growth in the last 2 years, owing to the factors such as urbanization, economic growth and favorable demographics. Custom-made furniture allows customers to decide on the color, type of material used, finish, and design, among other things. Chinese custom-made furniture market is tremendously growing with rising domestic demand of kitchen cabinets and wardrobes due to their exclusivity and cheap prices. Millions of aspirational households are turning to custom-made furniture to furnish their homes, creating a huge demand in the custom-made furniture industry. Custom-made furniture market is still considered as an emerging market and in next 4 years, there would be a notable growth in the market. Renovation industry is also playing a vital role in the growth of this industry. Though, the market is expected to rise in future. But there are some factors such as real estate cycles and high raw material prices, which can have adverse effects on market growth.

As for "壹家壹品" ("Yijia Yipin"), I am very proud that we have delivered a 51% increase in turnover and 118.7% increase in net profit for our custom-made furniture business. The custom-made furniture segment's revenue accounted for over 90% of the Group's total revenue. In addition, owing to the introduction of new regulation, higher standard of furniture and fixture products are now required to be bundled with residential property's sales, which has driven the demand for standard custom-made furniture products. Last year, the project sales has contributed 67.44% of the total revenue of the Yijia Yipin. The number of shops has jointed our franchise network this year has also been increased steadily. However, we are not satisfy with just what we have achieved. Even though we are only a medium size player in the market, and there is still huge gap between those key big players in the market with us, we have never stop developing creative strategies to step up in the competition. And, one of which is the DX-V Shop idea that was evolved from last year Designer — X platform (a share designer platform to stream-line the production process and to enhance customers' experience). The main emphasis of the new DX-V Shop is to reduce the financial as well as operational burden from those potential investors who are interested in joining our franchise network. With a minimum of RMB100,000 star up cost, an investor can kick start their furniture business with us and they won't need to worry about hiring their own designer (they can just utilize our Designer X platform). And, it has been mega success ever since we launched it in March 2019. However, it takes dedication, craftsmanship spirit and skills of our sales team to help investor to bring down their start up cost as much as 400%. Our team need to overcome logistic problem and require superb negotiation skill to line various parties up to make things possible. We have to provide our franchisees with extra support in many ways.

OUTLOOK AND FUTURE PROSPECTS

Despite there are various adverse economic factors ahead of us from both domestic and global market, the Group maintains a cautious and optimistic development pace. First of all, we will continue to endeavor the development for our retail business (i.e. custom-made furniture franchise store) in order to be in line with the new regulation for the real estate development policy for premium quality residential property in China. Secondly, the company's promotion and expansion for the custom-made furniture special franchise store will no longer be solely rely on furniture specialty shops and shopping mall. Instead, the promotion needs to be more direct and close to the end consumer. Therefore the emphasis for expansion of specialty franchise store this year would be focusing on "community micro store" (also, known as DX-V Shop). The aim is to get closer to end consumers and shorten our customer service turnover cycle. So that we could win the competition through "speed".

Besides, in conjunction with the policy for China's future real estate development projects, the Group will continue to expand its custom-made furniture project sales business, making this a stable income source for the Group.

Finally, in response to the national "Belt and Road Initiative" strategic direction, and with the help of our state-owned enterprise partners, we will gradually try to expand our projects sales business to the countries along the Belt and Road area, so that the Group's business would become more versatile and resistant to fluctuations caused by uncertainties.

On 8 May 2019, the Group has completed the acquisition of Green Steps Investments Limited, a company that owned "壹家壹品" ("Yijia Yipin") brand name. This is another mile stone that signify our total commitment toward the Yijia Yipin brand. After this acquisition, the Group is now owning the Yijia Yipin brand name, which means we can now go all out to expand our franchise network without any geographic limitation. And, there will be no time limit or expiration date for using the brand name.

In order to facilitate the expected fast expansion of our franchise network, we have already started planing the expansion of our production facilities. The year of 2019 will be a year full of challenge. we have many tasks to complete and targets to achieve. Despite of the temporary uncertainties in the market sentiment, the Group will continue to work hard to overcome any challenge ahead of us.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to our valued customers, business partners and shareholders for their constant support and trust, and express my heartfelt appreciation to the management team and all staffs for their hard work and dedication to the development of the Group.
Yours faithfully

Qin Yuquan
Chairman

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND

The Board has resolved not to declare a final dividend for the year ended 31 March 2019 (2018: Nil).

BUSINESS REVIEW

This was the second year after the Group had acquired the manufacture of custom-made furniture business. Last year, the custom-made furniture segment has constituted approximately 60.30% of the Group's total turnover. This year, it's turnover contribution increased to approximately 93.5%. In other word, custom-made furniture business has became the most significant business segment of the Group.

The manufacture of custom-made furniture segment has generated revenue of approximately HK$123.5 million for the year ended 31 March 2019, representing a 51.09% increase from last year approximately HK$81.7 million. Such an overwhelming increase in sales proves that the custom-made furniture franchise store business model is much better than traditional manufacturing business model that has to rely on third party's distribution channels to sell their products. As for franchise store network, it is not only more cost effective in terms of selling and distribution expenses, more importantly these franchise stores network provide flexibility in selling furniture products directly to end customers. And such network simply expand faster than traditional distribution network and capable of reaching and penetrating to individual customers easier and in more intimate fashion. One of the example is the DX-V Store concept just being introduced to the market in March 2019. These mini-size franchise store each only occupied as little as 60 square meter of shop area. However, they will make use some of their customer's home to demonstrate and show case Yijia Yipin's products. Since such DX–V Store are normally opened in smaller residential area, they have far better reach to Yijia Yipin's target customers and usually can provide more intimate support and after sales service. Customers can also easily get the best design tailor to each of their unique requirements and specifications through the Yijia Yipin's Designer X platform. Gross profit margin was approximately 26.3%, which has maintaining at similar level compared to last year's 29.8%. The segment profit was approximately HK$3.8 million, increased by approximately 118.7% from last year's operation.

The turnover for the mattress and soft bed sales business has decreased by approximately 95.7% from approximately HK$48.6 million in last year to approximately HK$2.1 million for the year ended 31 March 2019. This was because the Group has continued reducing the scale of mattress and soft bed business and selling off related assets during the period. Gross profit ratio from mattress and soft bed products' sales has dropped from previous 16.04% to 6.5%. This was also due to higher cost was required to dispose off all the remaining stock on hand and loss on disposal of fixed assets. The segment loss from mattress and soft bed products' sales was approximately HK$11.0 million (2018: approximately HK$4.5 million). This particularly poor performance for the period was mainly because the production operation had stopped since May 2018, but there were fixed costs such as amortization of trademark expense (approximately HK$3.3 million) continuing to be incurred during the period. And, the factory still need to maintain certain fixed overhead cost to keep it running before the related subsidiary can be deregistered. Alternatively, management is also exploring the possibility to utilise existing factory equipment, facilities and resources for the manufacture of custom-made segment.

Comparing to the same period of last year, the composition of the Group's revenue has already been shifted to the reliance of custom-made furniture business. The contribution of mattresses and soft bed sales segment over the Group's total revenue has decreased to only approximately 1.6% for the current year. The other revenue making segments, namely property investment segment and money lending segment together only contributed approximately 5.2% of the total revenue. These figures shows that the Group's PRC operation has been successfully shifted from the manufacturing of mattress and soft bed products segment to the manufacture of custom-made furniture segment. On the other hand, the Group's operation in Hong Kong has basically remain same composition and scale as last year.

Besides, the net profit attributable to the custom made furniture segment has increased by 118.7% from last year approximately HK$1.7 million to this year approximately HK$3.8 million. Such increase in net profit is in line with the increase in turnover of the segment. The net loss from the mattress and soft bed sales segment increased approximately 143.2% from last year loss of approximately HK$4.5 million to this year loss of approximately HK$11.0 million. The was due to related subsidiary was entered into a prolonged deregistration process which many one off losses and expenses would be recognised. Further expected bad debt that was related to previous accounting period were also being recognized under the new accounting standard treatment when the subsidiary was closing its book with various debtors and creditors. And, it was also inevitable for the segment to continue to bear certain fixed overhead cost just to keep the subsidiary remain registered status. Management is now considering various alternatives to finally discontinue the mattress business once and for all to minimize such unpleasant financial impact to the Group.

Securities investment segment has recorded loss of approximately HK$2.9 million, representing approximately HK$118.1 million improvement from last year loss. The Group recorded loss on financial assets at fair value through profit or loss approximately HK$2.1 million for the year ended 31 March 2019 which included unrealised fair value loss of approximately HK$1.7 million and realised fair value loss of approximately HK$396,000. These losses were mainly attributable to the poor performance of the global as well as Hong Kong's securities market in the recent period.

SIGNIFICANT INVESTMENTS

As at 31 March 2019, the Group held approximately HK$9.06 million equity investments at fair value through profit or loss (2018: approximately HK$23.2 million). Details of the significant investments are as follows:

	Notes	Stock Code	Place of incorporation	No. of shares held	Fair value Gain/(loss)	Market Values	Approximate percentage of equity investments at fair value through profit and loss	Approximate percentage to the net assets
					HK$'000	*HK$'000*	*%*	*%*
InvesTech Holdings Limited	1	1087	Cayman Islands	13,250,000	1,723	3,842	42,4%	1.2%
Shun Wo Group Holdings Limited	2	1591	Cayman Islands	50,000,000	(2,925)	4,250	46.9%	1.4%
Individual investment less than 1% of net assets the Group					(531)	968	10.7%	0.3%

Notes:

1. InvesTech Holdings Limited is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are mainly engaged in the provision of network system integration including the provision of network infrastructure solutions, network professional services and mobile internet software of mobile office automation software business, the network equipment rental business, the trading of telecommunications equipment and money lending business. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately RMB$999,808,000 as at 31 December 2018.

2. Shun Wo Group Holdings Limited is an investment holding company. Its subsidiaries are principally engaged in undertaking foundation works in Hong Kong. No dividend was received during the period. According to its latest published financial statements, it had net asset value of approximately HK$162,942,000 as at 30 September 2018.

During the year, the Group disposed some of the investments on market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK$57.8 million and loss recognised for the year of approximately HK$0.4 million.

Details of the transactions are as follows:

	Stock code	Place of incorporation	Sales proceeds *HK$'000*	Realised gain/(loss) *HK$'000*
Pantronics Holdings Limited	1611	British Virgin Islands	9,899	5,279
Huisheng International Holdings Limited	1340	Cayman Islands	1,757	(1,143)
KOALA Financial Group Limited	8226	Cayman Islands	1,774	(6,905)
InvesTech Holdings Limited	1087	Cayman Islands	4,325	1,628
Investment with individual realised gain/(loss) less than HK$1,000,000			40,043	745

FINANCIAL REVIEW

Turnover and Profit

The turnover of the Group for the year ended 31 March 2019 was approximately HK$132.1 million, representing a decrease of approximately 2.3% as compared to the financial year of 2018. Even though the custom-made furniture segment has performed exceptionally well with turnover increased by approximately HK$41.8 million, representing an increase of approximately 51.1%. However, the decrease in turnover from the mattress and soft bed product segment was even greater (approximately HK$46.5 million. Given the turnover of the Group from the other income generating segment was on par with last year, the overall turnover was slightly decreased when compared to last year.

The Group's net loss on the contrary has improved greatly from last year loss of approximately HK$369.6 million to this year loss of approximately HK$11.6 million. This was mainly attributable to the loss incurred when the Group disposed all of its equity interest in Luen Wong (resulted in loss of approximately HK$131.6 million) and the fair value loss of approximately HK$283.1 million from the Convertible Bonds Payable. The details of the performance of other segments are discussed in the following paragraph.

There were four investment properties held by the Group as of 31 March 2019 with the total book cost of approximately HK$205.5 million. The fair value of these investment properties has increased by approximately 25.4% to approximately HK$267.9 million. The revenue of the segment increased by approximately HK$1.8 million from last year approximately HK$3.7 million to this year approximately HK$5.5 million. This was due to rental income contributed by the newly acquired investment property during the year as well as some originally vacant properties was subsequently being occupied. The net profit of the segment has decreased from approximately HK$1.7 million of last year to approximately HK$1.2 million of this year. The decrease was due to the one off renovation cost of approximately HK$1.4 million incurred in the year. There was a fair value gain of investment properties of approximately HK$10.2 million this year as compare to approximately HK$39 million fair value gain for last year. As both the nature and magnitude of such fair value gain would greatly distort the operating performance of the segment, we have decided to have a separate line to disclosure it.

Regarding to money lending business, there was originally approximately HK$10.7 million outstanding loan receivable as of 31 March 2019. However, due to the adaptation of HKFRS 9 Financial Instruments for the first time, there was expected credit loss ("ECL") of approximately HK$258,800 was being recognised. Therefore, the adjusted balance under the application of new accounting standard is now reduced to approximately HK$10.3 million. The interest charge was range from 10% to 12% per annum. The total interest income generated from the business was approximately HK$1.2 million (2018: approximately HK$917,000). And, net profit of this segment was approximately HK$698,000 (2018: approximately HK$880,000). Going forward, the Group is intended to maintain the loan receivable scale to no more than HK$30 million level, and the loan interest rate will be ranging from 8% to 15% per annum.

Administrative expenses

The administrative expenses of the Group primarily comprised expenses incurred for the professional fee, staff costs and social insurance cost. For the year ended 31 March 2019, the Group's administrative expenses increased slightly to approximately HK$45.9 million compared to approximately HK$40.7 million for the corresponding period of last year, representing an increase of approximately 13.0%. The increase was mainly due to the amortization of intangible assets of approximately HK$16.8 million.

Selling and distribution expenses

Selling and distribution expenses for the year ended 31 March 2019 was approximately HK$10.5 million comparing to approximately HK$8.1 million in 2018, representing an increase of approximately 28.5%. Selling and distribution expenses of the Group mainly comprised of amortization of portrait rights, trademark, exhibition expenses, salaries and custom duties. The amortization of the portrait rights was approximately HK$6.1 million, and there was also approximately HK$3.8 million trademark expense incurred during the period.

Fair value loss on financial assets at fair value through profit or loss

As at 31 March 2019, the Group had financial assets at fair value through profit or loss of approximately HK$9.1 million (2018: HK$23.2 million). The Group recorded loss on financial assets at fair value through profit or loss approximately HK$2.1 million during the Year (2018: loss of HK$128.1 million). However, such an improvement was merely due to the last year investment loss incurred when the Group disposed all of its equity interest in shares of Luen Wong which has already been discussed in detail above.

Loss for the year

As a result of the foregoing factors, the Group recorded a loss of HK$11.7 million for the year ended 31 March 2019 (2018: loss of HK$369.6 million), and basic loss per share amounted to HK$0.4 cents for the year ended 31 March 2019 (2018: loss per share HK cents 12.8).

Trade and other receivables

Trade and other receivables decreased to approximately HK$77.2 million as at 31 March 2019 from approximately HK$91.2 million as at 31 March 2018. The improvement was mainly attributable to the nature of the new custom-made furniture business that had became the most significant operation for the Group during the year. Which customers will normally prepay deposit for their order, and less credit terms were required.

Trade and other payables

Trade and other payables also decreased to approximately HK$35.3 million as at 31 March 2019 from approximately HK$57.0 million as at 31 March 2018. This was due to the business model of the custom-made furniture operation. Which has a shorter stock and payable cycle compared to traditional manufacturing business.

USE OF PROCEEDS FROM THE PLACING OF SHARES

The Company raised its fund by way of a placing of 30,000,000 shares of the Company at the placing price of HK$1.15 per share on 15 October 2013.

Net proceeds from the placing of shares amounted to approximately HK$13.4 million (after deducting the placing commission and legal and professional expenses), the unutilised proceeds were deposited in licensed banks in Hong Kong and the PRC. Such net proceeds have been used in the following manner:

	Net proceeds *(HK$ in million)*	**Approximate amount of net proceeds utilised up to 31 March 2019** *(HK$ in million)*	**Approximate amount of net proceeds unutilised up to 31 March 2019** *(HK$ in million)*
Participate in overseas trade fairs	3.2	3.2	–
Production design, research and development and hire of new designer	2.4	2.4	–
Enter into distributorship arrangement with our specialty retailers and promote our brand image and products with them	2.0	1.3	0.7
Construct new production facility	4.6	–	4.6
General working capital	1.2	1.2	–
Total	13.4	8.1	5.3

USE OF PROCEEDS FROM THE PLACING OF NEW SHARES UNDER GENERAL MANDATE

As at 31 March 2019, the unutilised proceeds were deposited in licensed banks in Hong Kong and the PRC.

(i) On 11 December 2014, a total of 80,000,000 ordinary shares at HK$0.213 each were placed to not less than six placees, an Independent Third Party, pursuant to the terms and conditions of the placing agreement dated 28 November 2014. Reference is made to the announcement of the Company dated 28 November 2014 in relation to the placing of new shares of the Company under a general mandate. The net proceeds from placing, after deducting professional fees and all related expenses, were approximately HK$16.34 million. The proceeds have been used as the general working capital of the Group.

(ii) On 9 April 2015, a total of 96,400,000 ordinary shares were placed at HK$0.154 each to not less than six placees, an Independent Third Party, pursuant to the terms and conditions of the placing agreement dated 9 April 2015. The net proceeds from placing, after deducting professional fees and all related expenses, were approximately HK$14.2 million. The proceeds have been used as the general working capital of the Group.

(iii) On 14 October 2015, the Company completed a rights issue on the basis of three rights shares for every one existing share held on 17 September 2015 at HK$0.08 per rights share (the "Rights Issue") and issued 1,735,200,000 rights shares. The details of the results of the Rights Issue were set out in the announcement of the Company dated 14 October 2015. The net proceeds from the rights issue, after deducting professional fees and all related expenses, were approximately HK$134.5 million and approximately HK$114.5 million was used for the acquisition of properties in Hong Kong for retail purpose; and approximately HK$20 million was used for the further development of the existing and future business of the Group.

