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

2020年報
ANNUAL REPORT

*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

CORPORATE INFORMATION

PRC OFFICE

Eastern Section of Guangzhou Economic and
Technological Development District,
Huangpu District, Guangdong Province, the PRC

HONG KONG OFFICE

Room 01, 23rd Floor.,
China Insurance Group Building,
141 Des Voeux Road Central,
61–65 Gilman Street and
73 Connaught Road Central, Hong Kong

WEBSITE

www.ejeliving.com

BOARD OF DIRECTORS

Executive Directors

Mr. Qin Yuquan *(Chairman)*
Mr. Hung Cho Sing
Mr. Chau Tsz Kong Alan
Mr. Matthew Chung
(resigned on 20 August 2019)

Independent Non-executive Directors

Mr. Tang Kin Chor
Mr. Chan Chun Wing
Mr. Li Siu Yui
(resigned on 13 January 2020)
Mr. Yiu Shung Kit
(appointed on 13 January 2020)

AUTHORISED REPRESENTATIVES

Mr. Chau Tsz Kong Alan
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
(resigned on 13 January 2020)
Mr. Yiu Shung Kit
(appointed on 13 January 2020)

NOMINATION COMMITTEE

Mr. Tang Kin Chor *(Chairman)*
Mr. Chan Chun Wing
Mr. Li Siu Yui
(resigned on 13 January 2020)
Mr. Yiu Shung Kit
(appointed on 13 January 2020)

REMUNERATION COMMITTEE

Mr. Li Siu Yui *(Chairman)*
(resigned on 13 January 2020)
Mr. Tang Kin Chor
Mr. Chan Chun Wing
Mr. Yiu Shung Kit
(appointed on 13 January 2020)

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 54, 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 2020 (the "Year").

INDUSTRY REVIEW

We have had a steady start for the first 6 months of 2019 even though the deceleration of the growth of Chinese economy continued and experienced its slowest growth rate since 1992. In the last 6 months of the 2019, China's economy was overshadowed by the trade war with United States of America. Nevertheless, the Chinese economy still advanced 6.0 percent year-on-year growth in the December of 2019. When most of the people thought that China has finally survived at least that first round of the trade war with US, the outbreak of the novel coronavirus (COVID-19) had took everyone by surprise. Most unfortunately, the pandemic struck really hard on the already feeble China's economy, causing the overall GDP of China shrinking at 6.8 percent rate year-on-year in the first quarter of 2020. Regarding the domestic furniture industry in China, the outbreak of the COVID-19 has caused a great impact on the social and economic operation. The custom-made furniture industry that focuses on offline sales through physical franchise store experienced adverse impact unprecedentedly. Production and operation of the Company were both facing great challenges. During the reporting period, affected by the pandemic, demand for furniture was being temporarily suppressed. Since such demand was relatively inelastic, we believe that the pandemic only delayed consumer's demand temporarily. The fundamental of China's furniture market is robust, and our view towards the prospect of furniture business in both short and long terms remain positive. At the moment, the custom-made furniture business model is still considered at its beginning stage and its market share is still relatively small to the overall furniture market in China. There is huge opportunity for further upside development. At the moment, the custom-made furniture industry is actually rather fragmented and further consolidation of the industry is inevitable. In view of the recent statistic and trend for property market and infrastructure development in China, the demand for furniture would likely to growth in a steady manner.

PROMISSORY NOTES

Following the completion of the acquisition of the Green Step Investments Limited ("Green Step") on 8 May 2019, and in accordance with the terms of the relevant acquisition agreement, the Company has issued the promissory note ("PN") to the vendor pursuant to the terms of the promissory note instrument. As disclosed below, since the profit guarantee for the year ended 31 March 2020 has not been met by Green Step, the amount payable by the Company on redemption of the PN shall be reduced on a dollar for dollar basis by the amount for approximately HK$82.4 million. As a result, the total principal amount of outstanding PN was reduced to approximately HK$197.6 million at the end of this report period. Details of the promissory notes issued by the Company as well as their movements during the year ended 31 March 2020 are disclosed in note 34 to the consolidated financial statements of this Annual Report of the Company.

PROFIT GUARANTEE IN RESPECT OF THE ACQUISITION OF 100% ISSUED SHARE CAPITAL OF GREEN STEP INVESTMENTS LIMITED

On 8 May 2019, the Group completed the acquisition of the entire issued capital of Green Step which is primarily engaged in manufacture, wholesale and retail of custom-made furniture in the PRC under the brand name "壹家壹品" and in accordance with the terms of the relevant acquisition agreement dated 22 January 2019, the Vendor has given to and for the benefit of the Purchaser a profit guarantee of not less than HK$23.3 million, HK$29.1 million and HK$46.5 million of net profit before taxation and before extraordinary items for the years ending 31 March 2019, 2020 and 2021 respectively. As confirmed by the auditor of the Company, with Guarantee Certificate received, the recorded actual loss before taxation and before extraordinary items of the Green Step Group was approximately HK$12.6 million, and thus, was failed to meet the 2020 profit guarantee, and which is due to the unexpected market conditions toward second half of 2019 as well as the first 3 months in 2020. As such, the PN shall be reduced on a dollar for dollar basis by the amount for approximately HK$82.4 million.

CHAIRMAN'S STATEMENT

As US-China trade war reached its climax toward the second half of 2019, the overall China economy was overshadowed by negative sentiment, which reflected in the significant drop of China's Retail Price Index-Furniture from 101.2 in May 2019 to 100.5 in December 2019. Coupling with the undesirable effect of the outbreak of COVID-19 in the first quarter of 2020, the index further dropped to 99.8 in April 2020 which is a new low record since February 2003. As a result, the profit guarantee for Green Step's Group net profit before tax and extraordinary items for the year ended 31 March 2020, which shall not be less than HK$29.1 million, has not been achieved. As such, the written down of the PN liability has been partially set off against other financial income on a dollar for dollar basis.

OUTLOOK

In fact, custom-made furniture market used to be expanding significantly faster than the overall domestic furniture market in China. Its growth rate between 2012 and 2018 was never below 20%. Regardless to the impact of all adverse factors, the growth rate of the overall furniture market in China for 2019 can still maintained at 10.8%. With the increase of the middle class, more and more consumer groups are paying attention on overall life style and living standard. Old-style ready-made furniture can no longer satisfy diverse need of the customers and cannot satisfy their pursuit for life style and personalized taste for their home furniture.

Despite of all temporarily adversities, the Company has strong faith in the domestic furniture market in China, believing that production and sales will gradually resume normal from third quarter of 2020 onward, and the financial performance would be picking up where we left off before the Sino-US trade war and COVID-19 as early as 2021. While facing a very challenging year ahead, the management has already started implementing plans to leverage O2O business model to keep up with the ever furious competition in the market. And, we shall never stop exploring new technology and strategies to boost sales and profit.

APPRECIATION

On behalf of the Board of Directors, I would like to extend my gratitude to the management team, business partners and customers, franchisees and all employees. I would also like to express sincere gratitude toward our shareholders for their support of the Group.

Qin Yuquan
Chairman

Hong Kong, 26 June 2020

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND

The Board has resolved not to declare a final dividend for the year ended 31 March 2020 (2019: Nil).

BUSINESS REVIEW

Since the Company begun to set foot in custom-made furniture business in China, we have acquired Pioneer One Investments Limited (Pioneer One) in 2017 which were licensed to operate custom-made furniture business under the brand name of "壹家壹品" ("**Yijia Yipin**") in Southern China region for 5 years. The performance of the Group kept on improving ever since the acquisition. The custom-made furniture market in China also continue expanding and had consistently out perform the overall domestic furniture market in China. It proves the future of the furniture industry in China lies in this phenomenal custom-made business model. In May 2019, the Company further acquired Green Step to further expand our custom-made furniture business beyond Southern China region for the originally licensed 5 years duration.

The trade war between China and United States of America ("**US**") started to over shadow the Chinese economy in early 2018, the conflict and its adverse effect paramount in the second half of 2019. Right after the acquisition of Green Step, the GDP growth rate of Chinese economy decelerated faster in fourth quarter of 2019 and reached its lowest growth rate of 6% since 1992. Nevertheless, profit generated from furniture industry in China still increased 10.8% year on year. Unfortunately, with regard to the custom-made furniture sector in China, its turnover for 2019 finally failed to maintain a not less than 20% growth rate record for the previous 7 years. The reasons for such a turnaround for the custom-made furniture business in China were somewhat complicated. And, we shall discuss this in later section. In response to such changes, the Company had deliberately slowed down capital investment and adopted more cautious approach to manage the credit risk from trade receivable. Nevertheless, the outbreak of COVID-19 in early 2020 had took everyone by surprise. Countries all over the world were locked down, trade and business activities were largely restricted and reduced. In China, factories were temporarily closed to control the spread of the pandemic. China's GDP growth rate for the first quarter 2020 turned around to decrease by 6.8% year on year, and profit generated from furniture segment also dramatically decreased 67.5% year on year.

Our factory in China gradually resumed operation in mid-February 2020. That was one of the greatest challenge our management team have ever faced. Through multiple times of trial and error, we have come up with some innovative strategies to strive for greater competitive advantage in the market. Actually, the management knows that it is both true and inevitable that the pandemic will discourage and even stop people to come visit our franchise store in person. However, we did not see it as threat but an opportunity. As a matter of fact, the management team is well aware of the greatest limitation for custom-made furniture business model is that its sales would need to be carried out through physical channel. Customer has to visit a franchise store to see our products and to discuss the design and related matters with designer. And, design is really the key essence of the custom-made furniture. People are willing to pay premium for style and quality, and they need to interact with designer to make sure the design can really meet their needs. In that sense, such limitation is really a disadvantage when compare to the sales of ready-made furniture product which people can buy directly online when it is not convenience for customer to visit a physical store. In respond to such limitation, the Company has pioneered a "Designer X" platform, where customer can get help from panel of designers online. This became feasible only when there is an excellent software and system which can enhance customer's overall buying experience. On the other hand, the Company also started to promote what we called "V store", which is in effect a smaller franchise store that will leverage the places of other customers to display Company's products. This will substantially reduce cost in setting up a new franchise store and hence encourage more people to join the franchise network to promote the brand name and the sales. Now, the management even push things to the limit by exploring the feasibility to introduce online direct sales model to line up designer with customer. Which interest partners can join the franchise without even setting up a franchise store and they can trade with customer directly through the online platform. Going forward, if online sales through the Company's platform become popular, the Company would only maintain major flagship showroom and stores to allow customers to see and touch our products, but then customer can also get in touch with our franchise partners and designers through online platform. The sales and subsequent follow up work could simply done online. This will further reduce the cost and barrier of joining our franchise.

On the other hand, we have also notice a re-emerging importance for project sales. This was due to government's ongoing policy to regulate the property developers in China. The latest trend is there would be further consolidation for the property developers in China to eliminate smaller and less efficient players. Those big players would be more willing to invest on premium quality furniture to compliment their property to meet the need of their new generation of customers. Even though the margin for project sales is normally lower, but it provides a relatively stable income source. Therefore, the Company will seek a balance development between our retail custom-made furniture business and project sales business with big property developers.

For the mattress and soft bed sales business, it had been stopped operation since May 2018. Following the deregistration of Guangzhou Xinyue which was principally engaged in mattress and soft bed products' sales business in March 2020, the Group has officially terminated the operation of this segment. As a result, net profit of approximately HK$21.5 million was recognized from the discontinued operation. Such profit was mainly attributable to one off written off of trade and other payable approximately HK$14.1 million.

There were four investment properties held by the Group as of 31 March 2020 with the total book cost of approximately HK$205.5 million. The twelve months revenue of the segment increased by approximately HK$304,000 from last year approximately HK$5.5 million to this year approximately HK$5.8 million. This was due to some originally vacant properties was subsequently being occupied as well as the increase of rental upon renewal with certain properties during the year. The net profit of the segment has also increased from approximately HK$2.2 million of last year to approximately HK$3.0 million of this year. Unfortunately, due to recent negative market sentiment in Hong Kong, the fair value to these investment properties decreased by approximately 7.4%, which resulted in fair value loss of approximately HK$19.9 million.

Regarding to money lending business, the original loan receivable was amounting to approximately HK$18.0 million as of 31 March 2020. However, due to the poor economic situation of Hong Kong over the last year and the outbreak of COVID-19, some borrowers were procrastinating the repayment of their loan. Which has caused an unfavorable expected credit loss of approximately HK$3.0 million assessed by valuer. The interest charged to borrower was ranging from 10% to 12% per annum. The total interest income generated from the business was approximately HK$1.0 million (2019: approximately HK$1.2 million). And, net loss of the segment was approximately HK$2.4 million (2019: approximately HK$698,000), which was mainly attributable to the expected credit loss mentioned above. 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 12% per annum.

Securities investment segment has recorded loss of approximately HK$1.1 million, representing approximately HK$2.5 million improvement from last year loss of approximately HK$3.6 million. The Group recorded fair value gain on financial assets at fair value through profit or loss approximately HK$1.4 million for the year ended 31 March 2020 which included unrealised fair value loss of approximately HK$4.0 million and realised gain of approximately HK$5.4 million. These unrealized fair value losses were mainly attributable to the poor performance of the global as well as Hong Kong's securities market in the recent period.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS

As at 31 March 2020, the Group held approximately HK$6.83 million equity investments at fair value through profit or loss (2019: approximately HK$9.06 million). Details of the significant investments are as follows:

	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*	*%*	*%*
Individual investment less than 1% of net assets the Group	(3,953)	6,826	100%	1.7%

During the year, the Group disposed some of the investments in the market and the sales proceeds generated from the investments in marketable securities amounted to approximately HK$26.9 million and gain recognised for the year of approximately HK$5.3 million.