(iv) On 11 November 2016, a total of 462,720,000 ordinary shares at HK$0.1 were placed to not less than six placees, an Independent Third Party, pursuant to the terms and conditions of the placing agreement dated 26 October 2016. Reference is made to the announcement of the Company dated 26 October 2016 in relation to the placing of new shares of the Company under a general mandate. The net proceeds from placing, after deducting professional fees and all related expenses, were approximately HK$44.80 million. Approximately HK$20.6 million of the net proceeds had been utilized for the repayment of loan, and approximately HK$24.2 million was used for general working capital purpose.

LIQUIDITY, FINANCIAL RESOURCES AND FUNDING

The Group principally meets its working capital and other liquidity requirements through operating cash flows. As at 31 March 2019, the Group maintained cash and cash equivalents amounting to HK$19.5 million (2018: HK$21.4 million). Total current assets decreased from approximately HK$155.2 million to approximately HK$135.6 million in 2019. On the contrary, total current liabilities also decrease from approximately HK$304.8 million in 2018 to approximately HK$293.6 million in 2019. This has resulted in net current liabilities position for the current year end of approximately HK$158.0 million (2018: net current assets HK$150.0 million).

CAPITAL STRUCTURE

During the year under review, the capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

FOREIGN EXCHANGE EXPOSURE RISKS

Our Group has foreign currency risks. Such risks mainly arise from the balance of assets and liabilities and transactions in currencies other than the respective functional currencies of our Company and its subsidiaries. Currently, the Group does not maintain any hedging policy with respect to these foreign currency risks.

GEARING RATIO

The gearing ratio calculated as total bank borrowings divided by total assets was approximately 5.58% (2018: 5.6%).

CAPITAL COMMITMENTS

As at 31 March 2019, the Group had no significant capital commitments.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 March 2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group had no significant future plans for material investments or capital assets.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group engaged a total of 146 employees (2018: 309). Total staff costs including Directors' remuneration for the financial year of 2019 amounted to approximately HK$14.4 million (2018: HK$16.0 million). The Group's remuneration policies are in line with the prevailing market practices and are determined on the basis of performance and experience of individual employees.

The share option scheme (the "Scheme") was adopted on 22 August 2014 to retain staff members who have made contributions to the success of the Group. During the year ended 31 March 2019, the Company has not grant any share options to any party (2018: Nil).

ENVIRONMENT POLICIES AND PERFORMANCE

The Group is committed to supporting the environmental sustainability. Being a furniture manufacturer in the PRC, the Group is subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. These include regulations on air and noise pollution and discharge of waste and water into the environment. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. Regarding to the Company other business in Hong Kong, there are no specific environmental standards and/or requirements for conducting the Group's business in Hong Kong. The Group is aware of environmental protection and social responsibility as an enterprise citizen and promotes healthy work place.

During the year under review, the Group has complied with relevant laws and regulations that have significant impact on the operations of the Group. Further, any changes inapplicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

The Group's Environmental, Social and Governance Report for the year ended 31 March 2019 will be published on the respective websites of the Stock Exchange and the Company on or before 19 July 2019.

Pension schemes

The employees of the Group's subsidiaries operating in Hong Kong are required to participate in a defined contribution retirement scheme or the Group or Company set up in accordance with the Hong Kong Mandatory Provident Fund Ordinance. Under the scheme, the employees are required to contribute 5% of their monthly salaries up to a maximum of HK$1,500 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries up to a maximum of HK$1,500 (the "Mandatory Contributions"). The employees are entitled to 100% of the employer's Mandatory Contributions upon their retirement at the age of 65 years old, death or total incapacity. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

In addition, pursuant to the government regulations in the PRC, the Group is required to contribute an amount to certain retirement benefit schemes based on approximately 7% to 20% of the basic wages of those workers in the PRC. The local municipal government undertakes to assume the retirement benefits obligations of those workers of the Group.

Events after the reporting period

The Group has completed the acquisition of Green Steps Investments Limited ("Green Steps") on 8 May 2019 subsequent to the year end. Green Steps is a holding company ultimately holding the entire equity interest of Guangzhou Yapin which own the brand name of "壹家壹品" ("Yijia Yipin"); and operation of an online platform, namely "Designer-X". After the acquisition, the Group would be able to freely extend its retail coverage under the well-known brand name in the PRC without any limitation in terms of geographical location and time constraint.

The Group is committed to ensuring high standards of corporate governance and business practices. The Company's corporate governance practices are based on the Corporate Governance Code (the "CG Code") as set out in Appendix 15 of the GEM Listing Rules. During the financial year ended 31 March 2019, the Company has complied with the applicable code provisions (the "Code Provisions") of the CG Code.

BOARD OF DIRECTORS

The Board is responsible for leadership and control of the Company and oversees the management of the business and affairs of the Company. The Directors are accountable for making decisions objectively in the best interest of the shareholders as a whole.

For day-to-day management, administration and operation of the Company are delegated to the executive Directors and the independent non-executive Directors are responsible for participating in Board meetings of the Company to take the lead where potential conflicts of interest arise and serving on the audit, remuneration and other governance committees, if invited.

The Board is responsible for making decisions on all major aspects of the Company's affairs, including the approval and monitoring of key policy matters, overall strategies, business plans and annual budgets, internal control and risk management systems, material transactions (in particular those may involve conflict of interests), major capital expenditure, appointment of Directors and other significant financial and operational matters.

Board Composition

The Directors of the Company during the year ended 31 March 2019 were:

Executive Directors (Note 1)

Mr. Qin Yuquan *(Chairman)*
Mr. Hung Cho Sing
Mr. Chau Tsz Kong Alan
Mr. Matthew Chung

Independent Non-executive Directors

Mr. Tang Kin Chor
Mr. Chan Chun Wing
Mr. Li Siu Yui

Note 1: On 17 December 2018, Mr. Wong Siu Ki was resigned.
On 17 December 2018, Mr. Chau Tsz Kong Alan was appointed.

The Board members have no financial, business, family or other material/relevant relationships with each other.

As at 31 March 2019, the Board consisted of a total of seven members, including four executive Directors and three independent non-executive Directors. A description of the Directors is set out in the section headed "Board of Directors and Senior Management Profiles" on pages 29 to 30 in this annual report.

Number of Meetings and Directors' Attendance

Regular Board meetings should be held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. Other Board meetings will be held when necessary.

During the year ended 31 March 2019, 13 Board meetings, 4 audit committee ("Audit Committee") meetings, 1 remuneration committee ("Remuneration Committee") meeting and 1 nomination committee ("Nomination Committee") meeting were held. The individual attendance record of each Director at the meetings during the financial year is set out below:

	Attendance/number of meetings			
Name of Directors	**Board meeting**	**Audit committee**	**Remuneration committee**	**Nomination committee**
Executive Directors				
Mr. Hung Cho Sing	6/13	–	–	–
Mr. Qin Yuquan	10/13			
Mr. Wong Siu Ki	10/13	–	–	–
Mr. Matthew Chung	8/13	–	–	–
Mr. Chau Tsz Kong Alan	3/3	–	–	–
Independent non-executive Directors				
Mr. Tang Kin Chor	4/4	4/4	1/1	1/1
Mr. Chan Chun Wing	4/4	4/4	1/1	1/1
Mr. Li Siu Yui	4/4	4/4	1/1	1/1

The company secretary ("Company Secretary") attended all the scheduled Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and finance.

Practice and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to Directors in advance. Code Provision A.1.3 stipulates that at least 14 days' notice should be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are generally given.

Minutes of all Board meetings recording sufficient details of matters considered and decisions reached are duly kept by the Company Secretary at the meetings and open for inspection by the Directors.

The Company's articles of association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or Audit Committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions.

Chairman and Chief Executive Officer

Mr. Qin Yuquan was being elected as the Chairman of the Board on 20 November 2017. The role of Chief Executive Officer is currently being vacant ever since, pending for the Company to identify a suitable candidate to replace.

The Board believes that this is the best interest to the Group to keep Mr. Qin Yuquan as the Chairman of the Board and will continue to identify a suitable candidate for the Chief Executive Officer role.

The Chairman of the Board provides leadership to the Board and is also responsible for the effective functioning of the Board in accordance with good corporate governance practice. The Chief Executive Officer is responsible for the management of the business of the Group, implementation of the policies and objectives set out by the Board and is accountable to the Board for the overall operation of the Group. These functions and responsibilities are current being shared by the management team.

BOARD COMMITTEES

Audit Committee

The Company established the Audit Committee on 26 September 2013 with written terms of reference in compliance with paragraph C3.3 of the CG Code. The full terms of reference setting out details of duties of the Audit Committee is available on the websites of the Stock Exchange and the Company.

The Audit Committee comprises three independent non-executive Directors, namely Mr. Tang Kin Chor, Mr. Chan Chun Wing and Mr. Li Siu Yui. Mr. Chan Chun Wing is the chairman of the Audit Committee.

The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Company, nominate and monitor external auditors, review quarterly report of the compliance department's findings, meet with external auditor regularly and provide advices and comments to the Directors.

The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 March 2019.

The Audit Committee also reviewed the non-compliance report of the Group for the year ended 31 March 2019 and no material non-compliance issue has been identified.

Details of the number of Audit Committee meetings held and Directors attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 16 in this annual report.

Remuneration Committee

The Company established the Remuneration Committee on 26 September 2013 which comprised three independent non-executive Directors, namely Mr. Tang Kin Chor, Mr. Chan Chun Wing, and Mr. Li Siu Yui. Mr. Li Siu Yui is the chairman of the Remuneration Committee.

The Remuneration Committee adopted written terms of reference in compliance with paragraph B1.3 of the CG Code. The primary duties of the Remuneration Committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group, review and approve the management's remuneration proposals, and ensure none of our Directors determine their own remuneration. The full terms of reference setting out details of duties of the Remuneration Committee is available on the websites of the Stock Exchange and the Company.

The Remuneration Committee determines Directors' remuneration by reference to the benchmarking of the market. The Company also looks into individual Director's competence, duties, responsibilities, performance and the results of the Group in determining the exact level of remuneration for each Director.

Details of the remuneration of the Directors and the five highest paid individuals pursuant to Rules 18.28 to 18.30 of the GEM Listing Rules are set out in note 11 to the consolidated financial statements.

Details of the number of Remuneration Committee meeting held and Directors attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 14 in this annual report.

Senior management's remuneration

Senior Management's remuneration payment of the Group for the year ended 31 March 2019 falls within the following bands:

	Number of individuals
Nil to HK$1,000,000	3

Nomination Committee

The Company established the Nomination Committee on 26 September 2013 which comprised three independent non-executive Directors, namely Mr. Tang Kin Chor, Mr. Chan Chun Wing, and Mr. Li Siu Yui. Mr. Tang Kin Chor is the chairman of the Nomination Committee.

The primary function of the Nomination Committee is to make recommendations to the Board regarding appointment of Directors and candidates to fill vacancies on the Board. The full terms of reference setting out details of duties of the nomination committee is available on the websites of the Stock Exchange and the Company.

The Board adopted the board diversity policy in accordance with the requirement as set out in the CG Code. The Board recognizes the benefits of having a diverse Board and considers a number of factors which include but not limited to the age, gender, professional experience, cultural and education background when comprising the Board. The Nomination Committee regularly monitors and reviews the implementation of the board diversity policy.

Details of the number of Nomination Committee meeting held and Directors attendance are set out in the section headed "Number of Meetings and Directors' Attendance" on page 14 in this annual report.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the CG Code Provision D.3.1.

The Board reviewed the Company's corporate governance policies and practices, continuous professional development of Directors, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the GEM Listing Rules, the compliance with the CG Code and disclosure in this Corporate Governance Report.

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to Code Provision A.6.5, all Directors of the Company (namely Mr. Hung Cho Sing, Mr. Qin Yuquan, Mr. Chau Tsz Kong, Alan, Mr. Matthew Chung, Mr. Tang Kin Chor, Mr. Chan Chun Wing and Mr. Li Siu Yui) have participated in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this report, all Directors have participated in continuous professional development by attending training course or reading relevant materials on the topics related to corporate governance and regulations.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct ("Code of Conduct") regarding securities transactions by the Directors. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Code of Conduct throughout the year ended 31 March 2019 and up to the date of this annual report.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavors to maintain an on-going dialogue with the shareholders and in particular, through annual general meetings or other general meetings to communicate with the shareholders and encourage their participation.

The Company will ensure that there are separate resolutions for separate issues proposed at the general meetings.

The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group's business in a timely manner, subject to relevant regulatory requirements.

GENERAL MEETINGS WITH SHAREHOLDERS

The Company's annual general meeting will be held on 21 August 2019.

SHAREHOLDERS' RIGHTS

(a) Convening of extraordinary general meeting on requisition by shareholders

Pursuant to article 58 of the articles of association of the Company, any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting 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. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so 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 to the requisitionist(s) by the Company.

(b) Procedures for putting forward proposals at a shareholders' meeting

There are no provisions allowing shareholders to move new resolutions at the general meetings under the Cayman Islands Companies Law (as amended from time to time) or the articles of association of the Company. However, shareholders who wish to move a resolution may request the Company to convene an extraordinary general meeting following the procedures set out above. Detailed procedures for shareholders to propose a person for election as a Director are available on the Company's website.

(c) Enquiries to the Board

Shareholders may put forward enquiries to the Board in writing to the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the enquiries.

AUDITOR'S REMUNERATION

The remuneration paid/payable to the auditor of the Company during the year ended 31 March 2019 is set out as follows:

Services rendered	2019 *HK$'000*
Audit services	980

DIRECTORS' RESPONSIBILITY STATEMENT

The Board is responsible for the preparation of the financial statements. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have adopted, appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made. Having made appropriate enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board is overall responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group established and maintained appropriate and effective risk management and internal control systems.

The Audit Committee reviews the risk management and internal controls that are significant to the Group on an on-going basis. The Audit Committee would consider the adequacy of resource, qualifications and experience and training of staff and external advisor of the Group's accounting, internal audit and financial reporting function.

The management of the Group is responsible for designing, maintaining, implementing and monitoring of the risk management and internal control system to ensure adequate control in place to safeguard the Group's assets and stakeholder's interest.

The Group has established risk management procedures to address and handle the all significant risks associate with the business of the Group. The Board would perform annual review on any significant change of the business environment and establish procedures to response the risks result from significant change of business environment. The risk management and internal control systems are designed to mitigate the potential losses of the business.

The management would identify the risks associate with the business of the Group by considering both internal and external factors and events which include political, economic, technology, environmental, social and staff. Each of risks has been assessed and prioritised based on their relevant impact and occurrence opportunity. The relevant risk management strategy would be applied to each type of risks according to the assessment results, type of risk management strategy has been listed as follow:

— Risk retention and reduction: accept the impact of risk or undertake actions by the Group to reduce the impact of the risks;

— Risk avoidance: change business process or objective so as to avoid the risk;

— Risk sharing and diversification: diversify the effect of the risk or allocate to different location or product or market;

— Risk transfer: transfer ownership and liability to a third party.

The internal control systems are designed and implemented to reduce the risks associated with the business accepted by the Group and minimise the adverse impact results from the risks. The risk management and internal control system are design to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

For the year under review, the Group has engaged an external advisory firm to undertake the internal audit function to ensure the effectiveness and efficiency of the risk management and internal control system of the Group. There is no significant deficiency and weakness on the internal control system has been identified by the external advisory firm for the year ended 31 March 2019.

The Board considered that, for the year ended 31 March 2019, the risk management and internal control system and procedures of the Group, covering all material controls including financial, operational and compliance controls and risk management functions were reasonably effective and adequate.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public. The Company updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The corporate website of the Company (http://www.ejeliving.com) has provided an effective communication platform to the public and the shareholders. During the year ended 31 March 2019, there was no significant change in the Company's constitutional documents.

Company Secretary

All Directors have access to the advice and services of the Company Secretary to ensure that the Board procedures and all applicable laws are followed. Moreover, the Company Secretary is responsible for facilitating communications among Directors as well as with management. During the year ended 31 March 2019, the Company Secretary confirmed that he had taken no less than 15 hours of relevant professional training.

The Directors of the Company presented their report and the audited consolidated financial statements of the Group for the financial year ended 31 March 2019.

CORPORATE INFORMATION

EJE (Hong Kong) Holdings Limited (the "Company") was incorporated in the Cayman Islands on 26 July 2012, as an exempted company with limited liability under the Companies Law Cap. 22 of the Cayman Islands. The address of its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is located at Eastern Section of Guangzhou Economic and Technological Development District, Huangpu District, Guangdong Province, the PRC.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 40 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2019 and the state of affairs of the Company and the Group at that date are set out in the financial statements from pages 38 to 114. No interim or final dividend was declared and paid during the Year.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results, assets, liabilities and non-controlling interests of the Group for the past four financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out on page 115. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the Year are set out in note 14 to the financial statements.

BANK BORROWINGS

At 31 March 2019, the Group had bank borrowings HK$35,075,000 (2018: 37,484,000). The bank borrowing is secured by personal guarantee of legal representative of the Group's subsidiaries and property of a former subsidiary.

INTEREST CAPITALISED

The Group has not capitalised any interest during the Year.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Year are set out in note 32 to the financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2019, the Company's reserves, calculated in accordance with the provisions of the Cayman Islands' legislation, amounted to approximately HK$(227.2) million (2018: HK$207.8 million).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

REPORT OF THE DIRECTORS

DIRECTORS

The Directors of the Company during the Year were:

Executive Directors (Note 1)

Mr. Qin Yuquan *(Chairman)*
Mr. Hung Cho Sing
Mr. Chau Tsz Kong Alan
Mr. Matthew Chung

Independent Non-executive Directors

Mr. Tang Kin Chor
Mr. Chan Chun Wing
Mr. Li Siu Yui

Note 1: On 17 December 2018, Mr. Wong Siu Ki was resigned.
On 17 December 2018, Mr. Chau Tsz Kong Alan was appointed.

In accordance with article 84 of the Company's articles of association, one-third of the Directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

Details of the Directors to be retired and offered for re-election at the forthcoming annual general meeting are contained in the circular to be despatched to the shareholders of the Company.

Confirmation of Independence

Each independent non-executive Director has given the Company an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all the independent non-executive Directors are independent and meet the independent guidelines set out in Rule 5.09 of the GEM Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on page 29 and 30 of this annual report.

DIRECTORS' SERVICE CONTRACTS

In accordance with the articles of association of the Company, one-third of the Directors are subject to retirement by rotation or, if their number is not three or a multiple of three, then the nearest to but not less than one-third shall retire from the office and, being eligible, will offer themselves for re-election, at the forthcoming annual general meeting of the Company.

Executive Directors namely Mr. Wong Siu Ki, Mr. Matthew Chung and Chau Tsz Kong Alan have entered into a service contract with the Company for an initial term of three years with effect from 15 December 2015, 11 April 2016, 23 May 2016, 1 August 2017 and 17 December 2018 respectively, and until terminated by not less than one months' prior notice in writing served by either party on the other or by payment of one months' fixed salary in lieu of such notice.

Independent non-executive Director, Mr, Tang Kin Chor, Mr. Chan Chun Wing and Mr. Li Siu Yui have entered into a letter of appointment with the Company for a period of three years commencing from 11 April 2016, 23 May 2016 and 11 July 2017.

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' INTERESTS IN CONTRACTS

Save as those disclosed in the section headed "Connected/Related Party Transactions" none of the Directors had a material interest in any contract of significance to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Year.

SIGNIFICANT CONTRACTS

There was no contract of significance between the Company or any of its subsidiaries and the Company's controlling shareholders or any of their subsidiaries subsisting during or at the end of the Year.

COMPETING INTERESTS

None of the Directors or their respective associates (as defined under the GEM Listing Rules) had any business or interest in a business which competes 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.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

Directors' and chief executives' interests and short positions in the shares of the Company

As at 31 March 2019, save as disclosed below, none of the Directors and chief executive has any interest or short position 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 of the Laws of Hong Kong) ("SFO")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part V of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or (b) to be entered into the register required to be kept therein, pursuant to section 352 of the SFO, or (c) to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules relating to securities transactions by directors of listed issuers.

Long positions in shares

Name of Directors	Nature of interested	Number of shares	Number of underlying shares	Percentage of shareholding
Mr. Hung Cho Sing	Beneficial owner	23,136,000	(Note 1)	0.80%
Mr. Qin Yuquan	Interest of a Controlled Corporation	1,927,272,727	(Note 2)	66.64%

Note 1: The interests in underlying shares represented interests in share options granted to the Director, further details of which are set out in the section headed "Share Option Scheme" below.

Note 2: Legendary Idea Limited is beneficially owned as to 50% by Corsello Investments Limited and 50% by Tian Cheng Ventures Limited. In return, Tian Cheng Ventures Limited is wholly owned by Mr. Qin Yuquan. Accordingly, Mr. Qin Yuquan are deemed to be interested in the 1,927,272,727 shares of the Company held by Tian Cheng Ventures Limited under the SFO.

SUBSTANTIAL SHAREHOLDERS

So far as is known to the Directors as at 31 March 2019, there was no person had an interest or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Name of shareholders	Capacity	Number of shares interested	Percentage of shareholdings
Legendary Idea Limited	Beneficial owner (Note 1)	1,927,272,727	66.64%
Corsello Investments Limited	Interest of a controlled corporation (Note 1)	1,927,272,727	66.64%
Tian Cheng Ventures Limited	Interest of a controlled corporation (Note 1)	1,927,272,727	66.64%
Chang Tin Duk, Victor	Interest of a controlled corporation (Note 1)	1,927,272,727	66.64%
Qin Yuquan	Interest of a controlled corporation (Note 1)	1,927,272,727	66.64%
Lai Yongmei	Interest of spouse (Note 2)	1,927,272,727	66.64%
Tong Shing Ann, Sharon	Interest of spouse (Note 3)	1,927,272,727	66.64%

Note:

1. Legendary Idea Limited is beneficially owned as to 50% by Corsello Investments Limited and 50% by Tian Cheng Ventures Limited. In return, Corsello Investments Limited is wholly owned by Mr. Chang Tin Duk, Victor. And, Tian Cheng Ventures Limited is wholly owned by Mr. Qin Yuquan. Accordingly, Mr. Chang Tin Duk, Victor and Mr. Qin Yuquan are deemed to be interested in the 1,927,272,727 shares of the Company held by Corsello Investments Limited and Tian Cheng Ventures Limited respectively under the SFO.

2. Ms. Lai Yongmei, the spouse of Mr. Qin Yuquan, is deemed, or taken to be, interested in the 1,927,272,727 shares of the Company in which Mr. Qin Yuquan is interested for the purpose of the SFO.

3. Ms. Tong Shing Ann, Sharoi, the spouse of Mr. Chang Tin Duk, Victor, is deemed, or taken to be, interested in the 1,927,272,727 shares of the Company in which Mr. Chang Tin Duk, Victor is interested for the purpose of the SFO.

Save as disclosed above, as at 31 March 2019, the Directors are not aware of any other person (other than the Directors) who has an interest or short position in the shares or underlying shares (including interest in options, if any) of the Company as recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

On 22 August 2014, a share option scheme (the "Share Option Scheme") was approved by shareholders of the Company and adopted by the Company. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for a period of 10 years commencing on the date on which the Share Option Scheme is adopted.

Concerning the Share Option Scheme, the maximum number of shares which may be allotted and issued upon the exercise of all options which initially shall not in aggregate exceed 10% of the shares in issue as at the date of adoption of the Share Option Scheme. The aggregate number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares of the Company in issue from time to time. No options shall be granted under any schemes of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded.

The total number of shares of the Company issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of the Company to each eligible participant in any 12-month period up to the date of grant shall not exceed 1% of the shares of the Company in issue as at the date of grant.

Any grant of share options to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates, is required to be approved by the independent non-executive Directors. In addition, any share options granted to a substantial shareholder or any independent non-executive Director of the Company, or to any of their respective associates, such that within any 12-month period, in aggregate in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares at the date of each offer) in excess of HK$5 million, are subject to shareholders' approval in a general meeting.

An offer of a grant of options may be accepted within such time as may be specified in the offer (which shall not be later than 21 days from the offer date).

The exercise period of the share options granted is determinable by the Directors, and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options.

The subscription price for Shares under the Share Option Scheme shall be a price determined by the Directors, but shall not be less than the highest of (i) the closing price of shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of the shares on the offer date, which must be a business day; (ii) the average closing price of shares as stated in the Stock Exchange's daily quotations sheets for trade in one or more board lots of the shares for the five business days immediately preceding the offer date; and (iii) the nominal value of a share. A nominal consideration of HK$1.00 is payable on acceptance of the grant of an option.

The following table discloses details of movements in respect of the Company's share options.

Grantee	Date granted and vested	Exercisable period (Both dates inclusive)	Exercise price	At 1 April 2018	Granted during the period	Lapsed during the period	Adjusted during the effective of open offer	Outstanding at 31 March 2019
Director — Mr. Hung	8 Sep 2016	8 Sep 2016 to 7 Sep 2021	0.087	23,136,000	–	–	–	23,136,000
An employee A	8 Sep 2016	8 Sep 2016 to 7 Sep 2021	0.087	3,136,000	–	–	–	3,136,000
An employee B	8 Sep 2016	8 Sep 2016 to 7 Sep 2021	0.087	23,136,000	–	–	–	23,136,000
Consultant	8 Sep 2016	8 Sep 2016 to 7 Sep 2021	0.087	23,136,000	–	–	–	23,136,000
				72,544,000	–	–	–	72,544,000

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2019, the aggregate amount of turnover attributed to the Group's largest and the five largest customers accounted for 25.88% and 36.21% (2018: 14.09% and 25.95%) of the total value of the Group's revenue, respectively.

The Group's purchase from the largest and the five largest suppliers accounted for 17.42% and 36.99% (2018: 2.02% and 7.42%) of the total value of the Group's purchases, respectively. At no time during the year did the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have any interest in major customers or suppliers.

CONNECTED/RELATED PARTY TRANSACTIONS

The Directors are not aware of any connected transactions of the Group that shall be disclosed in this annual report under the GEM Listing Rules.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 13 to 20.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, up to the date of this annual report, there is sufficient public float of 25% of the Company's issued shares as required under the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

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

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlements to attend and vote at the Annual General Meeting, the Register of Members will be closed from Friday, 16 August 2019 to Wednesday, 21 August 2019, both days inclusive, during which no transfer of shares of the Company will be effected.

In the case of shares of the Company, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 15 August 2019.

AUDITOR

The consolidated financial statement for the year ended 31 March 2019 has been audited by Elite Partners CPA Limited, who will retire and, being eligible, offer itself for reappointment as auditor of the Company at the forthcoming annual general meeting.

By order of the Board of
EJE (Hong Kong) Holdings Limited
Mr. Qin Yuquan
CHAIRMAN

Hong Kong, 20 June 2019

BOARD OF DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

Mr. Matthew Chung ("Mr. Chung"), aged 31, holds a bachelor degree of art and science in economics from Boston University. He has worked for several local media and publishing companies, and is now a columnist, writer, online radio host, and TV program host. He is currently working for a local entertainment company as a project manager.

Mr. Hung Cho Sing ("Mr. Hung") age 78. He is mainly responsible for the business development of the Group. He has over 30 years of experience in the film distribution industry. Mr. Hung was the founder of Delon International Film Corporation and has been its General Manager since June 2004. Mr. Hung was the Organising Committee Chairman of the 11th and 12th Hong Kong Film Awards from 1991 to 1993. And from 1993 to 1995, Mr. Hung was the Chairman of Hong Kong Film Awards Association Limited. Mr. Hung is currently the Chairman of Hong Kong, Kowloon and New Territories Motion Picture Industry Association. In recognition of his contribution to the Hong Kong film industry, Mr. Hung was awarded the Bronze Bauhinia Star (BBS) by the Government of the Hong Kong Special Administrative Region ("HKSAR") in 2005. From April 2007 to March 2013, Mr. Hung was appointed by the Government of HKSAR as a member of the Hong Kong Film Development Council. Mr. Hung is also a member of HKSAR Election Committee and since January 2013, he has been appointed by the Government of HKSAR as a non-official member of the Working Group on Manufacturing Industries, Innovative Technology, and Cultural and Creative Industries under the Economic Development Commission.

Mr. Hung was a non-executive director of Capital VC Limited (stock code: 2324) from September 2011 to January 2014, an independent non-executive director of Mascotte Holdings Limited (stock code: 136) from 22 January 2013 to 26 October 2015, an independent non-executive director of Freeman Fintech Corporation Limited (stock code: 279) from 9 January 2013 to 25 January 2017. Currently, Mr. Hung is an independent non-executive director of China Star Entertainment Limited (stock code: 326), an independent non-executive director of Unity Investments Holdings Limited (stock code: 913), an independent non-executive director of Koala Financial Group Limited (stock code: 8226), an independent non-executive director of Miko International Holdings Limited (stock code: 1247), non-executive director of Universe International Holdings Limited (stock code: 1046) and an independent non-executive director of Oshidori International Holdings Limited (stock code: 622).

Mr. Qin Yuquan (秦煜泉), aged 37, is the Chairman of our Company on 20 November 2017. He is the founder and president of Guangzhou Geyu Home Appliance Limited* (廣州歌譽家居用品有限公司), a company established in the PRC whose principal business is the manufacture of custom-made furniture under the brand name of "壹家壹品". The said company was acquired by the Company in August 2017. Previously, Mr. Qin was the general manager of Huge Fortune (Fo Gang) Wood Industries Limited* (日利（佛岡）木業有限公司) from 2008 to 2012, and was the responsible officer of Jiangsu office of Shenzhen Hongji Investment and Development Limited* (深圳市宏基投資發展有限公司) from 2005 to 2007. He has over 10 years of experience in the furniture manufacturing and distribution industry. He has obtained a Bachelor degree in Wood Science and Engineering (木材科學與工程) from the South China Agricultural University.

Mr. Chau Tsz Kong Alan, aged 33, is a Certified Public Accountant of the CPA Australia and he holds a bachelor degree of business administration. Prior to joining the Company, Mr. Chau has over 5 years of working experience in audit and assurance department of international accounting firm and he has extensive experience in accounting and corporate finance, Mr. Chau can give valuable opinion and advice to the Board and his appointment as executive Director will be beneficial for the Company's development in activities.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT PROFILES

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tang Kin Chor, aged 60, has over 20 years of working experience in the securities industry including equity sales and fund management. Mr. Tang is now an associate director of Celestial Securities Limited, a registered exchange participant of the Stock Exchange, and a columnist.

Mr. Chan Chun Wing ("Mr. Chan"), aged 50, holds a bachelor degree of economics from Macquarie University (Australia). Mr. Chan is a fellow member of the Hong Kong Institute of Certified Public Accountants. He has worked with one of the Big Four CPA firms in his early career, and has subsequently worked as a financial controller and other managerial role across different industries and business segments. He is now a partner and shareholder of a long established sport equipment manufacturing and trading company in Hong Kong.

Mr. Li Siu Yui, age 49, holds a Master's degree in Business Administration from University of Wales. He has over 16 years' experience in the area of investment. He was working in securities companies during the period from 1997 to 2002. Afterward, he has been engaged as an investment manager in two private companies. Mr. Li was an independent non-executive director of Fullshare Holdings Limited (formerly known as Warderly International Holdings Limited; stock code: 607) from June 2008 to December 2013. Currently, Mr. Li is an independent non-executive director of China LNG Group Limited (formerly known as Artel Solutions Group Holdings Limited; stock code: 931).

SENIOR MANAGEMENT

Mr. Wong King Chung ("Mr. Wong"), aged 49, was appointed as the financial controller, company secretary and compliance officer of our Group in 13 October 2015. Mr. Wong is a member of the Hong Kong Institute of Certified Public Accountants. Mr. Wong has extensive experience in accounting, auditing, taxation and company secretarial works.

elite partners
CERTIFIED PUBLIC ACCOUNTANTS

TO THE MEMBERS OF
EJE (HONG KONG) HOLDINGS LIMITED
(incorporated in Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of EJE (Hong Kong) Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") set out on pages 38 to 114, 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 "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

EMPHASIS OF MATTER

We draw attention to Note 2.4 in the consolidated financial statements, which indicates that the Group incurred a net loss of HK$11,652,000 during the year ended 31 March 2019 and, as of that date, the Group's current liabilities exceeded its current assets by HK$158,007,000. As stated in Note 2.4, these events or conditions, along with other matters as set forth in Note 2.4, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the year ended 31 March 2019. 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 Matter	How the matter was addressed in our audit
Impairment assessment of goodwill and intangible assets	
As at 31 March 2019, the Group had goodwill and intangible assets of approximately HK$135.5 million and HK$55.9 million respectively, which were allocated to cash generating unit of manufacture of custom made furniture segment, the "CGU". For the purpose of assessing impairment, the Group appointed an independent external valuer to assess the recoverable amount of the CGU, which were determined by management based on the higher of value-in-use and fair value less costs of disposal. The valuation requires significant judgement made by management in determining the CGU. We had identified impairment of goodwill and intangible assets as a key audit matter because significant management judgement was used to appropriately identify the CGU and to determine the key assumptions including estimated future income, operating margins and discount rates. After the management assessment, management has concluded that there is no impairment in respect of goodwill and intangible assets.	Our audit procedures to address the impairment assessment of goodwill and intangible assets included the following: • Assessing the management's identification of CGU based on our understanding of the Group's operation. • Assessing the reasonableness of the underlying cash flow projections used for the determination of the CGU prepared by management, including but not limited to calculation methodology, assumptions, growth rate, operating margins and discount rate. • Comparing the current year actual cash flows with the prior year cash flow projections to consider if the projections included assumptions that were overly optimistic. • Testing on the accuracy and reliance of the input data used for the preparation of the cash flow projection on a sample basis. • Assessing the sensitivity analysis on key assumptions being used in the cash flow project (e.g. using a range of higher discount rates and lower revenue growth rate).

Key Audit Matter	How the matter was addressed in our audit
Valuation of investment properties	
Refer to note 17 to the consolidated financial statements. The Group has investment properties located in Hong Kong which were measured at fair value of approximately HK$267.9 million as at 31 March 2019. The fair value of the investment properties was determined by management with reference to the valuations performed by the independent professional valuer engaged by the Group. The valuations of investment properties involved significant judgements and estimates, including but not limited to the determination of valuation techniques, investment approach and the selection of key inputs to apply in the models. The valuation techniques adopted in determining the fair value of the investment properties were investment approach. We had identified valuation of investment properties as a key audit matter because significance judgement and estimates had to be made for the valuation.	Our procedures in relation to the valuation of investment properties included the following: — We evaluated the independent professional valuer competence, capabilities and objectivity; — We discussed with the Group's management and the independent professional valuer about the valuation techniques adopted, and assessed the relevance and reasonableness of the valuation techniques; and — We evaluated the appropriateness and reasonableness of judgements and key assumptions made, in particular the income capitalisation rate.

Key Audit Matter	How the matter was addressed in our audit
Impairment assessment of trade and other receivables	
As at 31 March 2019, the Group had trade receivables approximately HK$18.5 million and other receivables of approximately HK$26.6 million, net of impairment loss as set out in note 23 to the consolidated financial statements. the assessment of impairment of accounts receivable under the expected credit loss model is considered to be a matter of most significance as it requires the application of judgement and use of subjective assumptions by management. Management performed periodic assessment on the recoverability of the accounts receivable and the sufficiency of provision for impairment based on information including credit profile of different debtors, historical settlement records, subsequent settlement status, expected timing and amount of realisation of outstanding balances, and on-going relationships with the relevant debtors. Management also considered forward looking information that may impact the debtors' ability to repay the outstanding balances in order to estimate the expected credit losses for the impairment assessment.	Our audit procedures to address the impairment of trade receivables included the following: • Understanding and evaluating the key controls that the Group has implemented to manage and monitor its credit risk, and validating the control effectiveness on a sample basis; • Checking, on a sample basis, the ageing profile of the trade receivables as at 31 March 2019 to the underlying financial records and post year-end settlements; • Inquiring of management for the status of each of the material trade receivables past due as at year end and corroborating explanations from management with supporting evidence, such as understanding on-going business relationship with the customers based on trade records, checking historical and subsequent settlement records of and other correspondence with the customers; and • Assessing the appropriateness of the expected credit loss provisioning methodology, examining the key data inputs on a sample basis to assess their accuracy and completeness, and challenging the assumptions, including both historical and forward-looking information, used to determine the expected credit losses.