Details of the transactions are as follows:

	Stock code	Place of incorporation	Sales proceeds	Realised gain/(loss)
			HK$'000	*HK$'000*
Ruicheng (China) Media Group Limited	1640	Cayman Islands	4,411	2,397
Orange Tour Cultural Holding Limited	8627	Cayman Islands	4,141	3,261
Investment with individual realised gain/(loss) less than HK$1,000,000			18,353	(308)

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover and Profit

The turnover of the Group for the year ended 31 March 2020 was approximately HK$140.5 million, increased of approximately 7.8% as compared to the financial year of 2019. Even though the custom-made furniture segment did not perform very well due to the external factors that over shadow the economy in China, the underlying foundation of the custom-made furniture business was still resilient. Turnover contributed by Pioneer One which focused on retail franchise business for Southern China region was approximately HK$93.1 million, which has decreased approximately 34.5% from last year. On the other hand, the turnover contributed by Green Step which focused on project sales and retail franchise business for other regions (i.e. other than Southern China region) was approximately HK$40.5 million. It was significantly lower than the original forecast of HK$319.7 million at the time of acquisition.

The reason for such particular weak performance of Green Step was because the Company has originally planned to increase capital investment for Green Step to seize market share by expanding franchise network quickly to penetrate other regions in China. Unfortunately, this plan was being interrupted by the unexpected poor economic climate in China for the second half of 2019. The turnover for the custom-made furniture industry in China decreased approximately by 3.5% for the year of 2019 year on year while the industry has recorded no less than 20% increase every year for the previous 7 years between 2012 and 2018. In view of the such uncertainty, the Company has temporarily put all capital investment plans in relation to the custom-made furniture business on hold.

The net loss attributable to the custom-made furniture segment was approximately HK$66.9 million, decreased by approximately HK$70.7 million from last year net profit of approximately HK$3.8 million. This was mainly due to the Company had originally committed to expand its franchise network by acquiring Green Step but bumped into a double jeopardy of poor economic situation in China together with a totally unexpected pandemic of COVID-19.

The adverse market situation also has some other significant impact on the Company's profit. First of all, Vendor of the Green Step acquisition had to surrender approximately HK$82.4 million principal of the promissory note to the Company to compensate for the shortfall on Green Step's financial results as against it's original target performance as prescribed in the profit guarantee provided by Vendor. This was being recorded as an income from the fair value change of promissory note. However, on the other side of the same token, the goodwill resulted from the acquisition of Green Step would now need to be written down by approximately HK$72.8 million to reflect the diminish of its business value due to a poorer outlook for Green Step's future expansion. The management anticipate that the full recovery of the custom-made furniture business might take place toward the second half of 2021. In the meantime, Green Step has to rely more on project sales which has lower profit margin. Nevertheless, due to the unlikelihood for Green Step being able to meet its target performance for 2021, the fair value of the profit guarantee provided by Vendor increased dramatically by HK$93.4 million.

As a result, the net profit/(loss) for the Group improved from last year net loss of approximately HK$11.7 million to this year net profit of approximately HK$83.4 million and basic earnings per share amounted to HK$2.88 cents for the year ended 31 March 2020 (2019: loss per share HK0.4 cents).

Administrative expenses

The administrative expenses of the Group primarily comprised of expenses incurred for the professional fee, amortization of intangible assets, staff costs and social insurance cost. For the year ended 31 March 2020, the Group's administrative expenses decreased to approximately HK$36.5 million compared to approximately HK$42.4 million for the corresponding period of last year, representing a decrease of approximately 13.8%. The decrease was mainly attributable to the lockdown of the factory caused by COVID-19 outbreak.

Selling and distribution expenses

Selling and distribution expenses for year ended 31 March 2020 was approximately HK$12.1 million comparing to approximately HK$6.1 million in 2019, representing an increase of approximately 98.0%. Selling and distribution expenses of the Group increase mainly attributable to the Group had newly acquired Green Step during the year. The Group had originally planned to quickly expand the franchise network to beyond Southern China region, finance cost incurred to promote the brand name as well as recruiting franchisee to join the franchise network. Selling and distribution expenses comprises mainly of amortization for portrait right amounting to approximately HK$9.2 million. This portrait right was paid to artists to endorse and promote the corporate brand name of Yijia Yipin.

Finance cost

Finance cost for the year ended 31 March 2020 was approximately HK$28.2 million comparing to approximately HK$4.7 million in 2019, representing a significant increase of approximately HK$23.5 million. Finance cost's increase mainly attributable to the promissory note interest and imputed interest of approximately HK$10.1 million and HK$9.1 million respectively incurred in relation to the promissory note with face value of HK$280 million being issued for the acquisition of Green Step. Other finance cost also include convertible bond interest of approximately HK$4.3 million in relation to the convertible bond issued for the acquisition of Pioneer One in 2017 and also finance lease for factory of approximately HK$3.6 million.

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

As at 31 March 2020, the Group had financial assets at fair value through profit or loss of approximately HK$6.8 million (2019: HK$9.1 million). The Group recorded loss on financial assets at fair value through profit or gain approximately HK$1.4 million during the Year (2019: loss of HK$2.1 million).

Trade and other receivables

Trade and other receivables increased to approximately HK$133.7 million as at 31 March 2020 from approximately HK$77.2 million as at 31 March 2019. The increase was mainly attributable to the lock-down of factory due to COVID-19 outbreak. The pandemic had disrupted the normal cycle of both the inventory as well as trade receivable, especially for the project sales business. Nevertheless, after the factory re-opened in late February 2020, the production and various operation cycles were stabilized and gradually catching up as well. A clear improvement should be reflected in the results of the 1st quarter of 2020.

Trade and other payables

Trade and other payables also increased to approximately HK$60.9 million as at 31 March 2020 from approximately HK$35.3 million as at 31 March 2019. This was due to the same reasons in the trade and other receivable section.

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 2020** *(HK$ in million)*	**Approximate amount of net proceeds unutilised up to 31 March 2020** *(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	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

The Group originally intended to utilise the net proceeds from the discontinued mattress and soft bed product sales segment for distributorship arrangement and construction of new production facility. However, due to the market situation had been unable to facilitate a right timing to implement these plans, the usage of the net proceeds from the discontinued mattress and soft bed product sales segment was changed to general working capital to pay off expenses incurred in the process of the deregistration of related subsidiaries of the segment. Set out below is the utilisation of the net proceeds up to the date of this announcement and the change of use of the unutilised net proceeds:

USE OF PROCEEDS FROM THE PLACING OF SHARES

	Net proceeds *(HK$ in million)*	Approximate amount of net proceeds utilised up to 31 March 2020 *(HK$ in million)*	Approximate amount of net proceeds unutilised up to 31 March 2020 *(HK$ in million)*	Revised allocation of Unutilised Net Proceeds up to 31 March 2020 *(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	1.3	0.7	—
Construct new production facility	4.6	—	4.6	—
General working capital	1.2	1.2	—	5.3
Total	13.4	8.1	5.3	5.3

As at 31 March 2020, 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 2020, the Group maintained cash and cash equivalents amounting to HK$5.2 million (2019: HK$19.5 million). Total current assets increased from approximately HK$155.2 million to approximately HK$202.3 million in 2020. On the contrary, total current liabilities also increased from approximately HK$304.8 million in 2019 to approximately HK$332.9 million in 2020. This has resulted in net current liabilities position for the current year end of approximately HK$130.6 million (2019: net current assets HK$158.0 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 1.81% (2019: 5.58%).

CAPITAL COMMITMENTS

As at 31 March 2020, the Group had no significant capital commitments.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 31 March 2020.

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 2020, the Group engaged a total of 231 employees (2019: 146). Total staff costs including Directors' remuneration for the financial year of 2020 amounted to approximately HK$18.5 million (2019: HK$14.4 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 2020, the Company has not grant any share options to any party (2019: 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 2020 will be published on the respective websites of the Stock Exchange and the Company on or before 14 August 2020.

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

Up to date of this announcement, the Group had no significant events after the Reporting Period which needs to be disclosed.

CORPORATE GOVERNANCE REPORT

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 2020, 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 2020 were:

Executive Directors (Note 1)

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

Independent Non-executive Directors (Note 2)

Mr. Tang Kin Chor
Mr. Chan Chun Wing
Mr. Yiu Shung Kit

Note 1: On 20 August 2019, Mr. Matthew Chung was resigned.

Note 2: On 13 January 2020, Mr. Li Siu Yui was resigned.
On 13 January 2020, Mr. Yiu Shung Kit was appointed.

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

As at 31 March 2020, the Board consisted of a total of six members, including three 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 31 to 32 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 2020, 7 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	7/7	n/a	n/a	n/a
Mr. Qin Yuquan	7/7	n/a	n/a	n/a
Mr. Matthew Chung (resigned on 20 August 2019)	4/4	n/a	n/a	n/a
Mr. Chau Tsz Kong Alan	7/7	n/a	n/a	n/a
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 (resigned on 13 January 2020)	3/3	3/3	1/1	1/1
Mr. Yiu Shung Kit (appointed on 13 January 2020)	1/1	1/1	n/a	n/a

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. Yiu Shung Kit. 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 2020.

The Audit Committee also reviewed the non-compliance report of the Group for the year ended 31 March 2020 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 nonexecutive Directors, namely Mr. Tang Kin Chor, Mr. Chan Chun Wing, and Mr. Yiu Shung Kit. Mr. Yiu Shung Kit 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 12 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 16 in this annual report.

Senior management's remuneration

Senior Management's remuneration payment of the Group for the year ended 31 March 2020 falls within the following bands:

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

Nomination Committee

The Company established the Nomination Committee on 26 September 2013 which comprised three independent nonexecutive Directors, namely Mr. Tang Kin Chor, Mr. Chan Chun Wing, and Mr. Yiu Shung Kit. 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 16 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. Tang Kin Chor, Mr. Chan Chun Wing and Mr. Yiu Shung Kit 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 2020 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 28 August 2020.

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 2020 is set out as follows:

Services rendered	**2020** ***HK$'000***
Audit services	800

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 2020.

The Board considered that, for the year ended 31 March 2020, 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 2020, 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 2020, the Company Secretary confirmed that he had taken no less than 15 hours of relevant professional training.

REPORT OF THE DIRECTORS

The Directors of the Company presented their report and the audited consolidated financial statements of the Group for the financial year ended 31 March 2020.

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 46 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2020 and the state of affairs of the Company and the Group at that date are set out in the financial statements from pages 41 to 132. 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 from pages 133 to 134. 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 15 to the consolidated financial statements.

BANK BORROWINGS

At 31 March 2020, the Group had bank borrowings HK$16,584,000 (2019: 35,075,000). 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 36 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

At 31 March 2020, the Company has no distributable reserve available for distributions to the shareholders of the Company.

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 2020.

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

Independent Non-executive Directors (Note 2)

Mr. Tang Kin Chor
Mr. Chan Chun Wing
Mr. Yiu Shung Kit

Note 1: On 20 August 2019, Mr. Matthew Chung was resigned.

Note 2: On 13 January 2020, Mr. Li Siu Yui was resigned.
On 13 January 2020, Mr. Yiu Shung Kit 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 31 and 32 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. Chau Tsz Kong Alan have entered into a service contract with the Company for an initial term of three years with effect from 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. Yiu Shung Kit 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 13 January 2020.

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 2020, 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 2020, 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 2020, 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 2019	Granted during the period	Lapsed during the period	Adjusted during the effective of open offer	Outstanding at 31 March 2020
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 2020, the aggregate amount of turnover attributed to the Group's largest and the five largest customers accounted for 11.79% and 42.25% (2019: 25.88% and 36.21%) of the total value of the Group's revenue, respectively.

The Group's purchase from the largest and the five largest suppliers accounted for 16.39% and 40.69% (2019: 17.42% and 36.99%) 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

Mr. Qin Yuquan, one of the Directors of the Company, is considered to be a connected person of the Company under the GEM Listing Rules. He was deemed to have a material interest in the Acquisition of Green Step. The details of the acquisition are set out in note 42 to the consolidated financial statements.

Save as disclosed above, the Directors are not aware of any other connected transactions of the Group that shall be disclosed in this annual report under the GEM Listing Rules

CORPORATE GOVERNANCE

Principal corporate governance practices as adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 15 to 22.

REPORT OF THE DIRECTORS

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 Tuesday, 25 August 2020 to Friday, 28 August 2020, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 24 August 2020.

AUDITOR

The consolidated financial statement for the year ended 31 March 2020 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. In the last three years preceding 31 March 2020, there has been no change in auditor of the Company.

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

Hong Kong, 26, June 2020

BOARD OF DIRECTORS AND SENIOR MANAGEMENT PROFILES

EXECUTIVE DIRECTORS

Mr. Hung Cho Sing ("Mr. Hung") age 79. 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 and an non-executive director of Universe Entertainment and Culture Group Company Limited (stock code: 1046) from 1 February 2019 to 31 July 2019. 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), and an independent non-executive director of Oshidori International Holdings Limited (stock code: 622).