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 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.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Siu Jimmy with Practising Certificate number: P05898.

Elite Partners CPA Limited
Certified Public Accountants

10/F, 8 Observatory Road
Tsim Sha Tsui, Kowloon,
Hong Kong

20 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	7	**132,409**	135,524
Cost of sales		**(90,801)**	(98,470)
Gross profit		**41,608**	37,054
Other income	7	**1,905**	1,674
Selling and distribution expenses		**(10,460)**	(8,142)
Administrative expenses		**(45,962)**	(40,726)
Research expenses		**(4,919)**	(3,840)
Impairment on account receivables		**(373)**	–
Gain on disposal of subsidiaries		**–**	7,274
Unrealised fair value loss on financial assets at fair value through profit or loss		**(1,733)**	(5,744)
Realised loss on disposal of financial assets at fair value through profit or loss		**(396)**	(122,342)
Fair value loss of convertible bonds receivable		**–**	(346)
Fair value loss of convertible bonds		**–**	(283,083)
Fair value gain on investment properties		**10,200**	39,200
Share of result of an associate	19	**(201)**	662
Finance costs	8	**(8,189)**	(479)
Loss before income tax	9	**(18,520)**	(378,838)
Income tax credit	10	**6,868**	9,251
Loss for the year		**(11,652)**	(369,587)
Other comprehensive (expenses)/income that may be reclassified subsequently to profit or loss			
Exchange difference arising on translation of financial statement of foreign operations		**(1,683)**	2,259
Total comprehensive loss for the year		**(13,335)**	(367,328)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
Loss for the year attributable to:			
— Owners of the Company		**(11,652)**	(369,586)
— Non-controlling interests		**–**	(1)
Loss for the year		**(11,652)**	(369,587)
Total comprehensive loss for the year attributable to:			
— Owners of the Company		**(13,335)**	(367,327)
— Non-controlling interests		**–**	(1)
		(13,335)	(367,328)
Loss per share	13		
— Basic and diluted (HK cents)		**(0.4)**	(12.8)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Notes	2019 *HK$'000*	2018 *HK$'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**18,641**	22,301
Goodwill	16	**135,488**	135,488
Investment properties	17	**267,900**	257,700
Intangible assets	18	**59,122**	76,399
Investment in an associate	19	**10,286**	10,487
Convertible bonds receivable	24	**–**	10,828
Prepayment	20	**1,894**	–
Total non-current assets		**493,331**	513,203
Current assets			
Inventories	21	**10,842**	9,449
Financial assets at fair value through profit or loss	22	**9,060**	23,179
Trade and other receivables	23	**77,208**	91,155
Loan receivables	25	**10,309**	10,000
Cash and cash equivalents	26	**28,127**	21,384
Total current assets		**135,546**	155,167
Total assets		**628,877**	668,370
Current liabilities			
Trade and other payables	27	**35,251**	57,018
Tax payables		**5,123**	8,234
Bank and other borrowings	28	**35,075**	37,484
Obligation under finance lease	29	**3,398**	199
Bank overdraft		**8,554**	–
Convertible bonds	30	**206,152**	201,872
Total current liabilities		**293,553**	304,807
Net current liabilities		**(158,007)**	(149,640)
Total assets less current liabilities		**335,324**	363,563

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2019

	Notes	2019 HK$'000	2018 HK$'000
Non-current liabilities			
Deferred tax liabilities	31	**20,741**	29,358
Obligation under finance lease in long-term portion	29	**1,493**	–
Total non-current liabilities		**22,234**	29,358
Total liabilities		**315,787**	334,165
NET ASSETS		**313,090**	334,205
EQUITY			
Share capital	32	**72,300**	72,300
Reserves		**240,790**	261,905
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**313,090**	334,205

Approval and authorised for issue by the board of directors on 20 June 2019.

QIN YUQUAN
DIRECTOR

CHAU TSZ KONG ALAN
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2019

	Equity attributable to owners of the Company											
	Share capital	Share premium	Capital reserve	Merger reserve	Statutory reserves	Convertible bond reserve	Share options reserve	Translation reserves	Retained earnings	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2017	72,300	172,613	10,207	8	6,578	–	3,766	5,882	143,727	415,081	352	415,433
Loss for the year	–	–	–	–	–	–	–	–	(369,586)	(369,586)	(1)	(369,587)
Other comprehensive income — exchange differences arising on translation of financial statement of foreign operation	–	–	–	–	–	–	–	2,259	–	2,259	–	2,259
Total comprehensive loss for the year	–	–	–	–	–	–	–	2,259	(369,586)	(367,327)	(1)	(367,328)
Acquisition of subsidiary	–	–	–	–	–	293,092	–	–	–	293,092	–	293,092
Disposal of subsidiary	–	–	(10,207)	(8)	(6,578)	–	–	(6,986)	17,138	(6,641)	(351)	(6,992)
Lapsed of share options	–	–	–	–	–	–	(922)	–	922	–	–	–
At 31 March 2018	72,300	172,613	–	–	–	293,092	2,844	1,155	(207,799)	334,205	–	334,205
Adjustment on initial application of HKFRS 9	–	–	–	–	–	–	–	–	(7,780)	(7,780)	–	(7,780)
Adjustment balance at 1 April 2018	72,300	172,613	–	–	–	293,092	2,844	1,155	(215,579)	326,425	–	326,425
Loss for the year	–	–	–	–	–	–	–	–	(11,652)	(11,652)	–	(11,652)
Other comprehensive expense — exchange differences arising on translation of financial statement of foreign operation	–	–	–	–	–	–	–	(1,683)	–	(1,683)	–	(1,683)
Total comprehensive loss for the year	–	–	–	–	–	–	–	(1,683)	(11,652)	(13,395)	–	(13,395)
At 31 March 2019	72,300	172,613	–	–	–	293,092	2,844	(528)	(227,231)	313,090	–	313,090

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	2019 *HK$'000*	2018 *HK$'000*
Cash flows from operating activities		
Loss before income tax	**(18,520)**	(378,838)
Adjustments for:		
Amortisation of prepaid premium for land leases	**–**	103
Amortisation of intangible assets	**17,277**	–
Depreciation of property, plant and equipment	**3,319**	1,767
Interest income	**(438)**	(660)
Interest expenses	**8,189**	479
Allowance for impairment of trade and other receivables	**373**	–
Sharing profit from an associate	**201**	(662)
Unrealised fair value loss on remeasurement of financial assets at fair value through profit or loss	**1,733**	5,744
Realised loss on disposal of financial assets at fair value through profit or loss	**396**	122,342
Net loss on disposal of property, plant and equipment	**1,490**	–
Gain on disposal of subsidiaries	**–**	(7,274)
Fair value loss on convertible bonds receivable	**–**	346
Fair value loss on convertible bonds	**–**	283,083
Fair value gain on investment property	**(10,200)**	(39,200)
Operating profit/(loss) before working capital changes	**3,820**	(12,770)
Increase in inventories	**(1,997)**	(2,140)
Decrease in financial assets at fair value through profit or loss	**11,990**	13,895
Decrease in trade and other receivables	**1,278**	1,794
(Increase)/Decrease in loan receivable	**(699)**	10,000
(Decrease)/Increase in trade and other payables	**(18,219)**	3,001
Cash (used in)/generated from operations	**(3,827)**	13,780
Income tax paid	**(4,716)**	(3,046)
Net cash (used in)/generated from operating activities	**(8,543)**	10,734

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2019

	2019 *HK$'000*	2018 *HK$'000*
Cash flows from investing activities		
Interest received	**438**	660
Invested in convertible bonds	**–**	(9,000)
Receipt from convertible bonds receivable	**8,581**	–
Acquisition of subsidiaries	**–**	10,322
Cash effect of disposal of subsidiaries	**–**	23,310
Cash effect of acquisition of investment properties	**–**	(12,000)
Purchases of property, plant and equipments	**(4,045)**	(14,068)
Proceed from disposal of property, plant and equipment	**1,756**	–
Net cash generated from/(used) in investing activities	**6,730**	(776)
Cash flow from financing activities		
Interest paid	**(3,909)**	(479)
Placement of finance lease	**5,497**	–
Repayment of bank and other borrowings	**(12)**	(9,000)
Repayment of finance lease	**(791)**	(274)
Net cash generated from/(used in) financing activities	**785**	(9,753)
Net (decrease)/increase in cash and cash equivalents	**(1,028)**	205
Cash and cash equivalents at the beginning of year	**21,384**	20,181
Effect of foreign exchange rate, net	**(783)**	998
Cash and cash equivalents at the end of year	**19,573**	21,384
Analysis of balances of cash and cash equivalents		
Cash and bank balances	**28,127**	21,384
Bank overdraft	**(8,554)**	–
	19,573	21,384

1. CORPORATE INFORMATION

EJE (Hong Kong) Holdings Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 26 July 2012. The Company's shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 15 October 2013.

The registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company and its subsidiaries (the "Group") is located at Room 2301, Floor 23, China Insurance Group Building, 141 Des Voeux Central, Central, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are (i) manufacture of custom-made furniture; (ii) property investment; (iii) securities investment; (iv) money lending; and (v) the design, manufacture and sale of mattress and soft bed products.

The financial statements for the year ended 31 March 2019 were approved by the board of directors on 20 June 2019.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

2.2 Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for financial assets at fair value through profit or loss and investment properties. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

2.3 Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollar ("HK$") which is also the functional currency of the Company.

2.4 Going concern

In preparing the consolidated financial statements, the directors considered the operations of the Group as a going concern notwithstanding that:

1. The Group incurred a loss of approximately HK$11,652,000 for the year ended 31 March 2019; and

2. The Group has net current liabilities of approximately HK$158,007,000 as at 31 March 2019.

These conditions indicate the existence of material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern.

2. BASIS OF PREPARATION (Continued)

2.4 Going concern (Continued)

Notwithstanding the aforesaid conditions, the consolidated financial statements have been prepared on a going concern basis on the assumption that the Group will be able to operate as a going concern for the foreseeable future. In the opinion of the directors, the Group can meet its financial obligations as and when they fall due within twelve months from the date of approval of these consolidated financial statements, after taking into consideration that the CB holder undertake with the Company that he will convert the CB into ordinary shares during the year ending 31 March 2020 and forgo his right to request the Company to redeem the CB of principal amount of HK$212,000,000 on or before 31 March 2020.

Based on the above arrangement, the directors are therefore of the opinion that it is appropriate to prepare the consolidated financial statements on a going concern basis. Should the Group not be able to continue as a going concern, adjustments would have to be made to the financial statements to write down the carrying value of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and liabilities as current assets and liabilities. The effect of these adjustments has not been reflected in the consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs

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

In the current year, the Group has adopted the following amended HKFRSs and HKASs issued by the HKICPA for the first time in the current year.

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK (IFRIC) 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 years and/or on the disclosures set out in these consolidated financial statements.

3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

(a) New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 15 Revenue 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. Considering the nature of the Group's principal activities, the adoption of HKFRS 15 does not have material impact on the Group's revenue recognition and HKFRS 15 had no material impact on amounts and/or disclosures reported in these unaudited condensed consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. The adoption of HKFRS 9 Financial Instruments from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

(a) *Classification and measurement*

On 1 April 2018 (the date of initial adoption of the New HKFRSs), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate categories of the New HKFRSs.

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

Upon the adoption of HKFRS 9, the classification and measurement of financial assets depends on two assessments: the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial asset.

3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

(a) New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 9 Financial Instruments (Continued)

(a) Classification and measurement (Continued)

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

	Original measurement category under HKAS 39	New measurement category under HKFRS 9	Original carrying amount under HKAS 39 *HK$'000*	New carrying amount under HKFRS 9 *HK$'000*
Financial assets				
Convertible bonds receivables	Fair value through profit or loss	Fair value through profit or loss	10,828	10,828
Financial assets at fair value through profit or loss	Fair value through profit or loss	Fair value through profit or loss	23,179	23,179
Trade and other receivables	Amortised cost (Loans and receivables)	Amortised cost	89,107	81,460
Loan receivables	Amortised cost (Loans and receivables)	Amortised cost	10,000	9,867
Cash and cash equivalents	Amortised cost (Loans and receivables)	Amortised cost	21,384	21,384
			154,498	146,718
Financial liabilities				
Trade and other payables	Amortised cost	Amortised cost	44,244	44,244
Bank and other borrowings	Amortised cost	Amortised cost	37,484	37,484
Obligation under finance lease	Amortised cost	Amortised cost	199	199
Convertible bonds	Amortised cost	Amortised cost	201,872	201,872
			283,799	283,799

3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

(a) New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 9 Financial Instruments (Continued)

(a) Classification and measurement (Continued)

The following table reconciles the carrying amounts of financial assets at amortised cost under HKAS 39 to the carrying amounts under HKFRS 9 on transition to HKFRS 9 on 1 April 2018.

	Original carrying amount under HKAS 39	**Remeasurement**	**New Carrying amount under HKFRS 9**
		(note 3b)	
	HK$'000	*HK$'000*	*HK$'000*
Convertible bonds receivables	10,828	–	10,828
Financial assets at fair value through profit or loss	23,179	–	23,179
Trade and other receivables	89,107	(7,647)	81,460
Loan receivables	10,000	(133)	9,867
Cash and cash equivalents	21,384	–	21,384
	154,498	(7,780)	146,718

(b) Impairment

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit loss ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, loans to customers, trade and other receivables that are not accounted for at fair value through profit or loss under HKFRS 9 are recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

(a) New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 9 Financial Instruments (Continued)

(b) Impairment (Continued)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group considers reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12-months after the reporting date; and

- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

For trade receivable

Allowances of doubtful debts for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Loan receivable

For loans receivable, the Group applies the general approach, which requires an amount equal to 12-month expected credit losses to be recognised as the allowances of doubtful debts for the financial instrument if the credit risk on a financial instrument has not increased significantly since initial recognition and expected lifetime losses to be recognised if the credit risk on that financial instrument has increased significantly since initial recognition.

3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

(a) New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 9 Financial Instruments (Continued)

(b) Impairment (Continued)

Other financial assets subject to impairment

For all other financial assets, the Group recognises allowance of doubtful debts equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the allowances of doubtful debts are measured at an amount equal to lifetime ECLs.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- The Group has taken an exemption not to restate comparative information for prior periods with respect to measurement (including impairment) requirements. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 April 2018. Accordingly, the information presented for the year ended 31 March 2018 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

- The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 April 2018 (the date of initial application of HKFRS 9 by the Group).

- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

3. ADOPTION OF NEW AND REVISED HKFRSs (Continued)

(a) New and Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

HKFRS 9 Financial Instruments (Continued)

(b) *Impairment (Continued)*

Other financial assets subject to impairment (Continued)

The following table summarises the classification and measurement (including impairment) of financial assets under HKFRS 9 and HKAS 39 at 1 April 2018:

	Carrying Amount as at 31 March 2018 *(HK$'000)*	Effect of adoption of HKFRS 9 *(HK$'000)*	Carrying Amount as at 1 April 2018 *(HK$'000)*
Consolidated statement of financial position (extract)			
Trade and other receivables	89,107	(7,647)	81,460
Loan receivables	10,000	(133)	9,867
Accumulated losses	(207,799)	(7,780)	(215,579)

Loss allowances for other financial assets at amortised cost mainly comprising bank balances, and other receivables are measured on 12-month ECLs basis and there had been no significant increase in credit risk since initial recognition. No additional credit loss allowance has been recognised against retained earnings as at 1 April 2018.

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

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

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

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after 1 January 2021.
3 Effective for business combinations and assets acquisitions for which the acquisition date is on or after the first period beginning on or after 1 January 2020.
4 Effective for annual periods beginning on or after a date to be determined.
5 Effective for annual periods beginning on or after 1 January 2020.

The directors of the Company do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective dates of acquisition or up to the effective dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

The carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

When the Group loses control of a subsidiary, 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 (iii) 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).

4.2 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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.

4.3 Acquisition of a subsidiary not constituting a business

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Investments in associates

An associate is an entity over which the Group has significant influence. 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 associates are incorporated in the Group's consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's accounting policies to those of the Group. Under the equity method, an 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 associate. 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 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 requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 "Impairment of Assets" 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.

4.5 Investment properties

Investment properties are land and/or buildings held by the Group to earn rental income and/or for capital appreciation, which include property interest held under operating lease carried at fair value.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at fair value at the statement of financial position date. Any gain or loss arising from a change in fair value is recognised in the consolidated income statement. An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss and other comprehensive income in the year in which the item is derecognised.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 Investment properties (Continued)

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the consolidated statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

The fair values of investment properties are based on valuation by independent valuers who hold recognised professional qualification and have recent experience in the location and category of properties being valued. Fair value is determined based on market value, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

4.6 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual rates used for calculating depreciation are as follows:

Buildings	The shorter of lease terms and 4.5%
Plant and machinery	9%
Office equipment	25%
Motor vehicles	18%

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

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Prepaid premium for land leases

Prepaid premium for land leases represent up-front payments to acquire long term interests in the usage of land in the People's Republic of China ("PRC"). They are stated at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis over the period of the leases.

4.8 Intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is initially recognised separately from goodwill at fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation of computer software is provided on a straight-line basis over its useful life of 4 years. Amortisation of property agency service contracts is provided at the time when the property agency fee is recognised as revenue in profit or loss.

4.9 Film rights and films production in progress

Film rights include the unamortised cost of completed theatrical films, rights acquired or licensed from outsiders for exhibition and other exploitation of the films.

Film rights are stated at cost less subsequent accumulated amortisation and accumulated impairment loss.

Amortisation of film rights is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal useful lives are three to five years.