Mr. Qin Yuquan (秦煜泉), aged 38, 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 ("Mr. Tang"), aged 61, 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. Yiu Shung Kit ("Mr. Yiu"), aged 47, is a fellow member of the Association of International Accountants, a full member of The Hong Kong Management Association as well as Macau Management Association. Mr. Yiu has also obtained HKSI Practicing Certificate (Corporate Finance). Prior to joining the Company, Mr. Yiu has over 22 years of working experience including working with listed companies and large conglomerates in construction, telecom, hotel and casino industries across Hong Kong and Macau. He is expert on financial reporting and Macau taxation. Mr. Yiu can give valuable opinion and advice to the Board and his appointment as independent non-executive director will be beneficial for the Company's development in activities.

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 (collectively referred to as the "Group") set out on pages 41 to 132, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of profit or loss and other comprehensive income, 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 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of 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 to the consolidated financial statements, which indicates that the Group's current liabilities exceeded its current assets by HK$128,327,000 as at 31 March 2020. 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 judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in our audit
Acquisition of business *Refer to note 42 to the consolidated financial statements* During the year, the Group acquired Green Step Investments Limited and its subsidiaries at consideration of HK$280,000,000, subject to profit adjustments, satisfied by the issuance of promissory note. The total identified net assets acquired and the goodwill arising from the acquisition amounted to approximately HK$117,674,000 and HK$129,769,000 respectively. The acquisition requires the identification and valuation of the assets acquired and liabilities assumed, including the intangible assets acquired, and the consideration measured at fair value at the acquisition date, which involve the use of significant management's judgments. Independent external valuations were obtained in order to support the management's judgments.	Our procedures in relation to the management's accounting for acquisition of business included: • Reviewing the relevant agreements related to the acquisition and discussing with the management on their planned strategies around business expansion, revenue stream, growth strategies and cost initiatives; • Assessing the competence, capabilities and objectivity of the management external valuers; • Assessing the appropriateness of the valuation methodologies used in determining the fair value of the assets acquired and liabilities assumed, including the intangible assets acquired, and benchmarking the discount rates applied to comparable companies in the same industry; • Assessing the reasonableness of the key assumptions used in preparing the cash flow forecasts such as revenue growth rates, gross margins and expected changes in capital expenditures with reference to current market circumstances; • Testing the appropriateness of key assumption used against historical performance, including revenue, cost of sales and operating expenses, with reference to the future strategic plans; and • Checking, on a sampling basis, the accuracy and relevance of the input data used.

Key Audit Matter	How the matter was addressed in our audit
Impairment assessment of goodwill and intangible assets *Refer to notes 18 and 19 to the consolidated financial statements*	
As at 31 March 2020, the Group had goodwill and intangible assets of approximately HK$192,500,000 and HK$171,232,000 respectively, which were allocated to cash generating units ("CGU(s)") of custom-made furniture segment - Geyu CGU and custom-made furniture segment - Yapin CGU. For the purpose of assessing impairment, recoverable amount of the CGUs has been determined by the management based on calculations of value in use of the CGUs to which goodwill have been allocated, using financial data with reference to the management's expectations for the market development, with key assumptions and estimates such as growth rates and discount rates, which involve the exercise of significant management's judgments. Independent external valuations were obtained in order to support the management's estimates. Based on the management's assessment, impairment loss on goodwill of approximately HK$72,757,000 was recognised in profit or loss for the year ended 31 March 2020.	Our procedures in relation to the appropriateness of the impairment assessment of goodwill and intangible assets included: • 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; and • 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$248,000,000 as at 31 March 2020. 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 judgments 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 judgment and estimates had to be made for the valuation.	Our procedures in relation to the valuation of investment properties included the following: • Evaluating the independent professional valuer competence, capabilities and objectivity; • Discussing with management and the independent professional valuer about the valuation techniques adopted, • Assessing the relevance and reasonableness of the valuation techniques; • Testing the appropriateness and reasonableness of judgments and key assumptions made, in particular the income capitalisation rate; and • Checking, on a sampling basis, the accuracy and the relevance of the input data used.

Key Audit Matter	How the matter was addressed in our audit
Impairment assessment of trade receivables *Refer to notes 22 and 43 to the consolidated financial statements*	
As at 31 March 2020, the Group had trade receivables of approximately HK$106,374,000, net of impairment loss. The impairment assessment of trade receivables under the expected credit loss model is considered to be a matter of most significance as it requires the application of judgment and use of subjective assumptions by management. Management performed periodic assessment on the recoverability of the trade receivables 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 aging profile of the trade receivables 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.

OTHER INFORMATION

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

26 June 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000 (Restated)
Continuing operations			
Revenue	6	**140,464**	130,308
Cost of sales		**(85,264)**	(88,837)
Gross profit		**55,200**	41,471
Other income	7	**2,905**	1,675
Selling and distribution expenses		**(12,104)**	(6,112)
Administrative expenses		**(36,519)**	(42,386)
Research expenses		**(4,618)**	(4,857)
Impairment loss recognised on trade and other receivables		**(7,034)**	(115)
Impairment loss recognised on loan receivables		**(3,001)**	(258)
Impairment loss recognised in respect of goodwill		**(72,757)**	—
Unrealised loss on financial assets at fair value through profit or loss		**(3,953)**	(1,733)
Realised gain/(loss) on financial assets at fair value through profit or loss		**5,350**	(396)
Gain on fair value change of promissory note		**188,641**	—
(Loss)/gain on fair value change of investment properties	17	**(19,900)**	10,200
Share of results of associates	20	**(1,201)**	(201)
Finance costs	8	**(28,218)**	(4,718)
Profit/(loss) before income tax	9	**62,791**	(7,430)
Income tax (expenses)/credit	10	**(912)**	6,817
Profit/(loss) for the year from continuing operations		**61,879**	(613)
Discontinued operation			
Profit/(loss) for the year from discontinued operation	11	**21,505**	(11,039)
Profit/(loss) for the year attributable to the owners of the Company		**83,384**	(11,652)
Other comprehensive (expenses)/income that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of financial statement of foreign operations		**(4,210)**	(1,683)
Reclassification adjustment relating to foreign operation deregistered during the year		**1,110**	—
		(3,100)	(1,683)
Total comprehensive income/(loss) for the year attributable to owners of the Company		**80,284**	(13,335)
Earnings/(loss) per share	14		
From continuing and discontinued operations			
— Basic (HK cents)		**2.88**	(0.40)
— Diluted (HK cents)		**1.81**	(0.40)
From continuing operations			
— Basic (HK cents)		**2.14**	(0.02)
— Diluted (HK cents)		**1.37**	(0.02)
From discontinued operation			
— Basic (HK cents)		**0.74**	(0.38)
— Diluted (HK cents)		**0.44**	(0.38)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	15	**12,696**	18,641
Right-of-use assets	16	**75,180**	—
Investment properties	17	**248,000**	267,900
Goodwill	18	**192,500**	135,488
Intangible assets	19	**173,962**	59,122
Interests in associates	20	**10,585**	10,286
Prepayment	22	**—**	1,894
		712,923	493,331
Current assets			
Inventories	21	**40,536**	10,842
Trade and other receivables	22	**133,723**	77,208
Loan receivables	23	**14,568**	10,309
Financial assets at fair value through profit or loss	24	**6,826**	9,060
Convertible bond receivable	25	**—**	—
Pledged deposits	26	**1,442**	—
Cash and bank balances	27	**5,198**	28,127
		202,293	135,546
Current liabilities			
Trade and other payables	28	**60,881**	35,251
Bank borrowings	29	**14,255**	35,075
Bank overdraft	30	**19,459**	8,554
Lease liabilities	31	**10,243**	—
Obligations under finance lease	32	**—**	3,398
Convertible bonds	33	**210,522**	206,152
Tax payables		**15,260**	5,123
		330,620	293,553
Net current liabilities		**(128,327)**	(158,007)
Total assets less current liabilities		**584,596**	335,324

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2020

	Notes	2020 *HK$'000*	2019 *HK$'000*
Non-current liabilities			
Bank Borrowings	29	**2,329**	—
Lease liabilities	31	**61,720**	—
Obligations under finance lease	32	**—**	1,493
Promissory note	34	**77,897**	—
Deferred tax liabilities	35	**49,276**	20,741
		191,222	22,234
NET ASSETS		**393,374**	313,090
CAPITAL AND RESERVES			
Share capital	36	**72,300**	72,300
Reserves		**321,074**	240,790
TOTAL EQUITY		**393,374**	313,090

The consolidated financial statements on pages 41 to 132 were approved and authorised for issue by the board of directors on 26 June 2020 and are signed on its behalf by:

QIN YUQUAN
DIRECTOR

CHAU TSZ KONG ALAN
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2020

	Share capital HK$'000	Share premium HK$'000	Convertible bond reserve HK$'000	Share options reserve HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total equity HK$'000
At 1 April 2018	72,300	172,613	293,092	2,844	1,155	(215,579)	326,425
Loss for the year	—	—	—	—	—	(11,652)	(11,652)
Other comprehensive expense							
Exchange differences arising on translation of financial statement of foreign operation	—	—	—	—	(1,683)	—	(1,683)
Total comprehensive loss for the year	—	—	—	—	(1,683)	(11,652)	(13,335)
At 31 March 2019 and at 1 April 2019	72,300	172,613	293,092	2,844	(528)	(227,231)	313,090
Profit for the year	—	—	—	—	—	83,384	83,384
Other comprehensive (expense)/income							
Exchange differences arising on translation of financial statement of foreign operation	—	—	—	—	(4,210)	—	(4,210)
Reclassification adjustment relating to foreign operation deregistered during the year	—	—	—	—	1,110	—	1,110
Total comprehensive (loss)/income for the year	—	—	—	—	(3,100)	83,384	80,284
At 31 March 2020	72,300	172,613	293,092	2,844	(3,628)	(143,847)	393,374

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Notes	2020 *HK$'000*	2019 *HK$'000*
Cash flows from operating activities			
Profit/(loss) before income tax from continuing operations		**62,791**	(7,430)
Profit/(loss) before income tax from discontinued operations	11	**21,641**	(11,090)
Adjustments for:			
Amortisation of intangible assets	9	**6,954**	17,277
Depreciation of property, plant and equipment	9	**4,569**	3,319
Depreciation of right-of-use assets	9	**7,401**	—
Finance costs	8 & 11	**28,218**	8,189
Impairment loss recognised on trade and other receivables	9	**7,034**	115
Impairment loss recognised on loan receivables	9	**3,001**	258
Reversal of impairment on trade receivables	11	**(7,533)**	—
Impairment loss recognised in respect of goodwill	9	**72,757**	—
Unrealised loss on financial assets at fair value through profit or loss		**3,953**	1,733
Realised (gain)/loss on financial assets at fair value through profit or loss		**(5,350)**	396
Net loss on disposal of property, plant and equipment		**—**	1,490
Gain on deregistration of a subsidiary	11	**(14,145)**	—
Gain on fair value change of promissory note		**(188,641)**	—
Loss/(gain) on fair value change of investment properties	17	**19,900**	(10,200)
Interest income	7	**(75)**	(438)
Share of result of associates	20	**1,201**	201
Operating cash flows before movements in working capital		**23,676**	3,820
Increase in inventories		**(19,121)**	(1,997)
Decrease in trade and other receivables		**45,235**	1,278
Increase in loan receivable		**(7,260)**	(699)
Decrease in financial assets at fair value through profit or loss		**3,631**	11,990
Decrease in trade and other payables		**(49,509)**	(18,219)
Cash used in operations		**(3,348)**	(3,827)
Income tax paid		**(3,398)**	(4,716)
Net cash used in operating activities		**(6,746)**	(8,543)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from investing activities			
Interest received		**41**	438
Receipt from convertible bonds receivable		**—**	8,581
Placement of pledged deposit		**(1,457)**	—
Net cash inflows from acquisition of subsidiaries	42	**184**	—
Subscription of an associate		**(1,500)**	—
Purchases of property, plant and equipment		**(2,551)**	(4,045)
Proceed from disposal of property, plant and equipment		**—**	1,756
Net cash (used in)/generated from in investing activities		**(5,283)**	6,730
Cash flow from financing activities			
Interest paid		**(1,399)**	(3,909)
Placement of finance lease		**6,577**	5,497
Proceeds from bank and other borrowings		**21,040**	—
Repayment of bank and other borrowings		**(37,996)**	(12)
Payment of lease liabilities		**(11,199)**	—
Repayment of finance lease		**—**	(791)
Net cash (used in)/generated from financing activities		**(22,977)**	785
Net decrease in cash and cash equivalents		**(35,006)**	(1,028)
Cash and cash equivalents at the beginning of year		**19,573**	21,384
Effect of foreign exchange rate, net		**1,172**	(783)
Cash and cash equivalents at the end of year		**(14,261)**	19,573
Analysis of balances of cash and cash equivalents:			
Cash and bank balances	27	**5,198**	28,127
Bank overdraft	30	**(19,459)**	(8,554)
		(14,261)	19,573

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 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 is located at Room 01, 23rd Floor, China Insurance Group Building, 141 Des Voeux Central, 61-65 Gilman Street and 73 Connaught Road Central, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of the Company's subsidiaries (together with the Company referred to as the "Group") are set out in note 46 to the consolidated financial statements.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The 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") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange ("GEM Listing Rules") and by the Hong Kong Companies Ordinance.

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, investment properties and promissory note, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for goods or services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKFRS 16 *Leases* (since 1 April 2019) or HKAS 17 *Leases* (before application of HKFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

2. BASIS OF PREPARATION (Continued)

2.2 Basis of measurement (Continued)

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

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, details are set out in note 43 to the consolidated financial statements.

2.3 Functional and presentation currency

The consolidated financial statements are presented in Hong Kong dollar ("HK$"), which is the functional currency of the Company and all values are rounded to the nearest thousands (HK$'000), unless otherwise indicated.

2.4 Going concern

In preparing the consolidated financial statements, the directors considered the operations of the Group as a going concern notwithstanding that the Group's current liabilities exceeded its current assets by approximately HK$128,327,000 as at 31 March 2020.

This condition indicates the existence of material uncertainties which may cast significant doubt over the Group's ability to continue as a going concern.

Notwithstanding the aforesaid condition, 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 convertible bonds holder undertakes with the Company that they will convert the convertible bonds into ordinary shares of the Company and forgo their rights to request the Company to redeem the convertible bonds with the principal amount of HK$212,000,000. If any outstanding principal amount remains unconverted upon maturity and there is no agreement achieved with the Company to extend such maturity date, the convertible bonds holder will not demand payment from the Company within the next twelve months from the date of the approval of the consolidated financial statements.

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 consolidated 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. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

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

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time in the current year.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRS 2015-2017 Cycle

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.

HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 *Leases*, and related interpretations.

Definition of a lease

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

For contracts entered into or modified on or after 1 April 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contain a lease.

As a lessee

As at 1 April 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

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

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

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

HKFRS 16 Leases (Continued)

As a lessee (Continued)

(i) Elect not to recognise right-of-use assets and lease liabilities for leases with lease term end within 12 months of the date of initial application; and

(ii) Excluded initial direct costs from measuring the right-of-use assets at the date of initial applications.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 5.58%.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

	HK$'000
Operating lease commitments disclosed as at 31 March 2019	1,201
Lease liabilities discounted at relevant incremental borrowing rates	1,103
Add: Obligations under finance lease recognised at 31 March 2019	4,891
Less: Recognition exemption-short term lease	(18)
Lease liabilities as at 1 April 2019	5,976

	HK$'000
Analysed as:	
Current	3,475
Non-current	2,501
	5,976

	HK$'000
Right-of-use assets relating to operating lease recognised upon application of HKFRS 16	1,085
Reclassifications of assets previously under finance leases Included in property, plant and equipment under HKAS 17 (Note (a))	8,063
Adjustment on rental deposits at 1 April 2019 (Note (b))	13
Right-of-use assets as at 1 April 2019	9,161

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

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

HKFRS 16 Leases (Continued)

As a lessee (Continued)

Notes:

(a) In relation to assets previously under finance lease, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 April 2019 amounting to HK$8,063,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance lease of HK$3,398,000 and HK$1,493,000 to lease liabilities as current and non-current liabilities respectively at 1 April 2019.

(b) Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied under other receivables. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$13,000 was adjusted to right-of-use assets.

As a lessor

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

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted for as if the existing leases are modified as at 1 April 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 April 2019. However, effective 1 April 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied under other payables, accruals and deposits received.

Effective 1 April 2019, the Group has applied HKFRS 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the consolidated financial statements of the Group for the current year.

Sales and leaseback transactions

The Group as a seller-lessee

In accordance with the transition provisions of HKFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of HKFRS 16, the Group applies the requirement of HKFRS 15 to assess whether sales and leaseback transaction constitutes a sale. During the year, the Group entered into sale and leaseback transaction in relation to certain plant and machinery and the transaction does not satisfy the requirements as a sale. Accordingly, the Group accounts for the transfer proceeds of approximately HK$6,577,000 as lease liabilities within the scope of HKFRS 9.

Transition to HKFRS 16 does not have an impact on accumulated losses at 1 April 2019.

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

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

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 April 2019. Line Items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 March 2019	Adjustments	Reclassification	Carrying amounts under HKFRS 16 at 1 April 2019
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	18,641	—	(8,063)	10,578
Right-of-use assets	—	1,098	8,063	9,161
Current assets				
Trade and other receivables	77,208	(13)	—	77,195
Current liabilities				
Lease liabilities	—	77	3,398	3,475
Obligations under finance lease	3,398	—	(3,398)	—
Non-current liabilities				
Lease liabilities	—	1,008	1,493	2,501
Obligations under finance lease	1,493	—	(1,493)	—

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

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

HKFRS 17	Insurance Contracts[4]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 16	Covid-19-Related Rent Concessions[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]

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

3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSs (Continued)

(b) New and amendments to HKFRSs in issue but not yet effective (Continued)

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (i.e. its subsidiaries).

Control is achieved when (i) the Company has power over the investee; (ii) the Company is exposed, or has rights, to variable returns from its involvement with the investee; and (iii) the Company has the ability to use its power to affect its returns.

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

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of subsidiaries are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein which represent present ownership interest entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Basis of consolidation (Continued)

Changes in ownership interests in existing subsidiaries without loss of control

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

4.2 Business combination

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

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

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

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

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

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Business combination (Continued)

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

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

4.3 Goodwill

Goodwill arising on a business combination is carried at cost less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating unit ("CGU") (or groups of CGUs) that is expected to benefit from the synergies of the combination.

A CGU to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the CGU to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro-rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.4 Investments in associates (Continued)

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 Group assesses whether there is an objective evidence that the interests in associates may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that 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 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 period in which they are incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.5 Property, plant and equipment (Continued)

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:

Plant and machinery	10%-50%
Office equipment	25%
Motor vehicles	33%

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

4.6 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. Any gain or loss arising from a change in fair value is recognised in profit or loss for the period in which they arise. 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 property is included profit or loss in the period in which the property is derecognised.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.7 Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

4.8 Impairment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill

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

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the CGU to which the asset belongs.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.8 Impairment of property, plant and equipment, right-of-use assets and intangible assets other than goodwill (Continued)

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

4.9 Research expenditure

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

4.10 Leases

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 3(a))

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

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

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, including contract for acquisition of ownership interests of a property which includes both leasehold land and non-lease building components, unless such allocation cannot be made reliably.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Leases (Continued)

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 3(a)) (Continued)

Short-term leases and leases of low value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

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

Lease liabilities

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Leases (Continued)

Definition of a lease (upon application of HKFRS 16 in accordance with transitions in note 3(a)) (Continued)

Lease liabilities (Continued)

The lease payments include:

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

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

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

The Group as lessee (prior to 1 April 2019)

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

Operating lease payments are recognised as expense on a straight-line basis over the lease term.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.10 Leases (Continued)

The Group as lessor

Classification and measurement of leases

All leases for which the Group is a lessor are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the terms of the relevant lease.

The Group as lessor (upon application of HKFRS 16 in accordance with transitions in note 3(a))

Allocation of consideration to components of a contracts

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

Refundable rental deposits

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

Sale and leaseback transactions (upon application of HKFRS 16 in accordance with the transitions in note 3(a))

The Group applies the requirement of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a seller-lessee

For a transfer that does not satisfy the requirements as a sale, the Group as a seller-lessee accounts for the transfer proceeds as lease liabilities within the scope of HKFRS 9.

Sale and leaseback transactions (prior to 1 April 2019)

The accounting treatment of a sale and leaseback transaction depends on the type of lease involved. The leaseback may be a finance lease if it meets the condition that substantially all the risks and rewards of ownership remain with the lessee, or it may be an operating lease (in which case, some significant risks and rewards of ownership have been transferred to the purchaser).

The Group as a seller-lessee

For sale and leaseback transactions which are in substance a financing arrangement under HKFRS 9, the Group accounts for the sales proceeds as obligations under finance lease within the scope of HKFRS 9.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Financial instruments

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

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

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

Interest income (except for bank interest income) which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

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

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

(i) Amortised cost and interest income

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

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income or designated as fair value through other comprehensive income are measured at FVTPL.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

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

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

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings that are based on relevant facts and circumstances of the groups of debtors.

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

(i) Significant increase in credit risk

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 180 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt 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. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

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

(ii) Definition of default

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

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 1 year 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)

4.11 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets

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

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

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

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

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

(iv) Write-off policy

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

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

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

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

- Nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group. Loans to related parties are assessed for ECL on an individual basis);

- Past-due status;

- Nature, size and industry of debtors; and

- External credit ratings where available.

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

On derecognition of a financial asset measured at amortised cost, 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 and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which HKFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL (Continued)

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible bonds and promissory note, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, bank borrowings, bank overdrafts, lease liabilities, obligations under finance lease and convertible bonds are subsequently measured at amortised cost, using effective interest method.

Convertible bonds

The component parts of the convertible bonds are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.11 Financial instruments (Continued)

Financial liabilities and equity (Continued)

Convertible bonds (Continued)

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

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

Derecognition of financial liabilities

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

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4.12 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.

4.13 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)

4.14 Revenue from contracts with customers

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

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

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

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

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

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

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

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

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control of a product or service to a customer.

Performance obligations for contracts with customers

Revenue from sales of custom-made furniture and mattress and soft bed products are recognised at a point in time when control of the goods has been transferred, being when the goods have been delivered to the customers. Payment of the transaction price is due immediately at the point the customer purchases the goods.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.15 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.

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.

Current and deferred tax are recognised in profit or loss.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.15 Income taxes (Continued)

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.

4.16 Foreign currencies

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.17 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 subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. Those subsidiaries are 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.

4.18 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.

4.19 Borrowing costs

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

4.20 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.20 Government grants (Continued)

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

4.21 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.

4.22 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)

4.22 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.

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

Close family members 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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical accounting judgments in applying accounting policies

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

Deferred tax on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the deferred tax on investment properties, the directors have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted. The Group has not recognised any deferred tax on changes in fair value of investment properties as the Group is not subject to any income taxes on the fair value changes of the investment properties on disposal.

Key sources of estimation uncertainty

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

Provision of ECL for trade and other receivables and loan receivables

Management of the Group 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.

Useful lives and impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible assets are stated at cost less accumulated depreciation or amortisation and identified impairment losses, if any. In determining whether an asset is impaired, the Group has to exercise judgment and make estimation, particularly in assessing: (i) whether an event has occurred or any indicators that may affect the asset value; (ii) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (iii) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the CGU to which the asset belongs. Changing the assumptions and estimates, including discount rates or the growth rate in the cash flow projections, could materially affect the net present value used in the impairment test.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Useful lives and impairment of property, plant and equipment, right-of-use assets and intangible assets (Continued)

During the year, the Group reviewed the estimated useful lives of intangible assets and changed the amortisable lives of trademark and distribution network from 5 years to indefinite and from 5 years to 20 years, respectively. The effect of such changes in accounting estimates is set out in Note 19.

At 31 March 2020, the carrying values of property, plant and equipment, right-of-use assets and intangible assets are HK$12,696,000, HK$75,180,000 and HK$173,962,000 (2019: HK$18,641,000, nil and HK$59,122,000) respectively. No impairment loss was recognised in respect of property, plant and equipment, right-of-use assets and intangible assets during the years ended 31 March 2020 and 2019.

Impairment of goodwill

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

At 31 March 2020, the carrying amount of goodwill is approximately HK$192,500,000 (2019: HK$135,488,000). An impairment loss on goodwill of approximately HK$72,757,000 (2019: nil) was recognised during the year ended 31 March 2020. Details of the impairment assessment are set out in note 18 to the consolidated financial statements.

Inventory provision

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.

Fair value measurement of investment properties

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.

Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises tax liabilities based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

6. REVENUE AND SEGMENT REPORTING

Information reported by the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods sold or services rendered which is also consistent with the basis of organisation of the Group. No operating segments identified by the CODM have been aggregated in arriving at the reporting segments of the Group.

The Group principally operates in four reportable segments, which are:

(i) Custom-made furniture;

(ii) Property investment;

(iii) Securities investment; and

(iv) Money lending.

Upon deregistration of a subsidiary, the Group discontinued the mattress and soft bed products operation. The segment information reported below does not include any amounts of discontinued operation. Details of discontinued operation are set out in note 11 to the consolidated financial statements.

Segment revenue and segment result

Information regarding the Group's reportable operating segments including the reconciliations to profit/(loss) for the year from continuing operations are as follows:

For the year ended 31 March 2020

	Custom-made furniture *HK$'000*	Property investment *HK$'000*	Securities investment *HK$'000*	Money lending *HK$'000*	Other *HK$'000*	Total *HK$'000*
Continuing operations						
Reportable segment revenue	133,630	5,800	—	1,034	—	140,464
Reportable segment (loss)/profit	(66,924)	2,980	(1,134)	(2,398)	(433)	(67,909)
Gain on fair value charge of promissory note						188,641
Loss on fair value change of investment properties						(19,900)
Share of result of associates						(1,201)
Unallocated corporate expenses						(37,752)
Profit for the year from continuing operations						61,879

6. REVENUE AND SEGMENT REPORTING (Continued)

Segment revenue and segment result (Continued)

For the year ended 31 March 2019

	Custom-made furniture HK$'000	Property investment HK$'000	Securities investment HK$'000	Money lending HK$'000	Other HK$'000	Total HK$'000
Continuing operations						
Reportable segment revenue	123,471	5,496	—	1,220	121	130,308
Reportable segment profit/(loss)	3,770	1,185	(3,563)	698	(497)	1,593
Fair value gain on investment properties						10,200
Share of result of associates						(201)
Unallocated corporate income and expenses						(12,205)
Loss for the year from continuing operations						(613)

Reportable segment revenue represents revenue from external customers. The disaggregation of revenue from contracts with customers are as follows:

	2020 **HK$'000**	2019 *HK$'000*
Continuing operations		
Revenue from contracts with customers, represent sales of custom-made furniture	**133,630**	123,471
Operating lease rental income	**5,800**	5,496
Loan interest income under effective interest method	**1,034**	1,220
Others	**—**	121
Total revenue	**140,464**	130,308

All of the Group's revenue from contracts with customers are recognised at a point in time.