Films production in progress represents theatrical films in production and is stated at cost incurred to date, less any identified impairment losses. Costs included all direct costs associated with the production of films. Costs are transferred to film rights upon completion.

An impairment loss is made when there has been a change in the estimate used to determine the recoverable amount and the carrying amount exceeds the recoverable amount.

4.10 Research expenditure

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

4.11 Leasing

The Group as lessee

Operating leases

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Leasing (Continued)

The Group as lessee (Continued)

Finance leases

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

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

Assets under finance leases are depreciated the same as owned assets over the shorter of the lease term.

The Group as lessor

Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease

4.12 Financial instruments

(i) Financial assets

Accounting policy prior to 1 April 2018

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

Loan and receivables including trade receivables and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Financial assets at fair value through profit or loss

These assets include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Financial instruments (Continued)

(i) Financial assets (Continued)

Financial assets — applicable from 1 April 2018

Financial assets (except for trade receivables without a significant financing component) are initially recognised at their fair value plus, in the case of financial assets not carried at FVPL, transaction costs that are directly attributable to the acquisition of the financial assets. Such trade receivables are initially measured at their transaction price.

On initial recognition, a financial asset is classified as (i) measured at amortised cost; (ii) debt investment measured at fair value through other comprehensive income ("Mandatory FVOCI"); (iii) equity investment measured at fair value through other comprehensive income ("Designated FVOCI"); or (iv) measured at fair value through profit or loss ("FVPL").

The classification of financial assets at initial recognition depends on the Group's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing them, in which case all affected financial assets are reclassified on the first day of the first annual reporting period following the change in the business model (the "reclassification date").

(1) Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

(i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(ii) its 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 at amortised cost are subsequently measured using the effective interest rate method and are subject to impairment. Gains and losses arising from impairment, derecognition or through the amortisation process are recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Financial instruments (Continued)

(i) Financial assets (Continued)

Financial assets — applicable from 1 April 2018 (Continued)

(2) Financial assets at FVPL

These investments include financial assets that are not measured at amortised cost or FVOCI, including financial assets held for trading, financial assets designated upon initial recognition as at FVPL, and financial assets resulting from a contingent consideration arrangement in a business combination to which HKFRS 3 applies and financial assets that are otherwise required to be measured at FVPL. They are carried at fair value, with any resultant gain and loss recognised in profit or loss, which includes any dividend or interest earned on the financial assets.

A financial asset is classified as held for trading if it is:

(i) acquired principally for the purpose of selling it in the near term;

(ii) part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking on initial recognition; or

(iii) a derivative that is not a financial guarantee contract or not a designated and effective hedging instrument.

Derivatives embedded in a hybrid contract in which a host is an asset within the scope of HKFRS 9 are not separated from the host. Instead, the entire hybrid contract is assessed for classification.

Financial assets are designated at initial recognition as at FVPL only if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains or losses on them on different bases.

(3) Financial assets at Designated FVOCI

Upon initial recognition, the Group may make an irrevocable election to present subsequent changes in the fair value of an investment in an equity instrument that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 applies in other comprehensive income. The classification is determined on an instrument-by-instrument basis.

These equity investments are subsequently measured at fair value and are not subject to impairment. Dividends are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other gains or losses are recognised in other comprehensive income and shall not be subsequently reclassified to profit or loss.

The Group's financial assets at designated FVOCI included all available-for-sales financial assets.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Financial instruments (Continued)

(ii) Impairment loss on financial assets

Accounting policy prior to 1 April 2018

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— granting concession to a debtor because of debtor's financial difficulty; and

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables

As for other receivables, impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. As for trade receivables, the carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Applicable from 1 April 2018

The Group recognises loss allowances for expected credit losses ("ECL") on financial assets that are measured at amortised cost, Mandatory FVOCI, lease receivables, contract assets, loan commitments and financial guarantee contracts issued to which the impairment requirements apply in accordance with HKFRS 9. Except for the specific treatments as detailed below, at each reporting date, the Group measures a loss allowance for a financial asset at an amount equal to the lifetime ECL if the credit risk on that financial asset has increased significantly since initial recognition. If the credit risk on a financial asset has not increased significantly since initial recognition, the Group measures the loss allowance for that financial asset at an amount equal to 12-month ECL.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

Measurement of ECL

ECL is a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument.

For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to an entity under the contract and the cash flows that the entity expects to receive.

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

Where ECL is measured on a collective basis, the financial instruments are grouped based on the following one or more shared credit risk characteristics:

(i) past due information

(ii) nature of instrument

(iii) nature of collateral

(iv) industry of debtors

(v) geographical location of debtors

(vi) external credit risk ratings

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that the Group may not receive the outstanding contractual amounts in full if the financial instrument that meets any of the following criteria.

(i) 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); or

(ii) there is a breach of financial covenants by the counterparty.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

Assessment of significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument 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. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial instrument has increased significantly since initial recognition when contractual payments are more than 180 days past due.

Low credit risk

A financial instrument is determined to have low credit risk if:

(i) it has a low risk of default;

(ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Simplified approach of ECL

For trade receivables the Group applies a simplified approach in calculating ECL. The Group recognises a loss allowance based on lifetime ECL at each reporting date and has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Financial instruments (Continued)

(ii) Impairment loss on financial assets (Continued)

Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include 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.

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

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off

The Group writes off a financial asset when the Group has no reasonable expectations of recovering the contractual cash flows on a financial asset in its entirety or a portion thereof. The Group has a policy of writing off the gross carrying amount when the financial asset is 1 year past due based on historical experience of recoveries of similar assets. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities under the Group's procedures for recovery of amounts due, taking into account legal advice if appropriate. Any subsequent recovery is recognised in profit or loss.

(iii) Financial liabilities

The Group's its financial liabilities comprise financial liabilities at amortised cost.

Financial liabilities at amortised cost including trade payables, accruals and other payables, and bank and other borrowings are initially measured at fair value, net of directly attributable costs incurred and subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.12 Financial instruments (Continued)

(iv) Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

Interest income or expenses is recognised on an effective interest basis for financial asset or financial liability other than those financial asset classified as at fair value through profit or loss, of which interest income is included in net gains or losses.

(v) Equity instruments

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

(vi) Derecognition

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS39.

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

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

4.13 Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, 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 an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

4.14 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.15 Revenue and other income recognition

Accounting policy prior to 1 April 2018

Under HKAS 18, Revenue is recognised to the extent when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received, net of allowances for returns, trade discounts and value-added tax. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customers, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold. Normally, risk is transferred upon dispatch of goods.

(ii) Property management service fee and property agency fee are recognised when services are provided. However, when a specific act is much more significant than any other acts, the recognition of consultancy service income is postponed until the significant act is executed.

(iii) Interest income from bank deposits is accrued on a time apportionment basis using the effective interest method.

(iv) Rental income under operating leases is recognised in the period in which the properties are let out and on a straightline basis over the term of the relevant lease.

Applicable from 1 April 2018

Revenue is recognised when (or as) the Group satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service over time and, therefore, satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

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

ii. the Group's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or

iii. 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.

If a performance obligation is not satisfied over time, the Group satisfies the performance obligation at a point in time when the customer obtains control of the promised asset. In determining when the transfer of control occurs, the Group considers the concept of control and such indicators as legal title, physical possession, right to payment, significant risks and rewards of ownership of the asset, and customer acceptance.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.15 Revenue and other income recognition (Continued)

Applicable from 1 April 2018 (Continued)

a. Manufacture and sales of custom-made furniture is recognise at a particular point in time when customers have control over the promised goods, which is generally the time when goods are delivered to customers and customers have accepted the goods.

b. Manufacture and sales of mattress and soft bed products recognise at a particular point in time when customers have control over the promised goods, which is generally the time when goods are delivered to customers and customers have accepted the goods.

c. Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

d. Rental income under operating leases is recognised in the period in which the properties are let out and on a straightline basis over the term of the relevant lease.

4.16 Income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of reporting period.

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

The carrying amount of deferred tax assets is reviewed at the end of 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.16 Income taxes (Continued)

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 is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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.

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

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

    (i) the same taxable entity; or

    (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.17 Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "functional currency") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of nonmonetary items carried at fair value are included in profit or loss for the period.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve (attributed to non-controlling interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long- term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

4.18 Employee benefits

Defined contribution retirement plan

The Group operates a defined contribution retirement benefit scheme ("MPF Scheme") under the Mandatory Provident Fund Scheme Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employee's basic salaries.

The employees of the Group's subsidiary which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government. That subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

Other employee benefits

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

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.19 Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the property, plant and equipment, prepaid premium for land leases, intangible assets and other non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

An impairment loss is recognised as an expense immediately for the amount by which the asset's recoverable amount is estimated to be less than its carrying amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, 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 assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent 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 in prior years. A reversal of an impairment loss is recognised as income immediately.

4.20 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

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

4.21 Borrowing costs

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.22 Government grants

Government grants are recognised when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

4.23 Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the options at the date of grant is recognised in profit or loss over the vesting period, or recognised in profit or loss in full at the grant date when the share options granted vest immediately, with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period. At the time when the share options are exercised, the amount previously recognised in share option reserve will be transferred to share premium. After the vesting date, when the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share option reserve will be transferred to retained earnings.

4.24 Related parties

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

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

(ii) has significant influence over the Group; or

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.24 Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions apply:

(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 the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or 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 and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of the Group's accounting policies, the directors are 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 associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results 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.

(i) Loss allowance for ECL

The Group's management estimates the loss allowance for trade and other receivables and loan receivable based on risk of a default and expected loss rate. The assessment of the credit risk involves high degree of estimation and uncertainty as the Group's management estimates the risk of a default and expected loss rate for applying provision matrix on debtors based on the Group's historical information, existing market conditions as well as forward looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables.

(ii) Depreciation and amortisation

The Group depreciated the property, plant and equipment and amortised the prepaid premium for land leases and the intangible assets in accordance with the accounting policies set out in note 4.6, 4.7 and 4.8. The estimated useful lives reflect the directors' best estimate of the periods that the Group intends or expects to derive future economic benefits from the use of the assets.

(iii) Inventory provision

The management of the Group reviews the marketability of inventory items at each reporting date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The management estimates the net realisable value for inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each reporting date and makes provision for obsolete items.

(iv) Fair value measurement of investment properties

At 31 March 2019, investment properties are stated at fair value based on the valuation performed by the independent professional valuers. The valuers have determined the fair value based on a method of valuation which involves certain estimates. In relying on the valuation report prepared by the valuers, management has reviewed the valuation including the assumptions and estimates adopted.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(v) Impairment of non-financial assets (other than goodwill)

The Group assesses each cash-generating unit annually to determine whether any indication of impairment exists. When an indicator of impairment exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs of disposal and value in use. The carrying amount of the property, plant and equipment and intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable in accordance with the accounting policy as disclosed in the relevant part of this section. Estimating the value in use requires the Group to estimate future cash flows from the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

(vi) Impairment of goodwill

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

6. SEGMENT REPORTING

(a) Reportable segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions. For the year ended 31 March 2019, the Group principally operates in five business segments, which are:

(i) Manufacture of custom made furniture;

(ii) The design, manufacture and sale of mattress and soft bed products;

(iii) Property investment;

(iv) Securities investment; and

(v) Money lending.

6. SEGMENT REPORTING (Continued)

(a) Reportable segments (Continued)

The segment information provided to the chief operating decision-maker for reportable segments and reconciliation of the segments total to the amounts reported by the Group in the consolidated financial statements are as follows:

For the year ended 31 March 2019

	Manufacture of custom-made furniture HK$'000	Mattress and soft bed products HK$'000	Securities investment HK$'000	Property investment HK$'000	Money lending HK$'000	Other HK$'000	Sub-total HK$'000	Unallocated HK$'000	Total HK$'000
Revenue from external customers	123,471	2,101	–	5,496	1,220	121	132,409	–	132,409
Reportable segment profit	3,770	(11,039)	(3,563)	1,185	698	(497)	(9,446)	–	(9,446)
Share of associate loss								(201)	(201)
Fair value gain on investment properties								10,200	10,200
Unallocated corporate expenses								(12,205)	(12,205)
Loss for the year							(9,446)	(2,206)	(11,652)
Segment assets	263,782	20,608	28,591	277,147	18,430	–	608,558	–	608,558
Interest in associates								10,286	10,286
Unallocated cash and cash equivalents								378	378
Unallocated corporate assets								9,655	9,655
Total assets							608,558	20,319	628,877
Segment liabilities	24,279	6,453	11,444	1,904	182	200	44,462	–	44,462
Bank and other borrowing								35,075	35,075
Convertible bonds								206,152	206,152
Unallocated corporate liabilities								30,098	30,098
Total liabilities							44,462	271,325	315,787
Other segment information:									
Interest income	2	–	436	–	–	–	438	–	438
Interest expenses	(259)	(3,471)	(179)	–	–	–	(3,909)	(4,280)	(8,189)
Depreciation of property, plant and equipment	(2,029)	–	–	(1,290)	–	–	(3,319)	–	(3,319)
Amortisation of intangible assets	(16,843)	–	–	–	–	(434)	(17,277)	–	(17,277)
Unrealised Fair value loss on financial assets at fair value through profit or loss	–	–	(1,733)	–	–	–	(1,733)	–	(1,733)
Realised loss on disposal of financial assets at fair value through profit or loss)	–	–	(396)	–	–	–	(396)	–	(396)
Income tax credit/(expenses)	2,097	51	3,436	1,473	(189)	–	6,868	–	6,868
Impairment of account receivable	(115)	–	–	–	(258)	–	(373)	–	(373)
Research expenses	(4,857)	(62)	–	–	–	–	(4,919)	–	(4,919)
Additions to non-current assets	(4,045)	–	–	–	–	–	(4,045)	–	(4,045)

6. SEGMENT REPORTING (Continued)

(a) Reportable segments (Continued)

For the year ended 31 March 2018

	Manufacture of custom-made furniture HK$'000	Mattress and soft bed products HK$'000	Securities investment HK$'000	Property investment HK$'000	Money lending HK$'000	Other HK$'000	Sub-total HK$'000	Unallocated HK$'000	Total HK$'000
Revenue from external customers	81,719	48,583	–	3,700	917	605	135,524	–	135,524
Reportable segment profit/(loss)	1,724	(4,539)	(121,018)	1,734	880	(857)	(122,076)	–	(122,076)
Unallocated other income								3,795	3,795
Share of result of an associate								662	662
Gain on disposal of subsidiary								7,274	7,274
Fair value gain on investment properties								39,200	39,200
Fair value loss of convertible bonds receivable								(346)	(346)
Fair value loss of convertible bonds								(283,083)	(283,083)
Unallocated corporate expenses								(15,013)	(15,013)
Loss for the year							(122,076)	(247,511)	(369,587)
Segment assets	248,261	77,687	50,685	265,631	10,772	867	653,903	–	653,903
Interest in associates								10,487	10,487
Unallocated cash and cash equivalents								379	379
Unallocated corporate assets								3,601	3,601
Total assets							653,903	14,467	668,370
Segment liabilities	31,041	44,431	6,609	9,818	252	7	92,158	–	92,158
Bank and other borrowings							–	37,484	37,484
Unallocated corporate liabilities								204,523	204,523
Total liabilities							92,158	242,007	334,165
Other segment information									
Interest income	7	8	459	–	–	–	474	186	660
Interest expenses	(29)	(320)	(130)	–	–	–	(479)	–	(479)
Depreciation of property, plant and equipment	(310)	(167)	–	(1,290)	–	–	(1,767)	–	(1,767)
Amortisation of intangible assets	(11,414)	–	–	–	–	(433)	(11,847)	–	(11,847)
Unrealised fair value loss on financial assets at fair value through profit or loss	–	–	(5,744)	–	–	–	(5,744)	–	(5,744)
Realised loss on disposal of financial assets at fair value through profit or loss	–	–	(122,342)	–	–	–	(122,342)	–	(122,342)
Income tax expenses	(4,878)	(33)	18,747	(6,468)	–	–	7,368	1,883	9,251
Research expenses	(2,177)	(1,663)	–	–	–	–	(3,840)	–	(3,840)
Additions to non-current assets	(8,541)	–	–	(5,527)	–	–	(14,068)	–	(14,068)

6. SEGMENT REPORTING (Continued)

(b) Geographic information

The following table provides an analysis of the Group's revenue from external customers based on geographical location of the customers.

	2019	2018
	HK$'000	*HK$'000*
Revenue from external customers		
PRC (place of domicile)	**124,319**	94,937
Hong Kong	**6,883**	32,748
Other countries	**1,207**	7,839
	132,409	135,524

(c) Information about major customers

The Group's customer base is diversified and includes only the following customers with whom transactions have exceeded 10% of the Group's revenue:

	2019	2018
	HK$'000	*HK$'000*
Mattress and soft bed products segment		
Customer A[2]	**N/A**	27,169
Manufacture of custom-made furniture		
Customer B	**34,265**	21,220
Customer C[1]	**14,336**	N/A

[1] Revenue derived from Customer C did not contribute over 10% or more of the total revenue of the Group during the year ended 31 March 2018.

[2] Revenue derived from Customer A did not contribute over 10% or more of the total revenue of the Group during the year ended 31 March 2019.