The Group's operating lease rental income represents lease payment that are fixed rate from the lessees.

6. REVENUE AND SEGMENT REPORTING (Continued)

Segment assets and liabilities

Information regarding the Group's reportable segments assets and liabilities are as follows:

	2020 *HK$'000*	2019 *HK$'000*
Reportable segment assets:		
— Custom-made furniture	**621,746**	263,782
— Property Investment	**253,601**	277,147
— Securities Investment	**9,687**	28,591
— Money lending	**17,322**	18,430
— Other	**—**	—
— Assets relating to discontinued operation	**—**	20,608
Segment assets	**902,356**	608,558
Interests in associates	**10,585**	10,286
Unallocated cash and bank balances	**381**	378
Other unallocated corporate assets	**1,894**	9,655
Total assets	**915,216**	628,877
Reportable segment liabilities:		
— Custom-made furniture	**181,573**	24,279
— Property Investment	**8,701**	1,904
— Securities Investment	**2,890**	11,444
— Money lending	**600**	182
— Other	**200**	200
— Liabilities relating to discontinued operation	**—**	6,453
Segment liabilities	**193,964**	44,462
Bank borrowings	**16,584**	35,075
Convertible bonds	**210,522**	206,152
Promissory note	**77,897**	—
Other unallocated corporate liabilities	**22,875**	30,098
Total liabilities	**521,842**	315,787

6. REVENUE AND SEGMENT REPORTING (Continued)

Other segment information

Amounts included in the measure of segment profit or loss or segment assets:

For the year ended 31 March 2020

	Custom-made furniture *HK$'000*	Property investment *HK$'000*	Securities investment *HK$'000*	Money lending *HK$'000*	Others *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Other segment information:							
Interest income	(34)	—	(37)	—	—	(4)	(75)
Finance costs	4,124	—	—	20	—	24,074	28,218
Amortisation of intangible assets	6,521	—	—	—	433	—	6,954
Depreciation of property, plant and equipment	3,279	1,290	—	—	—	—	4,569
Depreciation of right-of-use assets	7,401	—	—	—	—	—	7,401
Unrealised loss on financial assets at fair value through profit or loss	—	—	3,953	—	—	—	3,953
Realised gain on financial assets at fair value through profit or loss	—	—	(5,350)	—	—	—	(5,350)
Impairment loss recognised on trade and other receivables	6,791	243	—	—	—	—	7,034
Impairment loss recognised on loan receivables	—	—	—	3,001	—	—	3,001
Impairment loss recognised in respect of goodwill	72,757	—	—	—	—	—	72,757
Research expenses	4,618	—	—	—	—	—	4,618
Income tax expenses/(credit)	773	315	(283)	107	—	—	912
Additions to non-current assets (Note)	333,084	—	—	—	—	—	333,084

6. REVENUE AND SEGMENT REPORTING (Continued)

Other segment information (Continued)

For the year ended 31 March 2019

	Custom-made furniture	Property investment	Securities investment	Money lending	Others	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Other segment information:							
Interest income	(2)	(436)	—	—	—	—	(438)
Finance costs	259	179	—	—	—	4,280	4,718
Amortisation of intangible assets	16,843	—	—	—	434	—	17,277
Depreciation of property, plant and equipment	2,029	1,290	—	—	—	—	3,319
Unrealised loss on financial assets at fair value through profit or loss	—	—	1,733	—	—	—	1,733
Realised loss on disposal of financial assets at fair value through profit or loss	—	—	396	—	—	—	396
Impairment loss recognised on trade receivables	115	—	—	—	—	—	115
Impairment loss recognised on loan receivables	—	—	—	258	—	—	258
Research expenses	4,857	—	—	—	—	—	4,857
Income tax (credit)/expenses	(2,097)	(3,436)	(1,473)	189	—	—	(6,817)
Additions to non-current assets (Note)	4,045	—	—	—	—	—	4,045

Note: Addition to non-current assets exclude financial instruments.

6. REVENUE AND SEGMENT REPORTING (Continued)

Geographic information

The Group's operations are located in Hong Kong and the People's Public of China (the "PRC").

The following table provides an analysis of the Group's revenue from external customers and the Group's non-current assets based on the geographical location of the customers or the assets.

	Revenue from external customers For the year ended 31 March		Non-current assets (Note) At 31 March	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
The PRC (country of domicile)	**133,630**	123,425	**450,318**	210,237
Hong Kong	**6,834**	6,883	**262,605**	283,094
	140,464	130,308	**712,923**	493,331

Note: Non-current assets exclude financial instruments.

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:

	2020	2019
	HK$'000	*HK$'000*
Customer A	**15,020**	34,265
Customer B (Note)	**N/A**	14,336
Customer C (Note)	**16,561**	N/A

Note: The corresponding revenue did not contribute over 10% of the Group's revenue from continuing operations.

Except as disclosed above, no other customers contributed 10% or more of the Group's revenue from continuing operations for both years.

7. OTHER INCOME

	2020 HK$'000	2019 HK$'000 (Restated)
Continuing operations		
Interest income	75	438
Government grants	2,766	472
Gain on disposal of property, plant and equipment	—	107
Sundry income	64	658
	2,905	1,675

8. FINANCE COSTS

	2020 HK$'000	2019 HK$'000 (Restated)
Continuing operations		
Interest on bank and other borrowings	319	2
Interest on bank overdraft	608	179
Interest on lease liabilities	3,826	—
Interest on finance leases	—	257
Interest on convertible bonds	4,370	4,280
Interest on promissory note	19,095	—
	28,218	4,718

9. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived at after charging:

	2020 HK$'000	2019 HK$'000 (Restated)
Continuing operations		
Auditor's remuneration for audit service	800	700
Cost of inventories recognised as expenses	78,832	74,683
Amortisation of intangible assets	6,954	17,277
Depreciation of property, plant and equipment	4,569	3,319
Depreciation of right-of-use assets	7,401	—
Operating lease charges on rented premises	—	221
Impairment loss recognised on trade and other receivables	7,034	115
Impairment loss recognised on loan receivables	3,001	258
Impairment loss recognised in respect of goodwill	72,757	—
Staff costs (including directors' remuneration):		
— Salaries, allowance and benefits in kind	14,298	12,667
— Contribution to defined contribution plans	2,909	1,267

10. INCOME TAX EXPENSES/(CREDIT)

	2020	2019
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Current tax — the PRC	**2,404**	3,084
Current tax — Hong Kong	**422**	(1,284)
Deferred tax (Note 35)	**(1,914)**	(8,617)
Income tax expenses/(credit)	**912**	(6,817)

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

Accordingly, Hong Kong Profits Tax is calculated at 8.25% on the first HK$2 million of the assessable profits and at 16.5% on the assessable profits above HK$2 million.

The Group's PRC subsidiaries are subject to the PRC Enterprise Income Tax at 25% for both years, except for the tax rate of 廣州歌譽家居用品有限公司 (transliterated into 'Guangzhou Geyu Household Products Co., Limited') ("Guangzhou Geyu") and 廣州雅品家具科技有限公司 (transliterated into 'Guangzhou Yapin Furniture Technology Co., Limited') ("Guangzhou Yapin"). Guangzhou Geyu and Guangzhou Yapin are qualified as High and New Technology Enterprises and are entitled to preferential tax rate of 15% from 2018 to 2020 and from 2019 to 2021 respectively.

Reconciliation between income tax expenses/(credit) and profit/(loss) before income tax at applicable tax rates is as follows:

	2020	2019
	HK$'000	*HK$'000*
		(Restated)
Continuing operations		
Profit/(loss) before income tax	**62,791**	(7,430)
Tax calculated at tax rates applicable to the jurisdictions concerned	**10,744**	(634)
Tax relief on 8.25% on first HK$2 million of assessable profit	**(101)**	—
Tax effect of tax concession	**(2,942)**	(2,463)
Tax effect of expenses not deductible for tax purposes	**24,419**	1,546
Tax effect of income not taxable for tax purposes	**(31,357)**	(1,683)
Tax effect of deductible temporary differences not recognised	**(346)**	(1,636)
Tax effect of share of result of associates	**198**	33
Others	**297**	(1,980)
Income tax expenses/(credit)	**912**	(6,817)

11. DISCONTINUED OPERATION

On 27 March 2020, the Group has completed the deregistration of the status of wholly foreign owned enterprise of National Enterprise Credit Information of 廣州馨悦家寢具有限公司 (transliterated into 'Guangzhou Xinyue Beddings Limited') ("Guangzhou Xinyue") at the State Administration for Industry and Commerce of the PRC. Guangzhou Xinyue was principally engaged in manufacturing of mattress and soft bed products in the PRC, as a result of the deregistration, the Group discontinued its mattress and soft bed products operation.

The results of the discontinued operation are as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue	**5,047**	2,101
Cost of sales	**(4,787)**	(1,964)
Gross profit	**260**	137
Other income	**69**	230
Selling and distribution expenses	**—**	(4,348)
Administrative expenses	**(117)**	(3,576)
Research expenses	**—**	(62)
Reversal of impairment on trade receivables	**7,533**	—
Finance costs	**(249)**	(3,471)
Gain on deregistration of Guangzhou Xinyue	**14,145**	—
Profit/(loss) before income tax	**21,641**	(11,090)
Income tax (expense)/credit	**(136)**	51
Profit/(loss) for the year from discontinued operation	**21,505**	(11,039)

Profit/(loss) for the year from discontinued operation has been arrived at after charging:

	2020	2019
	HK$'000	*HK$'000*
Discontinued operation		
Cost of inventories sold	**4,787**	1,964
Loss on disposal of property, plant and equipment	**—**	1,597
Net foreign exchange (gain)/loss	**(41)**	101
Staff costs	**23**	524

Cash flows of the discontinued operation for the year are as follows:

	2020	2019
	HK$'000	*HK$'000*
Net cash generated from/(used in) operating activities	**33,298**	(946)
Net cash generated from investing activities	**—**	170
Net cash used in financing activities	**(33,269)**	(2,409)
Net cash inflow/(outflows)	**29**	(3,185)

12. REMUNERATION OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' remuneration

	Fees *HK$'000*	Salaries, allowance and benefits in kind *HK$'000*	Retirement benefits scheme contribution *HK$'000*	Total *HK$'000*
Year ended 31 March 2020				
Executive directors:				
Mr. Qin Yuquan	**204**	**—**	**10**	**214**
Mr. Hung Cho Sing	**540**	**—**	**—**	**540**
Mr. Matthew Chung (resigned on 20 August 2019)	**139**	**—**	**—**	**139**
Mr. Chau Tsz Kong Alan	**360**	**—**	**—**	**360**
Independent non-executive directors:				
Mr. Chan Chun Wing	**120**	**—**	**—**	**120**
Mr. Tang Kin Chor	**120**	**—**	**—**	**120**
Mr. Li Siu Yui (resigned on 13 January 2020)	**94**	**—**	**—**	**94**
Mr. Yiu Shung Kit (appointed on 13 January 2020)	**26**	**—**	**—**	**26**
	1,603	**—**	**10**	**1,613**

	Fees *HK$'000*	Salaries, allowance and benefits in kind *HK$'000*	Pension contribution *HK$'000*	Total *HK$'000*
Year ended 31 March 2019				
Executive directors:				
Mr. Qin Yuquan	253	—	13	266
Mr. Hung Cho Sing	540	—	—	540
Mr. Wong Siu Ki (resigned on 17 December 2018)	256	—	—	256
Mr. Matthew Chung	360	—	—	360
Mr. Chau Tsz Kong Alan (appointed on 17 December 2018)	120	—	—	120
Independent non-executive directors:				
Mr. Chan Chun Wing	120	—	—	120
Mr. Tang Kin Chor	120	—	—	120
Mr. Li Siu Yui	120	—	—	120
	1,889	—	13	1,902

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

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 two (2019: two) directors whose emoluments are disclosed above. Details of remuneration of the remaining three (2019: three) individuals are as follows:

	2020	2019
	HK$'000	*HK$'000*
Salaries, allowance and benefits in kind	**1,274**	1,591
Retirement benefits scheme contribution	**37**	47
	1,311	1,638

Their emoluments were within the following bands:

	Number of individuals	
	2020	2019
Nil-HK$1,000,000	**3**	3

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 for the current and prior year.

No directors have waived or agreed to waive any emoluments during both years.

13. DIVIDENDS

No dividend was paid or proposed by the Company during the year ended 31 March 2020 nor has any dividend been proposed since the end of the reporting period (2019: nil).