7. REVENUE AND OTHER INCOME

Revenue from the Group's principal activities, which is also the Group's turnover, represented the net invoiced value of goods sold and services provided, net of allowances for returns, trade discounts and value-added tax. An analysis of the Group's revenue and other income is as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue		
Sales of goods	**125,526**	130,302
Rental income	**5,541**	3,700
Loan interest income	**1,220**	917
Other income	**122**	605
	132,409	135,524
Other income		
Interest income	**438**	660
Government grants	**686**	274
Gain on disposal of property, plant and equipment	**107**	–
Sundry income	**674**	740
	1,905	1,674

8. FINANCE COSTS

	2019 HK$'000	2018 HK$'000
Interest on bank borrowings repayable within one year	**3,472**	320
Interest on other borrowings repayable within one year	**1**	136
Interest on bank overdraft	**179**	23
Interest on obligation under finance lease	**257**	–
Interest on convertible bond	**4,280**	–
	8,189	479

9. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging:

	2019 HK$'000	2018 HK$'000
Allowance for impairment of account receivables	**373**	–
Amortisation of prepaid premium for land leases	**–**	103
Auditor's remuneration	**700**	650
Cost of inventories recognised as expenses	**75,335**	98,470
Depreciation of property, plant and equipment	**3,319**	1,767
Net foreign exchange loss	**101**	726
Operating lease charges on rented premises	**221**	1,261
Staff costs (including directors' remuneration)		
— Wages, salaries and bonus	**13,098**	13,973
— Contribution to defined contribution plans	**1,360**	2,061

10. INCOME TAX EXPENSES

	2019	2018
	HK$'000	*HK$'000*
Current tax — PRC	**3,033**	–
Current tax — Hong Kong	**(1,284)**	4,911
Deferred tax	**(8,617)**	(14,162)
Income tax expenses	**(6,868)**	(9,251)

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated. Hong Kong profits tax was calculated at 16.5% (2018: 16.5%) on the estimated assessable profits for the year ended 31 March 2019. The income tax rate of Guangzhou Geyu is 15% as it obtained the qualification as a high and new technology enterprise, the enterprise income tax arising from other subsidiary operating in the PRC was calculated at 25% (2018: 25%) of the estimated assessable profits of the subsidiary during the year.

Reconciliation between income tax expense and accounting profit at applicable tax rates is as follows:

	2019	2018
	HK$'000	*HK$'000*
Loss before income tax	**(18,520)**	(378,838)
Tax on profit at applicable tax rates	**(3,056)**	(62,508)
Income tax on concessionary rate	**2,780**	1,850
Effect of expenses not deductible for tax purpose	**3,143**	78,032
Effect of income not taxable for tax purpose	**(1,683)**	(10,295)
Tax effect of tax loss not recognised	**3,438**	1,262
Other	**(11,490)**	(17,592)
Income tax expenses	**(6,868)**	(9,251)

Deferred tax liabilities as at 31 March 2018 and 31 March 2019 have not been recognised for the withholding tax and other taxation that would be payable on the distribution of the unremitted earnings of a subsidiary for both years.

11. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' remuneration

Directors' remuneration for the year is as follows:

	Fees *HK$'000*	Salaries, allowance and benefits in kind *HK$'000*	Pension contribution *HK$'000*	Share-based compensation expenses *HK$'000*	Total *HK$'000*
Year ended 31 March 2019					
Executive directors:					
Mr. Qin Yuquan (note 10)	**253**	**–**	**13**	**–**	**266**
Mr. Hung Cho Sing (note 1)	**540**	**–**	**–**	**–**	**540**
Mr. Wong Siu Ki (note 7)	**256**	**–**	**–**	**–**	**256**
Mr. Matthew Chung (note 2)	**360**	**–**	**–**	**–**	**360**
Mr. Chau Tsz Kong Alan (note 11)	**120**	**–**	**–**	**–**	**120**
Independent non-executive directors:					
Mr. Chan Chun Wing (note 4)	**120**	**–**	**–**	**–**	**120**
Mr. Tang Kin Chor (note 6)	**120**	**–**	**–**	**–**	**120**
Mr. Li Siu Yui (note 9)	**120**	**–**	**–**	**–**	**120**
	1,889	**–**	**13**	**–**	**1,902**

	Fees *HK$'000*	Salaries, allowance and benefits in kind *HK$'000*	Pension contribution *HK$'000*	Share-based compensation expenses *HK$'000*	Total *HK$'000*
Year ended 31 March 2018					
Executive directors:					
Mr. Qin Yuquan (note 10)	232	–	–	–	232
Mr. Hung Cho Sing (note 1)	426	–	–	–	426
Mr. Wong Siu Ki (note 7)	360	–	–	–	360
Mr. Yim Yin Nang (note 8)	77	–	–	–	77
Mr. Matthew Chung (note 2)	360	–	–	–	360
Mr. Wong Pak Kan Martin (note 3)	131	–	–	–	131
Independent non-executive directors:					
Mr. Chan Chun Wing (note 4)	120	–	–	–	120
Ms. Lai Mei Kwan (note 5)	40	–	–	–	40
Mr. Tang Kin Chor (note 6)	120	–	–	–	120
Mr. Li Siu Yui (note 9)	80	–	–	–	80
	1,946	–	–	–	1,946

11. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

Directors' remuneration (Continued)

Notes:

Note 1: Mr. Hung Cho Sing appointed on 23 May 2016.

Note 2: Mr. Matthew Chung appointed on 11 April 2016.

Note 3: Mr. Wong Pak Kan Martin appointed on 20 December 2016, and resigned on 11 August 2017.

Note 4: Mr. Chau Chun Wing appointed on 23 May 2016.

Note 5: Ms. Lai Mei Kwan appointed on 21 September 2016, and resigned on 1 August 2017.

Note 6: Mr. Tang Kin Chor appointed on 11 April 2016.

Note 7: Mr. Wong Siu Ki appointed on 15 December 2015, and resigned on 17 December 2018.

Note 8: Mr. Yim Yin Nang appointed on 5 March 2015, and resigned 20 November 2017.

Note 9: Mr. Li Siu Yui appointed on 11 July 2017.

Note 10: Mr. Qin Yuguan appointed on 1 August 2017.

Note 11: Mr. Chau Tsz Kong Alan appointed on 17 December 2018.

Fees, salaries, allowance and benefits in kind paid to or for the executive directors are generally emoluments paid or receivable in respect of those persons' other services in connection with the management of the affairs of the Company and its subsidiaries.

Five highest paid individuals

The five highest paid individuals consisted of 2 (2018: 3) directors of the Company for the year ended 31 March 2019 details of whose remuneration are reflected in the analysis presented above. Details of remuneration of the remaining 3 (2018: 2) highest paid individuals for the year ended 31 March 2019 are as follows:

	2019	2018
	HK$'000	*HK$'000*
Salaries, allowance and benefits in kind	**1,591**	2,342
Retirement benefits — defined contribution plans	**47**	32
	1,638	2,374

11. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

Five highest paid individuals (Continued)

The remuneration paid to each of the above five highest paid individuals for each of the year fell within the following bands:

	Number of individuals	
	2019	2018
Nil–HK$1,000,000	**5**	4
HK$1,000,001–HK$1,500,000	**–**	1

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

No emolument was paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or compensation for loss of office during the year (2018: Nil).

12. DIVIDENDS

No dividend has been declared by the Company during the year (2018: Nil).

13. LOSS PER SHARE

	2019	2018
Loss	***HK$'000***	*HK$'000*
Loss for the purposes of basic and diluted loss per share	**(11,652)**	(369,586)
Number of shares	**'000**	'000
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	**2,892,000**	2,892,000

The calculation of diluted earnings per share for the year ended 31 March 2019 did not assume the exercise of the outstanding share options as there options were anti-diluted.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Plant and Machinery	Office equipment	Motor vehicles	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 April 2017	5,596	6,966	501	1,130	14,193
Acquisition of subsidiary	–	6,700	–	–	6,700
Additions	–	8,541	5,158	369	14,068
Disposals	(5,851)	(3,382)	(442)	(1,181)	(10,856)
Exchange realignment	255	1,801	22	51	2,129
At 31 March 2018 and 1 April 2018	–	20,626	5,239	369	26,234
Additions	–	4,045	–	–	4,045
Disposals	–	(5,276)	–	(369)	(5,645)
Exchange realignment	–	(1,183)	(78)	–	(1,261)
At 31 March 2019	–	18,212	5,161	–	23,373
Accumulated depreciation					
At 1 April 2017	3,257	4,242	456	989	8,944
Depreciation	–	477	1,290	–	1,767
Disposals	(3,334)	(2,251)	(390)	(1,034)	(7,009)
Exchange realignment	77	92	17	45	231
At 31 March 2018 and 1 April 2018	–	2,560	1,373	–	3,933
Depreciation	–	2,029	1,290	–	3,319
Disposals	–	(2,399)	–	–	(2,399)
Exchange realignment	–	(38)	(83)	–	(121)
At 31 March 2019	–	2,152	2,580	–	4,732
Net book amount					
At 31 March 2019	–	16,060	2,581	–	18,641
At 31 March 2018	–	18,066	3,866	369	22,301

The net book value of the Group's plant and machinery includes an amount approximately HK$9,041,617 in respect of assets held under finance lease as at 31 March 2019.

15. PREPAID PREMIUM FOR LAND LEASES

	HK$'000
At 1 April 2017	7,298
Amortisation	(103)
Disposal of subsidiary	(7,529)
Exchange realignment	334
At 31 March 2018, 1 April 2018 and 31 March 2019	–

16. GOODWILL

	2019	2018
	HK$'000	*HK$'000*
Cost		
At 1 April	**135,488**	–
Acquisition of subsidiaries	**–**	135,488
At 31 March	**135,488**	135,488

During the year ended 31 March 2018, the Group acquired 100% issued share capital of Pioneer One Investments Limited and its subsidiaries and goodwill of approximately HK$135,488,000 was recognised upon completion of the acquisition. The goodwill have been allocated to the cash generating unit (CGU) of manufacture of custom made furniture segment.

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation adopted cash flow projections covering a 5-year period, based on financial budgets approved by the management with discount rate of 13% per annum. Cash flows beyond the 5-year period are extrapolated with 3% growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin. Such estimation is based on the unit's past performance and management's expectations of the market development. No impairment loss was recognised for the years ended 31 March 2019 and 31 March 2018.

17. INVESTMENT PROPERTIES

	2019	2018
	HK$'000	*HK$'000*
At fair value		
At 1 April	**257,700**	206,500
Acquisition of subsidiaries	**–**	12,000
Fair value change	**10,200**	39,200
At 31 March	**267,900**	257,700

Notes:

(a) The Group's investment property is held in Hong Kong under medium-term leases.

(b) As at 31 March 2019, the fair value of the Group's investment properties was approximately HK$267,900,000 (2018: HK$257,700,000). The fair value has been determined based on the valuation carried out by B.I. Appraisals Limited, independent valuers not connected with the Group. The fair value was determined on income approach using investment method. The entire amount of fair value measurement of the Group's property is categorised as level 3 hierarchy defined in HKFRS 13 Fair Value Measurement.

Information about level 3 fair value measurements

Type of investment properties	Valuation method	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
For 2019			
Commercial properties	Investment method	Rental value of HK$32 to HK$76 per square feet/ income capitalisation rate of 2.25% to 3.25%	The higher the rental value, the higher the fair value. The lower the income capitalisation rate, the higher the fair value.
For 2018			
Commercial properties	Investment method	Rental value of HK$11.6 to HK$72.2 per square feet/ income capitalisation rate of 2.3% to 3.3%	The higher the rental value, the higher the fair value. The lower the income capitalisation rate, the higher the fair value.

18. INTANGIBLE ASSETS

	Money lending license	**Trademark**	**Distribution Network**	**Others**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 April 2017	2,730	–	–	–	2,730
Acquisition of a subsidiary	–	24,592	59,624	–	84,216
Additions	–	–	–	1,300	1,300
At 31 March 2018, 1 April 2018 and 31 March 2019	2,730	24,592	59,624	1,300	88,246
Accumulated Amortisation					
At 1 April 2017	–	–	–	–	–
Charge for the year	–	3,333	8,081	433	11,847
At 31 March 2018 and 1 April 2018	–	3,333	8,081	433	11,847
Charge for the year	–	4,918	11,925	434	17,277
At 31 March 2019	–	8,251	20,006	867	29,124
Net Carrying amount					
At 31 March 2019	2,730	16,341	39,618	433	59,122
At 31 March 2018	2,730	21,259	51,543	867	76,399

The money lending licenses held by the Group is considered by the directors as having indefinite useful life because there is no foreseeable limit to the period over which the licence are expected to generate cash flows. The license is reviewed annually with no legal impediments to renew the license.

The trademark and distribution network generated from the business acquisition of Pioneer One Investments Limited and its subsidiaries, which have finite useful life and are amortised on a straight-line basis over 5 years. No impairment loss has been recognised during the years ended 31 March 2019 and 31 March 2018.

19. INTEREST IN AN ASSOCIATE

	2019	2018
	HK$'000	*HK$'000*
Cost of investment in an associate	**9,255**	9,255
Share of post-acquisition profit and other comprehensive income	**1,031**	1,232
	10,286	10,487

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

Name of entity	**Principal place of incorporation and business**	**Proportion of ownership interest held by the Group**		**Proportion of voting rights held by the Group**		**Principal activities**
		2019	2018	**2019**	2018	
Sau San Tong Investment Holding Limited ("Sau San Tong")	Hong Kong	**25%**	25%	**25%**	25%	Property investment

19. INTEREST IN AN ASSOCIATE (Continued)

Summarised financial information of Sau San Tong, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2019 HK$'000	2018 HK$'000
Non-current assets	**48,971**	48,971
Current assets	**2,422**	1,826
Total assets	**51,393**	50,797
Non-current liabilities	**–**	–
Current liabilities	**58,385**	58,385
Total liabilities	**58,385**	58,385
Net liabilities	**(6,992)**	(7,588)
Fair value adjustment of investment property	**(1,371)**	29
	(8,363)	(7,559)
Group's share of net liabilities	**(2,090)**	(1,890)
Goodwill	**12,376**	12,376
Group's carrying amount	**10,286**	10,486
Revenue	**600**	600
(Loss)/profit for the year	**(804)**	2,646
Other comprehensive income	**–**	–
Total comprehensive income	**(804)**	2,646
Carrying amount of interest in associates at the beginning of the year		
Investment cost at acquisition	**9,255**	9,255
Total comprehensive income attributable to the Group	**1,031**	1,232
Carrying amount of interest in associates at the end of the year	**10,286**	10,487

20. PREPAYMENT

Prepayment represent upfront payments for film productions, distribution rights and prepaid administrative expenses during the year ended 31 March 2019.

As at 31 March 2019, the amounts of prepayments were classified to other receivables as film right.

21. INVENTORIES

	2019	2018
	HK$'000	*HK$'000*
Raw material	**10,842**	9,046
Work in progress	**–**	96
Finished goods	**–**	307
	10,842	9,449

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	HK$'000	*HK$'000*
Listed equity securities in Hong Kong, at market value	**9,060**	23,179

Fair values of the listed equity securities have been determined by reference to their quoted bid prices at the reporting date in an active market.

23. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**26,466**	30,484
Less: allowance for impairment loss	**(7,963)**	–
	18,503	30,484
Other receivables	**26,645**	58,623
Prepayments	**32,060**	2,048
	77,208	91,155

23. TRADE AND OTHER RECEIVABLES (Continued)

The Group did not hold any collateral as security or other credit enhancements over the trade receivables. The credit period on sales of goods for recurring customers is 30 to 90 days from invoice date. The ageing analysis of trade receivables based on the invoice date at the reporting date is as follows:

	2019 HK$'000	2018 HK$'000
Within 3 months	16,438	21,638
More than 3 months	2,065	8,846
	18,503	30,484

The ageing of trade receivables which are past due but not impaired are as follows:

	2019 HK$'000	2018 HK$'000
Neither past due nor impaired	16,438	21,638
Less than 1 month past due	60	5,529
2 to 3 months past due	–	1,312
4 to 6 months past due	1,350	2,005
Over 6 months past due	655	–
	18,503	30,484

The below table reconciled the allowance for impairment loss of trade receivables for the year:

	2019 HK$'000	2018 HK$'000
At 1 April	–	14,655
Adjustment on initial application of HKFRS 9	7,647	–
Adjustment balance at 1 April	7,647	14,655
Impairment loss recognised	115	–
Reversal of impairment loss upon disposal of subsidiaries	–	(15,325)
Exchange realignment	201	670
	7,963	–

Trade receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

23. TRADE AND OTHER RECEIVABLES (Continued)

As at 31 March 2019, trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Other receivables mainly represent the loan receivables from independent third parties and rental receivable from the lessee.

Prepayment mainly represent the payment advance to suppliers in PRC as at 31 March 2019 and 31 March 2018.

24. CONVERTIBLE BOND RECEIVABLE

On 18 April 2016, the Group entered into an investment agreement with Deson Construction International Holdings Limited ("Deson"), a company incorporated in the Cayman Islands and its shares are listed on the Stock Exchange of Hong Kong Limited (Stock code: 8268) to subscribe for a 2% coupon convertible bond with principal amount of HK$1,800,000 issued by Deson ("CB 2016"). The CB entitle the Company to convert into 6,000,000 ordinary shares of Deson at any time between the date of issue of the CB 2016 and the maturity date on 17 April 2019 at a conversion price of HK$0.3 per convertible share. The CB 2016 will be redeem by Deson at par value plus accrued interest on 17 April 2019. If the CB 2016 has not been converted or redeemed, Deson will redeem it on the maturity date at par. Deson is principally involved in construction business in Hong Kong, Mainland China and Macau.

The CB 2016 has matured and been fully repaid during the year ended 31 March 2019.

On 4 September 2017, the Group entered into an investment agreement with Larry Jewelry International Company Limited ("Larry"), a company incorporated in Bermuda and its shares are listed on the Stock Exchange of Hong Kong Limited (Stock code: 8351) to subscribe for a 7.5% coupon convertible bond with principal amount of HK$9,000,000 issued by Larry ("CB 2017"). The CB 2017 entitle the Company to convert into 30,000,000 ordinary shares of Larry at any time between the date of issue of the CB 2017 and the maturity date on 3 September 2019. Larry may at any time before the maturity date of the CB 2017 redeem the CB 2017 at 100% of the principal amount of CB 2017 thereof plus interest accrued thereon up to the actual date of redemption. The Company shall not have the right to request Larry to redeem the CB 2017 prior to the maturity date. Larry is principally involved in jewelry in Hong Kong and Singapore and pharmaceutical and health food products in Hong Kong, Macau and the PRC.

The convertible bond receivable was designated as financial assets at fair value through profit or loss and level 3 of fair value hierarchy.

During the year ended 31 March 2019, the CB 2017 has been early redeemed by the Group as a result of default by Larry before the mature date on 12 December 2018.