14. EARNINGS/(LOSS) PER SHARE

For continuing and discontinued operations

	2020	2019
Earnings/(loss)	***HK$'000***	*HK$'000*
Earnings/(loss) for the purpose of basic earnings/(loss) per share	**83,384**	(11,652)
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**4,370**	—
Earnings/(loss) for the propose of diluted earnings/(loss) per share	**87,754**	(11,652)
Number of shares	**'000**	'000
Weighted average number of ordinary shares for the purpose of basic earnings/(loss) per share	**2,892,000**	2,892,000
Effect of dilutive potential ordinary shares:		
Share options	**21,876**	—
Convertible bonds	**1,927,273**	—
Weighted average number of ordinary shares for the purpose of diluted earnings/(loss) per share	**4,841,149**	2,892,000

As the Company's outstanding share options and convertible bonds where applicable had an anti-dilutive effect to the diluted loss per share calculation for the year ended 31 March 2019, the conversion of the above potential dilutive shares is not assumed in the calculation of diluted loss per share.

14. EARNINGS/(LOSS) PER SHARE (Continued)

For continuing operations

	2020 HK$'000	2019 HK$'000
Earnings/(loss) for the purpose of basic earnings/(loss) per share	**61,879**	(613)
Effect of dilutive potential ordinary shares:		
Interest on convertible bonds	**4,370**	—
Earnings/(loss) per for the purpose of diluted earnings/(loss) per share	**66,249**	(613)

The denominator used for the purpose of basic and diluted earnings/(loss) per share is the same as those described above for the calculation of basic and diluted earnings/(loss) per share for continuing and discontinued operations.

During the year ended 31 March 2019, both basic and diluted loss per share are the same for continuing operations.

For discontinued operation

	2020 HK$'000	2019 HK$'000
Earnings/(loss) for the purpose of basic and diluted earnings/(loss) per share	**21,505**	(11,039)

The denominator used for the purpose of basic and diluted earnings/(loss) per share is the same as those described above for the calculation of basic and diluted earnings/(loss) per share for continuing and discontinued operations.

During the year ended 31 March 2019, both basic and diluted loss per share are the same for discontinued operation.

15. PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost				
At 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
Reclass to right-of-use assets upon application of HKFRS 16 (Note 3(a))	(9,938)	—	—	(9,938)
At 1 April 2019	8,274	5,161	—	13,435
Addition	2,434	—	117	2,551
Acquisition through business combination (Note 42)	10,710	—	385	11,095
Transfer to right-of-use assets (Note 16)	(7,675)	—	—	(7,675)
Exchange realignment	(901)	—	(16)	(917)
At 31 March 2020	12,842	5,161	486	18,489
Accumulated depreciation				
At 1 April 2018	2,560	1,373	—	3,933
Charge for the year	2,029	1,290	—	3,319
Eliminated upon disposals	(2,399)	—	—	(2,399)
Exchange realignment	(38)	(83)	—	(121)
At 31 March 2019	2,152	2,580	—	4,732
Reclass to right-of-use assets upon application of HKFRS 16 (Note 3(a))	(1,875)	—	—	(1,875)
At 1 April 2019	277	2,580	—	2,857
Charge for the year	3,185	1,290	94	4,569
Transfer to right-of-use assets (Note 16)	(1,527)	—	—	(1,527)
Exchange realignment	(105)	—	(1)	(106)
At 31 March 2020	1,830	3,870	93	5,793
Carrying values				
At 31 March 2020	11,012	1,291	393	12,696
At 31 March 2019	16,060	2,581	—	18,641

At 31 March 2019, the carrying values of the Group's property, plant and equipment included amount of approximately HK$8,063,000 in respect of assets held under finance leases.

16. RIGHT-OF-USE ASSETS

	Leased properties *HK$'000*	Plant and machinery *HK$'000*	Total *HK$'000*
Cost			
At 1 April 2019	1,098	9,938	11,036
Acquisition through business combination (Note 42)	70,672	—	70,672
Transfer from property, plant and equipment (Note 15)	—	7,675	7,675
Exchange realignment	(3,012)	(556)	(3,568)
At 31 March 2020	68,758	17,057	85,815
Accumulated depreciation			
At 1 April 2019	—	1,875	1,875
Charge for the year	6,175	1,226	7,401
Transfer from property, plant and equipment (Note 15)	—	1,527	1,527
Exchange realignment	(49)	(119)	(168)
At 31 March 2020	6,126	4,509	10,635
Carrying values			
At 31 March 2020	62,632	12,548	75,180

The Group leases various properties, plant and machinery for its operations. Lease contracts are entered into for fixed term of 18 months to 12 years. Certain leases of plant and machinery were accounted for as finance leases during the year ended 31 March 2019 and carried interest ranged from 7.14% to 11.93%. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Sale and leaseback transactions - seller-lessee

To better manage the Group's capital structure and financing needs, the Group sometimes enters into sale and leaseback arrangements in relation to machinery leases. These legal transfer does not satisfy the requirements of HKFRS 15 to be accounted for as a sale of the machinery. During the year ended 31 March 2020, the Group has raised HK$6,577,000 in respect of such sale and leaseback arrangements.

Details of the lease maturity analysis of lease liabilities are set out in note 31 to the consolidated financial statements.

17. INVESTMENT PROPERTIES

	2020 HK$'000	2019 HK$'000
At fair value		
At 1 April	**267,900**	257,700
Fair value change	**(19,900)**	10,200
At 31 March	**248,000**	267,900

The Group's investment properties are held in Hong Kong under medium-term and long-term leases.

As at 31 March 2020, the fair value of the Group's investment properties was approximately HK$248,000,000 (2019: HK$267,900,000). The fair value has been determined based on the valuation carried out by B.I. Appraisals Limited (2019: B.I. Appraisals Limited), a firm of independent professional valuer not connected to 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*.

17. INVESTMENT PROPERTIES (Continued)

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 2020			
Commercial properties	Investment method	Rental value of HK$30 to HK$72 per square feet/ income capitalisation rate of 2.10% to 3.35%	The higher the rental value, the higher the fair value. The lower the income capitalisation rate, the higher the fair value.
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.

The Group's investment properties with the fair value of approximately HK$34,000,000 (2019: HK$40,000,000) were pledged to secure banking facilities granted to the Group.

18. GOODWILL

	2020 ***HK$'000***	2019 *HK$'000*
At 1 April	**135,488**	135,488
Arising from business combination (Note 42)	**129,769**	—
Impairment loss recognised	**(72,757)**	—
At 31 March	**192,500**	135,488

For the purpose of impairment testing, goodwill set out above has been allocated to two CGUs, comprising two operating units within the custom-made furniture operation.

18. GOODWILL (Continued)

For the purpose of impairment testing, goodwill and trademark with indefinite useful lives set out in note 19 have been allocated to two individual CGUs, comprising two subsidiaries in the custom-made furniture operation segment. The carrying amount of goodwill and trademark (net of accumulated impairment losses) allocated to these units are as follows:

	Goodwill		Trademark	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Custom-made furniture operation — Guangzhou Geyu	**135,488**	135,388	**20,375**	16,341
Custom-made furniture operation — Guangzhou Yapin	**57,012**	—	**53,211**	—
	192,500	135,388	**73,586**	16,341

The basis of the recoverable amounts of the above CGUs and the major underlying assumptions are summarised as follows:

Custom-made furniture operation — Guangzhou Geyu

The recoverable amount of the custom-made furniture operation — Guangzhou Geyu CGU has been determined based on a value in use calculation with reference to a valuation performed by a firm of independent professional valuer. The calculation adopted cash flow projections covering a 5-year period, based on financial budgets approved by the management with discount rate of 15.84% (2019: 13.02%) per annum. Cash flows beyond the 5-year period are extrapolated with 3% (2019: 3%) growth rate. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted gross margin of 33% (2019: 30%). Such estimation is based on the unit's past performance and management's expectations of the market development.

During the year ended 31 March 2020, no impairment loss has been recognised in relation to the custom-made furniture operation — Guangzhou Geyu CGU. No other write-down of the assets of this CGU is considered necessary.

The recoverable amount of the custom-made furniture operation — Guangzhou Geyu CGU amounted to approximately HK$295,696,000 (2019: HK$258,367,000) as at 31 March 2020. If the discount rate was changed to 17.68% (2019: 13.80%), while other parameters remain constant, the recoverable amount of this CGU would equal its carrying amount

Custom-made furniture operation — Guangzhou Yapin

The recoverable amount of the custom-made furniture operation — Guangzhou Yapin CGU has been determined based on a value in use calculation with reference to a valuation performed by a firm of independent professional valuer. The calculation adopted cash flow projections covering a 5-year period, based on financial budgets approved by the management with discount rate of 15.94% 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 gross margin of 33%. Such estimation is based on the unit's past performance and management's expectations of the market development.

During the year ended 31 March 2020, impairment loss of approximately HK$72,757,000 has been recognised in relation to the custom-made furniture operation — Guangzhou Yapin CGU. No other write-down of the assets of this CGU is considered necessary.

18. GOODWILL (Continued)

Custom-made furniture operation — Guangzhou Yapin (Continued)

The recoverable amount of the custom-made furniture operation — Guangzhou Yapin CGU amounted to approximately HK$173,433,000 as at 31 March 2020. If the discount rate was changed to 12.23%, while other parameters remain constant, the recoverable amount of this CGU would equal to its carrying amount.

19. INTANGIBLE ASSETS

	Money lending license	Trademark	Distribution Networks	Others	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost					
At 1 April 2018, at 31 March 2019 and at 1 April 2019	2,730	24,592	59,624	1,300	88,246
Acquisition through business combination (Note 42)	—	57,756	64,038	—	121,794
At 31 March 2020	2,730	82,348	123,662	1,300	210,040
Accumulated amortisation					
At 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 and at 1 April 2019	—	8,251	20,006	867	29,124
Charge for the year	—	511	6,010	433	6,954
At 31 March 2020	—	8,762	26,016	1,300	36,078
Carrying values					
At 31 March 2020	2,730	73,586	97,646	—	173,962
At 31 March 2019	2,730	16,341	39,618	433	59,122

The following would lives are used in the calculation of amortisation:

Money lending license	Indefinite
Trademark	5 years/indefinite
Distribution networks	5 years/20 years
Others	3 years

The money lending license 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.

19. INTANGIBLE ASSETS (Continued)

Change in accounting estimates

In order to freely extend the Group's custom-made furniture operation in the PRC without any limitations in geographical location and time constraint upon the acquisition of business completed on 8 May 2019 (Details of acquisition of business in Note 42), the Group resolved to decelerate the trademark and distribution network in order to promote the long-term sustainable development of the Group.

During the year, after the revision of the current condition of existing trademark and assessing the impact of the distribution network and the business development needs, the Company considered the estimated useful lives of trademark and distribution network would change from previously anticipated. As a result, the Group adopted the estimated amortisable lives of the said trademark and distribution network from 5 years to indefinite and from 5 years to 20 years, respectively, which could more accurately and appropriately reflect the Group's expected consumption pattern of economic benefits embodied in these assets.

The changes in accounting estimates are adopted with effect from 8 May 2019. The estimated effect of changes in amortisable lives is presented in the table below.

	2020	2021	2022	2023	2024	Later
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Increase/(decrease) in profit before income tax	**13,208**	14,738	14,738	3,325	(2,105)	(28,074)

The effect of such changes in amortisable lives of distribution network represents a temporary difference, therefore does not have any effect on the total amortisation expenses of those assets during the assets' lives. The trademark will not be amortised until its useful life is determined to be finite. Instead it will be tested for impairment annually and whenever there is an indication that it may be impaired.

The trademark is registered in the PRC and the current registration will expire in 2024. In the opinion of directors, the Group will not incur significant costs to renew the registration of the trademark which is a routine administrative procedure. The Group would review the trademark continuously and has the ability to do so. As a result, the trademark is considered by the management of the Group as having an indefinite useful life because they are expected to contribute net cash inflows to the Group indefinitely.

The carrying amount of trademark with indefinite useful life is tested for impairment annually and is reviewed for indications of impairment at the end of each reporting period. An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the CGU to which it belongs, exceeds its recoverable amount. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. Particulars of the impairment testing are disclosed in note 18 to the consolidated financial statements.

20. INTERESTS IN ASSOCIATES

	2020	2019
	HK$'000	*HK$'000*
Cost of investments in associates	**10,755**	9,255
Share of post-acquisition (loss)/profit and other comprehensive (loss)/income	**(170)**	1,031
	10,585	10,286

20. INTERESTS IN ASSOCIATES (Continued)

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
		2020	2019	**2020**	2019	
Sau San Tong Investment Holdings Limited ("Sau San Tong")	Hong Kong	**25%**	25%	**25%**	25%	Property investment
World Century Technology Limited ("World Century") (Note)	Hong Kong	**30%**	—	**30%**	—	Provision of sanitisation services

Note:

On 4 March 2020, the Group has entered into a subscription agreement with an independent third party, pursuant to which the Group shall subscribe for the 30% enlarged share capital of World Century at the cash consideration of HK$1,500,000.