24. CONVERTIBLE BOND RECEIVABLE (Continued)

The movement of the assets component of the convertible bonds for the year is set out below:

	2019 HK$'000	2018 HK$'000
Carrying amount at the beginning of the year	**10,828**	2,174
Addition	**–**	9,000
Received repayment from bond owner	**(8,250)**	–
Transfer to other receivables	**(2,578)**	–
Fair value change	**–**	(346)
Interest charge	**641**	421
Interest received	**(641)**	(421)
Carrying amount at the end of the year	**–**	10,828

The entire CB was designated as fair value through profit or loss.

Information about level 3 fair value measurement of the convertible bond receivable for the year ended 31 March 2018 is as follows:

Valuation techniques	Significant unobservable input	Relationship of unobservable inputs to fair value
CB 2016		
Crank-Nicolson finite-difference method	• Discount rates that correspond to expected risk level of 8.47%	• The lower the discount rates, the higher the fair value.
	• Volatility rate of 64.58%	• The higher the volatility rate, the higher the fair value.
	• Risk-free rate of 1.23%	• The lower the risk-free rate, the higher the fair value.
CB 2017		
Crank-Nicolson finite-difference method	• Discount rates that correspond to expected risk level of 13.69%	• The lower the discount rates, the higher the fair value.
	• Volatility rate of 92.44%	• The higher the volatility rate, the higher the fair value.
	• Risk-free rate of 1.30%	• The lower the risk-free rate, the higher the fair value.

25. LOAN RECEIVABLES

	Fixed interest rate	**2019** *HK$'000*	2018 *HK$'000*
Unsecured fixed-rate loans receivable	10%–12%	**10,700**	10,000
Less: Allowance for impairment loss		**(391)**	–
		10,309	10,000

The Group's loan receivables arose from the money lending business during the year.

Loan receivables bear interest at rates, and with credit periods, mutually agreed between the contracting parties. Loan receivables are secured by personal guarantees by the debtors/certain individuals. Overdue balances are reviewed regularly and handled closely by senior management.

The loan receivables were neither past due nor impaired relate to certain debtors for whom there was no recent history of default.

Movement in the allowance for doubtful debts:

	2018 *HK$'000*	2017 *HK$'000*
At beginning of the year	**–**	–
Adjustment on initial application of HKFRS 9	**133**	–
Adjustment balance at beginning of the year	**133**	–
Impairment loss recognised in respect of loan receivables	**258**	–
At end of the year	**391**	–

Analysis of the gross carry amount of loans receivable is as follows:

	Stage 1 *HK$'000*	**Stage 2** *HK$'000*	**Stage 3** *HK$'000*	**Total** *HK$'000*
Gross carrying amount as at 1 April 2018	10,000	–	–	10,000
New loans/financing originated	8,700	–	–	8,700
Loans/financing derecognised or repaid during the year (other than write-offs)	(8,000)	–	–	(8,000)
Gross carrying amount as at 31 March 2019	10,700	–	–	10,700

25. LOAN RECEIVABLES (Continued)

Definitions of Stage 1, Stage 2 and Stage 3 are detailed in note 41.

The maximum exposure to credit risk at the end of the reporting period is the carrying value of the loans receivable. The Group seeks to maintain tight control over its loans receivable in order to minimise credit risk by reviewing the borrowers' or guarantors' financial positions.

At the end of the reporting period, loans receivable carried fixed interest rates and had effective interest rates ranging from 10% to 12% per annum (2018: 10% to 12% per annum).

Interest income and reversal of allowance for loans receivables of approximately HK$1,220,000 (2018: HK$917,000) and RMB258,000 (2018: Nil) respectively have been recognised in the consolidated statement for comprehensive income for the year ended 31 March 2019.

26. CASH AND CASH EQUIVALENTS

Included in bank and cash balances of the Group is a balance of approximately HK$1,259,000 as at 31 March 2019 which were denominated in Renminbi ("RMB") (2018: HK$3,934,000). RMB is not a freely convertible currency. Cash held in securities account maintained in a securities company was carrying interest at floating rates based on daily bank deposit rate.

27. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**10,025**	14,098
Accruals and other payables	**21,615**	30,146
Receipt in advance	**3,611**	12,774
	35,251	57,018

The ageing analysis of the trade payables of the Group based on the invoice date at the reporting date is as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 3 months	**5,637**	11,045
More than 3 months	**4,388**	3,053
	10,025	14,098

The accrual and other payable mainly represent amount due to independent third party, interest-free and repayable on demand.

28. BANK AND OTHER BORROWINGS

	2019 HK$'000	2018 HK$'000
Secured bank borrowing, repayable within one year (Note)	**35,075**	37,484
	35,075	37,484

Notes:

As at 31 March 2019 and 31 March 2018, the Group's interest-bearing bank borrowings were bearing fixed interest rate at 5.49% per annum and was guaranteed by the property and legal representative of the Group's former subsidiary.

As at 31 March 2019 and 31 March 2018, the Group has undrawn banking facilities of HK$11,446,000 and HK$20,000,000 respectively.

29. OBLIGATION UNDER FINANCE LEASE

The Group has obligation under finance leases of plant and machinery (Note 14). The lease term is 2 years (2018: 1 year). The interest rate is of flat rate from 4.2% to 8.8% (2018: 0.5%) per annum.

	Minimum lease payments		Present value of minimum lease payments	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Within one year	**3,721**	200	**3,398**	199
More than one year but less than five years	**1,559**	–	**1,493**	–
	5,280	200	**4,891**	199
Less: Future finance charges	**(389)**	(1)	**–**	–
Present value of lease obligations	**4,891**	199	**4,891**	199
Less: Amount due for settlement within 12 months (shown under current liabilities)			**(3,398)**	–
Amount due for settlement after 12 months			**1,493**	199

30. CONVERTIBLE BONDS

On 1 August 2017, as consideration for the acquisition of the entire issued share capital of Pioneer One Investments Limited and its subsidiaries (referred to as "Pioneer One Group") (see note 36), the Company issued convertible bonds with an aggregate principal amount of HK$212,000,000 (the "CB"). The maturity date of the CB is on 1 August 2020, which is 36 months after the completion date of the abovementioned acquisition (i.e. 1 August 2017). The CB will not bear any interest.

Based on the relevant sale and purchase agreement, the Vendor undertakes to the Purchaser, being a subsidiary of the Company, that if the Actual Performance of the Pioneer One Group for the year ended 31 March 2018 ("2018 Actual Performance") is less than the Performance Target for the year ended 31 March 2018 (being HK$14,444,444 equivalent of RMB13,000,000 at an exchange rate of HK$1 = RMB0.9) ("2018 Performance Target"), the Vendor shall surrender to the Company the CB of the value of the 2018 Profit Adjustment and the same shall be cancelled forthwith without compensation. The Actual Performance is defined as the audited consolidated net profit (after tax) (to be converted at an exchange rate of HK$1 = RMB0.9) of the Pioneer One Group under the Hong Kong Accounting Standards. If the Pioneer One Group records a net loss after tax for the relevant year, the Actual Performance is treated as zero for calculation of the relevant profit adjustment.

The 2018 Profit Adjustment is calculated as follows:

$$\text{Consideration} \quad \text{x} \quad \frac{\text{(2018 Performance Target – 2018 Actual Performance)}}{\text{(2018 Performance Target + 2019 Performance Target + 2020 Performance Target)}}$$

The holders of the CB have the right to convert the CB into ordinary shares of the Company anytime from the day on which the Vendor receives the audited financial statements of Pioneer One Group in respect of the year ended 31 March 2018 (subject to dispute resolution mechanism if any dispute arises over the content of the audited financial statements), or the first anniversary of the completion date to the maturity date of the CB at a fixed conversion price of HK$0.11 per conversion share subject to customary anti-dilutive adjustments. From the 18 months after the completion date to the maturity date of the CB, the holders of the CB have the right to require the Company to redeem in whole or in part of the unconverted, unredeemed and un-surrendered CB of principal amount.

The CB was treated as a contingent consideration payable and measured at fair value at the date of the abovementioned acquisition taking into account the potential downward adjustment to the value of the CB as described above.

The directors of the Company confirmed that the 2018 Performance Target was satisfied based on the available management accounts of the Pioneer One Group for the year ended 31 March 2018 and believed that the audited financial statements (pending for the auditor report to be delivered) will not result in the Pioneer One Group failing to meet the 2018 Performance Target. For this reason, the directors of the Company concluded that the uncertainty that may adjust downward the principal amount of the CB no longer existed as of 31 March 2018 and that the initial recognition date of the CB for accounting purpose was 31 March 2018.

30. CONVERTIBLE BONDS (Continued)

A loss between the fair value of the abovementioned contingent consideration payable at the date of the acquisition of HK$211,881,000 and the fair value of the CB as a whole as at 31 March 2018 of HK$494,964,000, amounting to HK$283,083,000, was recognised in the profit or loss for the year 31 March 2018 (included in "Fair value loss of convertible bonds" line item in the consolidated statement of profit or loss). The significant increase in fair value of the CB on initial recognition, in the opinion of the directors of the Company, was due to the increase in share price of ordinary shares of the Company of about 232% since the acquisition date.

The CB was determined to be a compound financial instrument with a conversion option, that will or may be settled by an exchange of a fixed number of ordinary shares of the Company for a fixed amount of cash, being treated as equity. On initial recognition of the CB, the equity component is assigned the residual amount after deducting from the fair value of the CB as a whole the fair value of the liability component.

The difference between the fair value of the CB as a whole of HK$494,964,000 and the fair value of the liability component on initial recognition amounting to HK$201,872,000, amounting to HK$293,092,000 was assigned to the equity conversion option being recognised in equity.

The fair value of the liability component was calculated using a discounted cash flow approach. The key unobservable input of the valuation is the discount rate adopted of 5.45% which is based on market interest rates for a number of comparable convertible bonds denominated in HK$ and certain parameters specific to the Group's liquidity risk. The equity component is recognised initially as the difference between the fair value of the bonds and the fair value of the liability component and is included in convertible bonds reserves in equity. Subsequently, the liability component is carried at amortised cost.

Also, with the early redemption option exercisable by the holders since 1 February 2019, the liability component of the CB is presented as a current liability as at 31 March 2019 and 2018 as the Company does not have the unconditional right to defer redemption if the holders choose to exercise the early redemption option.

31. DEFERRED TAX LIABILITIES

	Fair value change on financial assets at fair value through profit or loss	Revaluation of property	Fair Value adjustment on business combination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2017	(22,466)	–	–	(22,466)
(Charge)/credit to profit or loss	18,747	(6,468)	–	12,279
Acquisition of a subsidiary	–	–	(19,171)	(19,171)
At 31 March 2018 and 1 April 2018	(3,719)	(6,468)	(19,171)	(29,358)
Credit to profit or loss	3,436	–	5,181	8,617
Acquisition of a subsidiary	–	–	–	–
At 31 March 2019	(283)	(6,468)	(13,990)	(20,741)

32. SHARE CAPITAL

	Number of ordinary share	Amount
	'000	*HK$'000*
Authorised:		
At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	10,000,000	250,000
Issued and fully paid:		
At 1 April 2017, 31 March 2018, 1 April 2018 and 31 March 2019	2,892,000	72,300

33. RESERVES

(a) Share premium

The share premium account of the Group represents the excess of the proceeds received over the nominal value of the Company's shares issued, net of share issue costs.

(b) Capital reserve

Capital reserve represented the amounts due to beneficial shareholders which were capitalised during the year ended 31 March 2014.

(c) Merger reserve

Merger reserve of the Group arose as a result of the Reorganisation and represented the difference between the nominal value of the issued share capital of the Group's subsidiary and the nominal value of the shares of the Company issued pursuant to the Reorganisation.

(d) Statutory reserves

Statutory reserves represent appropriation of profits of the PRC subsidiary to non-distributable reserve fund account as required by the relevant PRC statue.

(e) Translation reserves

The translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations into presentation currency. The reserves are dealt with in accordance with the accounting policies set out in note 4 to the consolidated financial statements.

34. SHARE OPTION SCHEME

On 7 September 2016, the Company granted to 4 eligible participants a total of 72,544,000 share options to subscribe for ordinary shares of HK$0.025 each in the share capital of the Company under the share option scheme adopted by the Company on 26 August 2014 (the "Scheme"). The exercisable period of the share options granted are from 8 September 2016 to 9 September 2021 (both days inclusive). The exercise price of options granted on that date was HK$0.087 per share.

No share option were granted during the year ended 31 March 2018.

At 31 March 2019, the number of shares in respect of which option had been granted and remained outstanding under the Scheme was 72,544,000 (2018: 72,544,000), representing 2.5% (2018: 2.5%) of the shares of the Company in issue at that date.

2019

	Number of share options					
Grantees	**Outstanding at 1 April 2018**	**Granted during the year**	**Lapsed during the year**	**Exercised during the year**	**Outstanding at 31 March 2019**	**Weight average exercise price**
Mr. Hung Cho Sing	**23,136,000**	**–**	**–**	**–**	**23,136,000**	**HK$0.087**
Employee B	**23,136,000**	**–**	**–**	**–**	**23,136,000**	**HK$0.087**
Employee A	**3,136,000**	**–**	**–**	**–**	**3,136,000**	**HK$0.087**
Consultant	**23,136,000**	**–**	**–**	**–**	**23,136,000**	**HK$0.087**
	72,544,000	**–**	**–**	**–**	**72,544,000**	

2018

	Number of share options					
Grantees	Outstanding at 1 April 2017	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 March 2018	Weight average exercise price
Mr. Wong Siu Ki	12,000,000	–	(12,000,000)	–	–	HK$0.079
Mr. Hung Cho Sing	23,136,000	–	–	–	23,136,000	HK$0.087
Employee B	23,136,000	–	–	–	23,136,000	HK$0.087
Employee A	20,000,000	–	(20,000,000)	–	–	HK$0.079
Employee A	3,136,000	–	–	–	3,136,000	HK$0.087
Consultant	23,136,000	–	–	–	23,136,000	HK$0.087
	104,544,000	–	(32,000,000)	–	72,544,000	

35. RELATED PARTY TRANSACTIONS

Key management personnel compensation

Key management includes members of the board of directors and other members of key management of the Group. The compensation paid or payable to key management personnel is shown below:

	2019 HK$'000	2018 HK$'000
Short-term employee benefits	858	1,946
Pension costs — defined contribution plan	18	–
	876	1,946

36. OPERATING LEASE COMMITMENTS

As lessee

The Group leases certain office premises under operating lease arrangement, with lease terms of within two years and nine years. At the end of each reporting period, the Group has future minimum rental payable under non-cancellable operating lease falling due as follows:

	2019 HK$'000	2018 HK$'000
Within one year	133	–
Within two to five year	511	–
Later than five year	557	–
	1,201	–

As lessor

The Group leases certain office premises under operating lease arrangement, with lease terms of within three years. At the end of each reporting period, the Group has future minimum rental receivable under non-cancellable operating lease falling due as follows:

	2019 HK$'000	2018 HK$'000
Within one year	3,566	1,911
Within two to five year	1,052	426
	4,618	2,337

37. ACQUISITION OF SUBSIDIARIES

(1) Pioneer One Investments Limited

On 1 August 2017, the Group has entered into an agreement to acquire the entire equity interests in Pioneer One Investments Limited and its subsidiaries ("Pioneer One Group") with independent third parties (the "Vendors"), Pioneer One Group is principally engaged in manufacture of custom-made furniture, the purchase consideration for the acquisition was satisfied by issuing convertible bonds with an aggregate nominal value of HK$211,881,000 payable to the Vendors at the acquisition date.

The convertible bonds carry no interest and are convertible into shares from the day on which the Vendor receives the audited financial statements of Pioneer One Group of the 2018 performance undertaking year ending 31 March 2018, subject to dispute resolution mechanism if any dispute arises over the content of the audited financial statements, and from the 18th months after the completion date to maturity date, the bondholders shall have the right to require the Company to redeem in whole or in part of the unconverted, unredeemed and un-surrendered convertible bond of principal amount that shall be redeemed by the Company on the dearly redemption date, the 30th business day after the Company's receipt of the relevant early redemption notice by the Vendor. The acquisition of Pioneer One Group was completed on 1 August 2017.

	HK$'000
Property, plant and equipment	6,700
Intangible assets	84,216
Inventories	4,798
Trade and other receivables	8,654
Bank balance and cash	10,322
Trade and other payables	(26,332)
Tax payables	(438)
Deferred tax liabilities	(21,054)
Obligation under finance lease in current portion	(473)
	66,393
Goodwill on acquisition	135,488
Shareholder's loan	10,000
	211,881
Consideration satisfied by:	
Convertible bonds	211,881
Net cash inflow arising on acquisition	
Cash and bank balances acquired	10,322

Goodwill arose in the acquisition of Pioneer One Group because the consideration for the acquisition reflects the control premium as well as the future economic benefits expected to be generated from combining the acquiree's operation with the Group's operations.

During the year ended 31 March 2018, Pioneer One Group contributed approximately HK$81,718,000 to the Group's revenue and approximately HK$14,025,000 to the Group's results in aggregate for the period from the date of acquisition to 31 March 2018.

Had the combination taken place at the beginning of the year ended 31 March 2018, the Group's revenue for the year ended 31 March 2018 would have been approximately HK$158,327,000 and total comprehensive expenses for the year ended 31 March 2018 would have been approximately HK$344,480,000.

38. DISPOSAL OF SUBSIDIARIES

On 21 July 2017, the Group entered into a sales and purchase agreement with Ever Winner Investment Development Limited, to dispose of Grandeur Industries Limited together with several subsidiaries of the Group, at a consideration of HK$57,007,000, the disposal was completed on 29 September 2017.