Summarised financial information of the associates that are material to the Group and accounted for using equity method are set out below:

Sau San Tong

	2020 *HK$'000*	2019 *HK$'000*
Non-current assets	**42,000**	47,600
Current assets	**3,021**	2,422
Non-current liabilities	**—**	—
Current liabilities	**58,388**	58,385
The above assets and liabilities included:		
Investment properties	**42,000**	47,600
Cash and bank balances	**59**	50
Revenue	**600**	600
Loss and total comprehensive loss for the year	**(2,001)**	(804)
Net liabilities of Sau San Tong	**(13,367)**	(8,363)
Proportion of the Group's ownership interest in Sau San Tong	**25%**	25%
	(3,341)	(2,090)
Goodwill	**12,376**	12,376
Carrying amount of the Group's ownership interest in Sau San Tong	**9,035**	10,286

20. INTERESTS IN ASSOCIATES (Continued)

World Century

	2020
	HK$'000
Non-current assets	**—**
Current assets	**3,257**
Non-current liabilities	**1,084**
Current liabilities	**—**
The above assets and liabilities included:	
Cash and bank balances	**1,383**
Revenue	**867**
Profit and total comprehensive income for the year	**165**
Net assets of World Century	**2,173**
Proportion of the Group's ownership interest in World Century	**30%**
	652
Goodwill	**1,114**
Carrying amount of the Group's interest in World Century	**1,766**

21. INVENTORIES

	2020	2019
	HK$'000	*HK$'000*
Raw material	**30,793**	10,842
Work in progress	**6,262**	—
Finished goods	**3,481**	—
	40,536	10,842

22. TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	115,786	26,466
Less: impairment allowance under ECL	(9,412)	(7,963)
	106,374	18,503
Deposits paid	966	295
Other receivables	24,353	26,645
Prepayments	2,030	33,659
	133,723	79,102

	2020 HK$'000	2019 HK$'000
Analysed as:		
Current	133,723	77,208
Non-current	—	1,894
	133,723	79,102

Prepayment mainly represent the payment advance to suppliers in PRC as at 31 March 2020 and 2019.

The credit period on sales of goods for recurring customers is 30 to 90 days from invoice date.

The Group does not hold any collateral as security or other credit enhancements over the trade receivables.

The aging analysis of trade receivables, net of allowance for credit losses, presented based on invoice date (or date of revenue recognition, if earlier) at the end of the reporting period is as follows:

	2020 HK$'000	2019 HK$'000
0-90 days	34,472	16,438
91-180 days	35,290	59
Over 180 days	36,612	2,006
	106,374	18,503

Details of the impairment assessment of trade and other receivables are set out in note 43 to the consolidated financial statements.

23. LOAN RECEIVABLES

	2020 HK$'000	2019 HK$'000
Unsecured fixed-rate loan and interest receivable	**17,960**	10,700
Less: Allowance for impairment loss	**(3,392)**	(391)
	14,568	10,309

Loan receivables are interest bearing at fixed interest rates per annum, and with credit periods, mutually agreed between the contracting parties.

At 31 March 2020, loans receivables carry fixed interest rates and have effective interest rates ranging from 10% to 12% per annum (2019: 10% to 12% per annum). Interest income and provision of impairment on loan receivables of approximately HK$1,034,000 (2019: HK$1,220,000) and HK$3,001,000 (2019: HK$258,000) have been recognised in profit or loss for the year ended 31 March 2020 respectively.

The above loan receivables included amount of approximately HK$6,568,000 that are past due.

Details of the impairment assessment of loan receivables are set out in note 43 to the consolidated financial statements.

24. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 HK$'000	2019 HK$'000
Listed equity securities in Hong Kong, at market value	**6,826**	9,060

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

25. 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 GEM of the Stock Exchange (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 2016 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. 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.

25. CONVERTIBLE BOND RECEIVABLE (Continued)

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 GEM of the Stock Exchange (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 did 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.

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.

The convertible bond receivable was designated as financial assets at FVTPL and Level 3 of fair value hierarchy.

The movement of the asset's component of the convertible bonds for the year is set out below:

	2019
	HK$'000
Carrying amount at the beginning of the year	10,828
Received repayment from bond owner	(8,250)
Transfer to other receivables	(2,578)
Interest charge	641
Interest received	(641)
Carrying amount at the end of the year	—

26. PLEDGED DEPOSITS

The Group's pledged deposits represent cash deposits pledged as collateral for the secured bank borrowings with the carrying amount of approximately HK$16,584,000 (2019: nil) as at 31 March 2020.

Details of the impairment assessment of pledged deposits are set out in note 43 to the consolidated financial statements.

27. CASH AND BANK BALANCES

Bank balances carry interest at floating rates and placed with creditworthy banks with no recent history of default.

At 31 March 2020, the Group's cash and bank balances denominated in Renminbi ("RMB") amounted to approximately HK$1,440,000 (2019: HK$1,259,000), of which approximately HK$189,000 (2019: HK$188,000) are located in Hong Kong. RMB is not a freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to the foreign exchange control promulgated by the PRC government. The Group's cash and bank balances denominated in RMB which are located in Hong Kong is not subject to the foreign exchange control.

Details of the impairment assessment of bank balances are set out in note 43 to the consolidated financial statements.

28. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables	**41,954**	10,025
Accruals and other payables	**15,065**	20,591
Receipt in advance	**2,318**	3,611
Deferred income	**1,544**	1,024
	60,881	35,251

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

	2020	2019
	HK$'000	*HK$'000*
0-90 days	**6,318**	5,637
91-180 days	**21,522**	1,233
Over 180 days	**14,114**	3,155
	41,954	10,025

At 31 March 2020, included in accruals and other payables are amount of approximately HK$2,901,000 (2019: nil), which was amount due to a director-Mr. Qin Yuquan. Such balance is unsecured, interest-free and repayable on demand.

Deferred income represent government subsidy of approximately HK$1,038,000 (2019: HK$1,024,000) received during the year ended 31 March 2020, for the cost of upgrading the existing production lines. The amount is treated as deferred income and shall be transferred to income over the useful lives of the relevant assets. As at 31 March 2020, amount of approximately HK$1,544,000 (2019: HK$1,024,000) remains to be amortised.

29. BANK BORROWINGS

	2020	2019
	HK$'000	*HK$'000*
Secured bank borrowings	**16,584**	35,075

	2020	2019
	HK$'000	*HK$'000*
Carrying amount repayable:		
Within one year	**14,255**	35,075
Within two to five years	**2,329**	—
	16,584	35,075

29. BANK BORROWINGS (Continued)

As at 31 March 2020, the Group's bank borrowings were interest-bearing at fixed interest rate ranged from 4.65% to 5.2% (2019: at 5.49%) per annum.

At 31 March 2020, the Group's secured bank borrowings were secured by (i) the pledged deposit of approximately HK$1,442,000, and (ii) personal and corporate guarantees provided by Mr. Qin Yuquan and certain wholly owned subsidiaries the Company.

At 31 March 2019, the Group's secured bank borrowing was secured by the property and legal representative of the Group's former subsidiary.

30. BANK OVERDRAFT

Bank overdraft carry interest at market rates which at 4.000% (2019: 4.125%).

As at 31 March 2020, the Group has undrawn banking facilities of approximately HK$541,000 (2019: HK$11,446,000).

The Group's bank overdraft is secured by (i) the pledge of investment properties held by the Group with aggregate fair value of approximately HK$34,000,000 (2019: HK$40,000,000) as at 31 March 2020; and (ii) the corporate guarantee of HK$20,000,000 by the Company.

31. LEASE LIABILITIES

	2020 ***HK$'000***
Lease liabilities payables:	
Within one year	**10,243**
Within a period of more than one year but not more than two years	**6,178**
Within a period of more than two year but not more than five years	**18,225**
Within a period of more than five years	**37,317**
	71,963
Less: amount due for settlement within 12 months shown under current liabilities	**(10,243)**
Amount due for settlement after 12 months shown under non-current liabilities	**61,720**

All of the Group's lease obligations are denominated in RMB.

32. OBLIGATIONS UNDER FINANCE LEASE

The Group leased certain of its plant and machinery under finance leases. The lease term was 2 year. The interest rate underlying the obligations under finance lease ranged from 4.2% to 8.8% per annum.

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

All of the Group's obligations under finance lease were denominated in RMB.

Upon application of HKFRS 16, the obligations under finance lease have been reclassified to lease liabilities.

33. 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 (collectively referred to as "Pioneer One Group"), 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.

33. CONVERTIBLE BONDS (Continued)

The 2018 Profit Adjustment is calculated as follows:

$$\text{Consideration} \times \frac{(\text{2018 Performance Target} - \text{2018 Actual Performance})}{(\text{2018 Performance Target} + \text{2019 Performance Target} + \text{2020 Performance Target})}$$

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.

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 and other comprehensive income). 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.

33. CONVERTIBLE BONDS (Continued)

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.

34. PROMISSORY NOTE

On 8 May 2019, as consideration for the acquisition of the entire issued share capital of Green Step Investments Limited ("Green Step") and its subsidiaries (collectively referred to as "Green Step Group"), the Group issued promissory note with the principal amount of HK$280,000,000, subject to profit adjustments. The maturity date of the promissory note is on 7 May 2024, which is five years from the date of issue of the promissory note. The promissory note is interest bearing at 4% per annum before the third anniversary from the date of issue (i.e. 7 May 2022) and 7% per annum after the third anniversary from the date of issue.

Pursuant to the sale and purchase agreement for the acquisition of Green Step Group, the vendor irrevocably warrants and guarantees that the audited consolidated net profit after tax attributable to the owners of Green Step ("Actual Result"), prepared under applicable HKFRSs for the years ending 31 March 2019, 2020 and 2021 shall be no less than RMB20,000,000, RMB25,000,000 and RMB40,000,000 respectively (each of the "Performance Target"). For the avoidance of doubt, if Green Step Group recorded net loss after tax for any of the respective years, the Actual Result of Green Step Group will be deemed as zero for the calculation of the profit adjustment.

If the Performance Target for any of the respective years is not met, the vendor shall surrender to the Group the principal amount of the promissory note and the relevant interest incurred, calculated as follows:

$$\text{HK\$280,000,000} \times \frac{\text{Performance Target of the relevant year — Actual Result of the relevant year}}{\text{Sum of Performance Targets}}$$

In any event, the sum of all profit adjustments shall not be higher than HK$280,000,000 and the vendor is not obligated to compensate the Group such shortfall.

34. PROMISSORY NOTE (Continued)

The fair value of the promissory note at the date of issue is approximately HK$247,443,000. The promissory note was treated as contingent consideration payable and is subsequently measured at FVTPL taking into account the possibility of any fair value change should the abovementioned circumstances trigger the profit adjustment on the principal amount of the promissory note and the relevant interest incurred.

The Performance Target for the year ended 31 March 2020 had not been satisfied, as a result, the vendor is deemed to surrender amounts of approximately HK$82,353,000 and HK$3,294,000, represent the undiscounted portion of the principal amount of the promissory note and the relevant accrued interest respectively, calculated based on the formula as set out above.

The fair value of the promissory note is determined based on the valuation performed by an independent firm of valuers, by using the probabilistic method and a gain in fair value change of approximately HK$188,641,000 was recognised in profit or loss.

The following table presents the changes in fair value of promissory note.

	HK$'000
At 1 April 2018, at 31 March 2019 and at 1 April 2019	—
Arising from business combination	247,443
Interest on promissory note	19,095
Gain arising on fair value change	(188,641)
At 31 March 2020	77,897

Details of fair value measurement of promissory note are set out in note 43 to the consolidated financial statement.

35. 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 2018	3,719	6,468	19,171	29,358
Credit to profit or loss (Note 10)	(3,436)	—	(5,181)	(8,617)
At 31 March 2019 and at 1 April 2019	283	6,468	13,990	20,741
Acquisition through business combination (Note 42)	—	—	30,449	30,449
Credit to profit or loss (Note 10)	(283)	—	(1,631)	(1,914)
At 31 March 2020	—	6,468	42,808	49,276

36. SHARE CAPITAL

	Number of ordinary share	Nominal value
	'000	*HK$'000*
Ordinary shares of HK$0.025 each		
Authorised:		
At 1 April 2018, at 31 March 2019, at 1 April 2019 and at 31 March 2020	10,000,000	250,000
Issued and fully paid:		
At 1 April 2018, at 31 March 2019, at 1 April 2019 and at 31 March 2020	2,892,000	72,300

37. RESERVES

(a) Share premium

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

37. RESERVES (Continued)

(b) Convertible bonds reserve

Under HKAS 32 *Financial Instruments: Presentation*, convertible bonds issued are split into their liability and equity component at initial recognition by recognising the liability component at its fair value and attributing the difference between the nominal value of the convertible bonds and the fair value of the liability component to the equity component. the equity component is recognised in the convertible bonds reserve until the convertible bonds are either converted (in which case it is transferred to share premium) or redeemed (in which case it is released directly to accumulated losses).

(c) Share options reserve

Share options reserve represents the fair value of services rendered in exchange for the grant of the relevant share options over the relevant vesting period, the total of which is based on the fair value of the share options at grant date.

(d) Translation reserve

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

38. 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 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.

At 31 March 2020 and 2019, the number of shares in respect of which option had been granted and remained outstanding under the Scheme was 72,544,000, representing 2.5% of the shares of the Company in issue at that date.

Grantees	Number of Share options Outstanding at 31 March 2020 and 2019	Weight average exercise price
Executive director:		
Mr. Hung Cho Sing	23,136,000	HK$0.087
Employees	26,272,000	HK$0.087
Consultant	23,136,000	HK$0.087
	72,544,000	

No share options were granted, lapsed or exercised during the years ended 31 March 2020 and 2019.