Net assets disposed of:

	HK$'000
Property, plant and equipment	2,675
Prepaid premium for land leases	7,483
Trade and other receivables	53,695
Cash and cash equivalents	690
Trade and other payables	(7,122)
Net assets	57,421
Non-controlling interest	(351)
Total assets attributable to owners of the Company	57,070
Exchange reserves realised	(7,337)
	49,733
Gain on disposal of subsidiaries	7,274
Considerations	57,007
Satisfied by:	
Cash:	24,000
Current account	33,007
	57,007

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries as follows:

	HK$'000
Cash consideration	24,000
Cash and bank balances disposed of	(690)
Net inflow of cash and cash equivalents in respect of the Disposal of subsidiaries	23,310

39. STATEMENT OF FINANCIAL POSITION

(a) Financial Information of the statement of financial position of the Company

	Note	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Prepayment		**1,894**	–
Interest in subsidiaries		**64,086**	64,086
Total non-current assets		**65,980**	64,086
Current assets			
Amount due from subsidiaries	a	**183,957**	190,814
Prepayment		**7,576**	–
Cash and cash equivalents		**372**	373
Total current assets		**191,905**	191,187
Total assets		**257,885**	255,273
Current liabilities			
Accruals and other payables		**6,569**	295
Convertible bonds		**206,152**	201,872
Amount due to subsidiaries	a	**4,470**	–
Total current liabilities		**217,191**	202,167
Net current liabilities		**(25,286)**	(10,980)
NET ASSETS		**40,694**	53,106
EQUITY			
Share capital		**72,300**	72,300
Reserves		**(31,606)**	(19,194)
TOTAL EQUITY		**40,694**	53,106

Note a) AMOUNTS DUE FROM/TO SUBSIDIARIES
The balances with subsidiaries are unsecured, interest free and repayable on demand.

Approval and authorised for issue by the board of directors on 20 June 2019

QIN YUQUAN	CHAU TSZ KONG ALAN
DIRECTOR	*DIRECTOR*

39. STATEMENT OF FINANCIAL POSITION (Continued)

(b) Movement of reserves of the Company

	Share premium HK$'000	Contributed surplus HK$'000	Convertible bond reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2017	172,613	52,085	–	3,766	(52,268)	176,196
Issue of convertible bonds	–	–	293,092	–	–	293,092
Lapsed of option	–	–	–	(922)	922	–
Loss for the year	–	–	–	–	(488,482)	(488,482)
At 31 March 2018 and 1 April 2018	172,613	52,085	293,092	2,844	(539,828)	(19,194)
Loss for the year	–	–	–	–	(12,412)	(12,412)
At 31 March 2019	172,613	52,085	293,092	2,844	(552,240)	(31,606)

40. PARTICULARS OF SUBSIDIARIES

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

Name	Place of incorporation/ establishment	Particulars of issued and fully paid share capital/ registered capital	Attributable equity interest direct	Attributable equity interest indirect	Place of operation and principal activities
Limited liabilities company					
JiaMeng Limited	British Virgin Islands ("BVI")	Share capital — US$1	100%	–	Investment holding in BVI
Oasis Rainbow Investment Holdings Limited	BVI	Share capital — US$1	–	100%	Investment holding in BVI
廣州馨悦家寢具有限公司	PRC	Registered — RMB5,000,000 paid-up capital — RMB1,000,000	–	100%	Manufacturing of home furniture-mattress, soft bed and healthy concept products in the PRC

40. PARTICULARS OF SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment	Particulars of issued and fully paid share capital/ registered capital	Attributable equity interest direct	Attributable equity interest indirect	Place of operation and principal activities
Sunhine Wealthy Limited	BVI	Share capital — US$1	–	100%	Dormant
Colorful Focus Limited	BVI	Share capital — US$1	100%	–	Investment holding in BVI
Earn Million Limited	Hong Kong	Share capital — HK$1	–	100%	Securities investment in Hong Kong
Prudent Success Limited	BVI	Share capital — US$1	100%	–	Investment holding in BVI
Excellent Shine Limited	Hong Kong	Share capital — HK$1	–	100%	Property investments in Hong Kong
Wisdom Empire Limited	BVI	Share capital — US$1	100%	–	Investment holding in BVI
Koala Enterprises Limited	Hong Kong	Share capital — HK$1	–	100%	Dormant
Natural Yield Investment Limited	BVI	Share capital — US$1	100%	–	Property investment and securities investment in Hong Kong
Aim Extreme Limited	BVI	Share capital — US$1	100%	–	Investment holding in BVI
Field Horizon Limited	Hong Kong	Share capital — HK$1	–	100%	Dormant
Willing Investments Limited	Hong Kong	Share capital — HK$2	–	100%	Property investment in Hong Kong
Raise Steady Limited	BVI	Share capital — US$1	100%	–	Investment holding in BVI

40. PARTICULARS OF SUBSIDIARIES (Continued)

Name	Place of incorporation/ establishment	Particulars of issued and fully paid share capital/ registered capital	Attributable equity interest direct	Attributable equity interest indirect	Place of operation and principal activities
Raise Precious Limited	Hong Kong	Share capital — HK$1	–	100%	Investment holding in Hong Kong
Union Bloom Consultants Limited	Hong Kong	Share capital — HK$1	–	100%	Money lending in Hong Kong
Chance Across Limited	BVI	Share capital — US$1	100%	–	Investment holding in BVI
Super Media Group Limited	Hong Kong	Share capital — HK$1	–	100%	Media related services
Ultimate Rise Limited	BVI	Share capital — US$1	100%	–	Investment holding in BVI
Miles Advance Limited	Hong Kong	Share capital — HK$1	–	100%	Dormant
JIA MENG Holdings Limited	Hong Kong	Share capital — HK$2	–	100%	Investment holding in Hong Kong
Dragon Richly Limited*	Hong Kong	Share capital — HK$1	–	100%	Investment holding in Hong Kong
廣州圖霞家居用品有限公司* ("Guangzhou Tuxia")	PRC	Share capital — RMB8,334,000	–	100%	Investment holding in PRC
Pioneer One Investments Limited*	BVI	Share capital — US$1	–	100%	Investment holding in BVI
廣州歌譽家居用品有限公司* ("Guangzhou Geyu")	PRC	Share capital — RMB10,420,000	–	100%	Manufacture of custom-made furniture segment
Element Assets Management Limited*	Hong Kong	Share capital — HK$1	–	100%	Property investment in Hong Kong
Century Wind Limited*	BVI	Share capital — US$50,000	100%	–	Investment holding in BVI

* The companies were newly acquired during the year

41. FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks in its ordinary course of operations. The financial risks include market risk (mainly foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. Details are disclosed in the notes below. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by key management under the policies approved by the directors. The Group does not have written risk management policies. However, the directors of the Group meet regularly to identify and evaluate risks and to formulate strategies to manage financial risks on timely and effective manner. The risks associated with these financial instruments and the policies applied by the Group to mitigate these risks are set out below.

Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities recognised in the consolidated statement of financial position at the reporting dates may also be categorised as follows:

	2019	2018
	HK$'000	*HK$'000*
Financial assets		
Financial assets at fair value through profit or loss	**9,060**	23,179
Convertible bonds receivables designated at fair value through profit or loss	**–**	10,828
Loans and receivables:		
Trade and other receivables	**45,148**	89,107
Loan receivables	**10,309**	10,000
Cash and cash equivalents	**28,127**	21,384
	92,644	154,498
Financial liabilities		
Financial liabilities at amortised costs:		
Trade and other payables	**31,640**	44,244
Bank and other borrowings	**35,075**	37,484
Obligation under finance lease	**4,891**	199
Bank overdraft	**8,554**	–
Convertible bonds	**206,152**	201,872
	286,312	283,799

41. FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk

The functional currencies of the PRC subsidiaries are RMB with most of the transactions settled in RMB. However, foreign currency (mainly the United States dollar "US$") were received when the Group earned revenue from overseas customers.

The Group does not have any hedging policy to manage the risk arising from foreign currency transactions. In order to reduce the risk of holding foreign currencies, the Group normally converts the foreign currencies into RMB upon receipt while taking into account its foreign currencies payment schedule in the near future.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	2019	2018
	HK$'000	*HK$'000*
US$	**–**	12,813

At 31 March 2019, if RMB had strengthened/weakened by 10% against US$ with all other variables held constant, it would not have impact on post-tax profit/loss after tax for the year (2018: HK$1,281,000 higher/lower), mainly as a result of foreign exchange gains/losses on translation of US$ denominated trade receivables.

In the opinion of directors, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk

The Group's exposure to cash flow interest rate risk relates principally to its variable-rate bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on the Group's bank borrowings. The Group's exposure to fair value interest rate risk relates principally to its fixed-rate other borrowings. The Group's policy is to minimise interest rate risk exposure. To achieve this, the Group regularly assesses and monitors its needs for cash with reference to its business plans and day-to-day operations. Interest rates of cash and cash equivalents are disclosed in note 26 above. The Group currently does not have an interest rate hedging policy.

The following table illustrates the sensitivity of the Group's loss/profit for the year, and other components of equity due to a possible change in interest rates on its floating-rate bank borrowing with all other variables held constant at the end of each reporting period:

	2019	2018
	HK$'000	*HK$'000*
Increase/(decrease) in loss/profit for the year and retained profits		
Increase/decrease in percentage ("%")		
+0.5%	**175**	168
– 0.5%	**(175)**	(168)

41. FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk (Continued)

The above sensitivity analysis is prepared based on the assumption that the floating-rate bank borrowing as at reporting dates existed throughout the whole respective financial year.

The assumed changes in interest rates are considered to be reasonably possible based on observation of current market conditions and represents management's assessment of a reasonably possible change in interest rates over the next twelve month period.

Price risk

Price risk relates to the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than changes in interest rates and foreign exchange rates).

The financial assets at fair value through profit or loss, which represent the Group's investments in listed equity securities in Hong Kong, expose the Group to price risk.

The sensitivity analysis on price risk includes the Group's financial instruments which fair value or future cash flows will fluctuate because of changes in their corresponding price. If the prices of the respective equity instruments had been 10% higher/lower, the Group's profit after income tax would increase/decrease by approximately HK$906,000 (2018: HK$2,318,000) while the Group's retained earnings would increase/decrease by the same amount.

Credit risk

The Group's credit risk is primarily attributable to its trade and other receivables, loan receivables and bank balances. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate. Ongoing evaluations are performed on monthly basis. Debtors with balances that are more than 3 months overdue, further credit will only be granted under management's approval, otherwise, debtors are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. The Group does not provide any other guarantees which would exposure the Group to the credit risk.

Further quantitative disclosures in respect of the Group's exposures to credit risk arising from trade receivables are set out in note 23 above.

The Group does not have any significant credit risk exposure to any single counter party or any group of counter parties having similar characteristics.

Credit risk on liquid funds is limited because the counter parties are reputable banks.

41. FINANCIAL RISK MANAGEMENT (Continued)

Credit risk (Continued)

In respect of loans receivable, the Group has adopted procedures in extending credit terms to loan borrowers and in monitoring its credit risk. The credit policy on extending credit terms to loan borrowers includes assessing and evaluating loan borrowers' creditworthiness and financial standing. Management also closely monitors all outstanding debts and reviews the collectability of loans receivable periodically.

The Group adopts a loan risk classification approach to manage its loans and advances to customers portfolio risk. Loans and advances to customers are categorised into the following stages by the Group:

Stage 1

Loans and advances to customers have not experienced a significant increase in credit risk since origination and impairment are recognised on the basis of 12 months expected credit losses (12-month ECLs).

Stage 2

Loans and advances to customers have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses (Lifetime ECLs non credit-impaired).

Stage 3

Loans and advances to customers that are in default and considered credit impaired (Lifetime ECLs credit-impaired). The Group applies the new ECL model to measure the impairment loss of the loans and advances to customers. The Group assessed that there is no significant loss allowance recognised in accordance with HKFRS 9 as at 31 March 2019.

When a certain number of customers undertake the same business activities, stay in the same geographical locations, or bear similar economic features for their industries, their ability to fulfil contracts will be affected by the same economic changes. Concentration of credit risk reflects the sensitivity of the Group's operating results to a particular industry or geographic location. As the Group mainly conducts microfinance business in Hong Kong, a certain level of geographical concentration risk exists for its loan portfolios in that it might be affected by changes of economic conditions.

The maximum exposure to credit risk of loans and advances to customers for each stage is represented by the net carrying amount of each type of financial assets as at the end of the reporting periods. The details are set out in note 25 to these financial statements.

41. FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

The Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the Group's remaining contractual maturities for its financial liabilities as at the reporting date. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. The maturity dates for other financial liabilities are based on agreed repayment dates.

	Within 1 year or on demand *HK$'000*	Within 1 year to 5 years on demand *HK$'000*	Total undiscounted amount *HK$'000*	Carrying amount *HK$'000*
At 31 March 2019				
Trade and other payables	**35,251**	**–**	**35,251**	**35,251**
Convertible bonds	**212,000**	**–**	**212,000**	**206,152**
Bank overdraft	**8,554**	**–**	**8,554**	**8,554**
Obligation under finance lease	**3,721**	**1,559**	**5,280**	**4,891**
Bank and other borrowing	**35,075**	**–**	**35,075**	**35,075**
At 31 March 2018				
Trade and other payables	44,244	–	44,244	44,244
Convertible bonds	212,000	–	212,000	201,872
Bank and other borrowing	37,929	–	37,929	37,484

Financial instruments not measured at fair value

Except for the Group's financial assets at fair value through profit or loss and convertible bonds receivable which are measured at fair value, the fair values of the Group's and Company's financial assets and liabilities as at 31 March 2018 and 2019 were not materially different from their carrying amounts because of the immediate or short term maturity of these financial instruments.

41. FINANCIAL RISK MANAGEMENT (Continued)

Financial instruments measured at fair value

The following table presents financial assets and liabilities measured at fair value in the statement of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

— Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities that the entity can access at the measurement date;

— Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

— Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

— The level in fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

At 31 March 2018 and 31 March 2019, the financial assets measured at fair value in the consolidated statement of financial position are grouped into the fair value hierarchy as follows:

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Financial assets at 31 March 2019				
Financial assets at fair value through profit or loss	**9,060**	**–**	**–**	**9,060**
Financial assets at 31 March 2018				
Financial assets at fair value through profit or loss	23,179	–	–	23,179
Convertible bonds receivables	–	–	10,828	10,828

There have been no significant transfers between the levels in the reporting period.

Of the total gains or losses for the year included in profit or loss, loss of HK$2,129,000 relates to financial assets at fair value through profit or loss (2018: HK$128,086,000).

42. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the year.

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

The net debt to equity ratio at the end of each of the reporting dates was as follows:

	2019 ***HK$'000***	2018 *HK$'000*
Trade and other payables	**35,251**	57,018
Convertible bonds	**206,152**	201,872
Bank overdraft	**8,554**	–
Obligation under finance lease	**4,891**	199
Bank and other borrowings	**35,075**	37,484
	289,923	296,573
Less: Cash and cash equivalents	**28,127**	21,384
Net debt	**261,796**	275,189
Equity	**313,210**	334,205
Net debt to equity ratio	**83.58%**	82.34%

In the opinion of the directors, the Group's net debt to equity ratio is maintained at an optimal level having considered the projected capital expenditures and the projected strategic investment opportunities.

43. SUBSEQUENT EVENT

On 22 January 2019, Ultimate Rise Limited, a company incorporated in the BVI with limited liability, and a direct wholly-owned subsidiary of the Company, and Legendary Idea Limited, a company incorporated in the BVI with limited liability, entered into sale and purchase agreement at the aggregate maximum consideration of HK$280,000,000 for acquisition of Green Steps Investments Limited, a holding company ultimately holding the entire equity interest of Guangzhou Yapin which own the brand name of "壹家壹品" ("Yijia Yipin"); and operation of an online platform, namely "Designer-X". The agreement have been fulfilled and the Completion took place on 8 May 2019.

FIVE YEARS FINANCIAL SUMMARY

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

	For the year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**132,409**	135,524	52,830	57,511	90,077
Cost of sales	**(90,801)**	(98,470)	(41,731)	(44,931)	(70,278)
Gross profit	**41,608**	37,054	11,099	12,580	19,799
Other income	**1,905**	1,674	8,456	3,407	800
Selling and distribution expenses	**(10,460)**	(8,142)	(4,279)	(3,290)	(5,040)
Administrative expenses	**(45,962)**	(40,726)	(36,577)	(21,445)	(16,774)
Impairment on trade and other receivables	**(373)**	–	(7,495)	(8,579)	–
Research expenses	**(4,919)**	(3,840)	(710)	(2,400)	(4,480)
Other operating expenses	**–**	–	–	(1,666)	(2,891)
(Loss)/gain on financial assets at fair value through profit and loss	**(2,129)**	(128,086)	163,626	12,939	1,193
Fair value gain on investment property	**10,200**	39,200	13,000	2,789	–
Gain from bargaining purchase	**–**	–	–	–	574
Gain on disposal of subsidiaries	**–**	7,274	–	–	–
Fair value loss of convertible bonds receivable	**–**	(346)	–	–	–
Fair value loss of convertible bonds	**–**	(283,083)	–	–	–
Sharing profit of associate	**(201)**	662	570	–	–
Finance costs	**(8,189)**	(479)	(2,970)	(1,983)	–
(Loss)/Profit before income tax	**(18,520)**	(378,838)	144,720	(7,648)	(6,819)
Income tax credit/(expenses)	**6,868**	9,251	(28,053)	(1,659)	(2,538)
(Loss)/Profit after taxation from continuing operations	**(11,652)**	(369,587)	116,667	(9,307)	(9,357)
Profit from discontinued operations	**–**	–	–	2,960	679
Profit/(Loss) for the year attribution to:					
— Owners of the Company	**(11,652)**	(369,586)	116,820	(6,231)	(8,694)
— Non-controlling interests	**–**	(1)	(153)	(116)	16
	(11,652)	(369,587)	116,667	(6,347)	(8,678)

FIVE YEARS FINANCIAL SUMMARY

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**628,877**	668,370	517,743	294,136	125,245
TOTAL LIABILITIES	**(315,787)**	(334,165)	(102,310)	(51,329)	(22,995)
NON-CONTROLLING INTERESTS	**–**	–	(352)	(504)	(1,020)
	313,090	334,205	415,081	242,303	101,230

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