39. RETIREMENT BENEFIT SCHEME

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, the Group is required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 per employee. Contributions to the MPF Scheme vest immediately.

The PRC employees of the subsidiaries in the PRC are members of the pension scheme operated by the PRC local government. The PRC subsidiaries are required to contribute a certain percentage of the relevant payroll of the employee to the pension scheme to fund the benefit. The only obligation for the Group with respect of the pension scheme is the required contributions under the pension scheme.

The total expense recognised in profit or loss represents contributions payable to these schemes by the Group in respect of the current accounting period at rates specified in the rules of the plans.

40. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties:

Compensation of key management personnel

Compensations of key management personnel represents remuneration of directors and other members of key management. Details of remuneration of directors are set out in note 12 to the consolidated financial statements.

	2020 ***HK$'000***	2019 *HK$'000*
Short-term benefits	**858**	858
Post-employment benefits	**18**	18
	876	876

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

41. OPERATING LEASE COMMITMENTS

As lessee

The Group leases certain office premises under operating lease arrangement, with lease terms range from two to nine years. At 31 March 2019, the Group had future minimum rental payable under non-cancellable operating lease falling due as follows:

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

As lessor

Property rental income earned during the year was approximately HK$5,800,000 (2019: HK$5,496,000). The remaining properties are expected to generate rental yields of 2% (2019: 2%) on an ongoing basis. All of the properties held have committed tenants within the next 3 years.

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

	2020	2019
	HK$'000	*HK$'000*
Within one year	**3,557**	3,566
In the second year	**835**	1,052
	4,392	4,618

42. ACQUISITION OF BUSINESS

On 22 January 2019, the Group entered into an agreement with a company that is 50% owned by Mr. Qin Yuquan, a director of the Company, for the acquisition of the entire equity interests in Green Step Group. Green Step Group is principally engaged in manufacturing of custom-made furniture and it was acquired so as to continue the expansion of the Group's custom-made furniture operation. The acquisition of Green Step was completed on 8 May 2019 (the "Completion Date") and had been accounted for using the acquisition method.

The consideration of HK$280,000,000, subject to profit adjustment (as explained in note 34), for the acquisition of Green Step was satisfied by the issuance of promissory note by the Group to the vendor. The fair value of the promissory note at the Completion Date amounted to approximately HK$247,443,000.

Acquisition-related cost of approximately HK$1,029,000 had been recognised in profit or loss for the year ended 31 March 2020.

42. ACQUISITION OF BUSINESS (Continued)

Assets acquired and liabilities assumed recognised at the Completion Date are as follows:

	HK$'000
Net assets acquired, at fair value	
Property, plant and equipment	11,095
Right-of-use assets	70,672
Intangible assets	121,794
Inventories	12,333
Trade and other receivables	104,810
Cash and bank balances	184
Trade and other payables	(88,961)
Amount due to a director	(2,652)
Lease liabilities	(70,138)
Tax payables	(11,014)
Deferred tax liabilities	(30,449)
Total identifiable net assets	117,674
Goodwill arising on business combination (Note 18)	129,769
Total consideration	247,443

The trade and other receivables acquired in this acquisition had a fair value of approximately HK$104,810,000. The gross contractual amounts of those trade and other receivables amounted to approximately HK$107,608,000. The best estimate at Completion Date of the contractual cash flows not expected to be collected amounted to approximately HK$2,798,000.

The net cash inflow from the acquisition of Green Step Group was approximately HK$184,000.

Included in the Group's revenue and profit for the year are approximately HK$40,870,000 and loss of HK$7,489,000 respectively, attributed from Green Step Group since the Completion Date.

Goodwill arose in the acquisition of Green Step Group because the cost of combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of acquired businesses. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisition of Green Step Group is expected to be deductible for tax purposes.

Had Green Step Group been consolidated on 1 April 2019, the Group's revenue and profit for the year would have been approximately HK$148,448,000 and HK$84,565,000 respectively. The directors consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined Group on an annualised basis and to provide a reference point for comparison in future periods.

42. ACQUISITION OF BUSINESS (Continued)

In determining the 'pro-forma' revenue and profit for the year, the directors have calculated depreciation of property, plant and equipment and right-of-use assets acquired on the basis of the fair values arising in the initial accounting for the business combinations rather than the carrying amounts recognised in the pre-acquisition financial statements.

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT

The Group's financial instruments include trade and other receivables, loan receivables, financial assets at fair value through profit or loss, pledged deposit, cash and bank balances, trade and other payables, bank borrowings, bank overdrafts, lease liabilities, obligations under finance lease, convertible bonds and promissory note. Details of the financial instruments are disclosed in their respective notes.

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. The policies on how to mitigate these risks are set out 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 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:

	2020	2019
	HK$'000	*HK$'000*
Financial assets		
Financial assets at fair value through profit or loss	**6,826**	9,060
Financial assets at amortised costs	**153,307**	81,985
Financial liabilities		
Financial liabilities at fair value through profit or loss	**77,897**	—
Financial liabilities at amortised costs	**377,865**	288,899

Foreign currency risk

The Group's operates in Hong Kong and the PRC with majority of its transactions, assets and liabilities denominated in the function currency of the operating subsidiaries (i.e. Hong Kong dollars and Renminbi), therefore, the Group is not expose to significant foreign currency risk.

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

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 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. The Group currently does not have an interest rate hedging policy.

The following table illustrates the sensitivity of the Group's profit/(loss) before income tax 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:

	2020	2019
	HK$'000	*HK$'000*
Increase/(decrease) in profit/(loss) before income tax		
Increase/decrease in percentage		
+0.5%	**83**	175
–0.5%	**(83)**	(175)

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 months 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/(loss) before income tax would increase/decrease by approximately HK$683,000 (2019: HK$906,000).

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

Credit risk and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade receivables, loan receivables, deposits and other receivables and bank balances.

Trade receivables

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on debtors with significant balances individually and/or by using a provision matrix, grouped based on shared credit risk characteristics by reference to past default experience and current past due exposure of the debtors.

As part of the Group's credit risk management, for debtors that are assessed collectively, the Group uses debtors' past due status to assess the impairment for its customers because these customers consist of a large number of customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms.

Average loss rates of 6.04% to 14.43% (2019: 2.12% to 100%) were applied by the Group to the trade receivable with gross carrying amount of HK$80,349,000 (2019: HK$10,028,000) which are past due at the reporting period end.

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

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables (Continued)

The following table shows the movement of lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2018	—	7,647	7,647
Impairment losses recognised	115	—	115
Exchange realignment	—	201	201
At 31 March 2019 and at 1 April 2019	115	7,848	7,963
Impairment losses recognised	6,791	—	6,791
Reversed during the year	(110)	(7,423)	(7,533)
New financial assets purchased	2,797	—	2,797
Exchange realignment	(181)	(425)	(606)
At 31 March 2020	9,412	—	9,412

Loan receivables

The Group's credit policy specifies the credit approval, review and monitoring processes. All new customers of the Group are subject to account opening procedures which include financial background checks for credit verification purpose. The directors are responsible to ensure the credit policies and operation manual are appropriate to the market need and the Group's loans department ensures the credit approval, review and monitoring processes as per stipulated in the manual are properly followed by the operation staff.

The Group considers all loan receivables as doubtful if the repayment of principal and/or interest has been overdue for more than 3 months and considers the loan and interest receivables as loss if the repayments of principal and/or interest have been overdue for more than 6 months; and in cases the collection of principal and/or interest in full is improbable after taking into account the fair values of the collateral at prevailing market prices.

Based on the above, the impairment provision is made based on the historical impairment rates of receivables with similar credit risk characteristic.

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

Credit risk and impairment assessment (Continued)

Loan receivables (Continued)

All of the Group's loan receivables are categorised as stage 1 as they have not experienced a significant Increase in credit risk since origination and impairment are recognised on the basis of 12 months ECL. There are no transfers between stages during the both years. An analysis of changes in the gross amount of loan receivables is as follows:

	Stage 1
	HK$'000
Gross carrying amount	
At 1 April 2018	10,000
New loans originated	8,700
Loan repaid during the year	(8,000)
At 31 March 2019 and at 1 April 2019	10,700
New loans originated	9,960
Loan repaid during the year	(2,700)
At 31 March 2020	17,960

	12 months ECL
	HK$'000
At 1 April 2018	133
Impairment losses recognised	258
At 31 March 2019 and at 1 April 2019	391
Impairment losses recognised	3,001
At 31 March 2020	3,392

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

Credit risk and impairment assessment (Continued)

Pledged deposit and bank balances

Credit risk on pledged deposit and bank balances are limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The Group assessed 12 months ECL for pledged deposit and bank balances by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies.

Deposits and other receivables

For deposits and other receivables, the directors make periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The directors believe that there is no significant increase in credit risk of these amounts since initial recognition and the Group provide impairment based on 12 months ECL. For the years ended 31 March 2020 and 2019, the Group assessed ECL for deposits and other receivables and impairment loss of approximately HK$243,000 (2019: nil) was recognised.

Liquidity risk

The Group is exposed to liquidity risk in respect of settlement of trade and other 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.

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturities for its financial liabilities at the end of the reporting period. 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.

	Weighted average effective interest rate	Within one year or on demand	Within two to five years on demand	Later than five years	Total undiscounted cash flow	Carrying amount
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2020						
Trade and other payables	**—**	**59,337**	**—**	**—**	**59,337**	**59,337**
Bank borrowings	**5.15%**	**15,014**	**2,385**	**—**	**17,399**	**16,584**
Bank overdraft	**—**	**19,459**	**—**	**—**	**19,459**	**19,459**
Lease liabilities	**5.53%**	**13,991**	**35,075**	**42,028**	**91,094**	**71,963**
Convertible bonds	**5.40%**	**212,000**	**—**	**—**	**212,000**	**210,522**
Promissory note	**11.34%**	**7,905**	**247,059**	**—**	**254,964**	**77,897**
		327,706	**284,519**	**42,028**	**654,253**	**455,762**
At 31 March 2019						
Trade and other payables	—	34,227	—	—	34,227	34,227
Bank borrowings	5.64%	35,240	—	—	35,240	35,075
Bank overdraft	—	8,554	—	—	8,554	8,554
Obligations under finance lease	9.73%	3,721	1,559	—	5,280	4,891
Convertible bonds	5.4%	212,000	—	—	212,000	206,152
		293,742	1,559	—	295,301	288,899

No interest element is considered in the calculation of the undiscounted cash flow.

Weighted average effective interest rate is determined based on variable interest rate instruments for non-derivative financial liabilities and is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

Fair value measurement

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

— 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).

At 31 March 2020 and 2019, financial instruments measured at fair value in the consolidated statement of financial position are categorised into the fair value hierarchy as follows:

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
At 31 March 2020				
Fair value on a recurring basis:				
Financial assets at FVTPL:				
— Equity securities listed in Hong Kong	**6,826**	**—**	**—**	**6,826**
Financial liabilities at FVTPL:				
— Promissory note	**—**	**—**	**77,897**	**77,897**
At 31 March 2019				
Fair value on a recurring basis:				
Financial assets at FVTPL:				
— Equity securities listed in Hong Kong	9,060	—	—	9,060

As described in note 34 to the consolidated financial statements, the fair value of the promissory note as contingent consideration payable for the acquisition of Green Step Group are measured at fair value under probabilistic method and take into consideration of whether each of the Performance Target is probable to be fulfilled. The unobservable inputs used in respect of the valuation are (i) expected future profitability under three different scenarios and (ii) probability distribution of the three different scenarios.

The fair value of the promissory note is positively correlated to the expected profitability of Green Step Group.

43. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENT (Continued)

Fair value measurement (Continued)

The following table presents the changes in fair value of promissory note, which are categorised as Level 3 instruments:

	HK$'000
At 1 April 2018, at 31 March 2019 and at 1 April 2019	—
Arising from business combination	247,443
Interest on promissory note	19,095
Gain arising on fair value change	(188,641)
At 31 March 2020	77,897

There were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 during both years.

Due to the variety of basis of determination used in profit forecast, it is not practicable to provide any meaningful sensitivity analysis in relation to the critical assumptions concerning the future profitability of Green Step Group and the potential impact on the fair value change of promissory note. However, if the profitability of Green Step Group is 20% higher or lower, the resulting aggregate impact on the fair value change of promissory note is 5%.

Except for the financial instrument as described above, the directors considered that the carrying amounts of other financial assets and financial liabilities approximate to their fair values as at 31 March 2020 and 2019.

44. 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 shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

44. CAPITAL MANAGEMENT (Continued)

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

	2020	2019
	HK$'000	*HK$'000*
Trade and other payables	**60,881**	35,251
Bank borrowings	**16,584**	35,075
Bank overdraft	**19,459**	8,554
Convertible bonds	**210,522**	206,152
Promissory note	**77,897**	—
Lease liabilities	**71,963**	—
Obligations under finance lease	**—**	4,891
Total debts	**457,306**	289,923
Less: Cash and bank balances	**(5,198)**	(28,127)
Net debt	**452,108**	261,796
Total equity	**393,374**	313,090
Net debt to equity ratio	**114.93%**	83.61%

45. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY

(a) Statement of financial position of the Company

	2020	2019
	HK$'000	*HK$'000*
ASSETS AND LIABILITIES		
Non-current assets		
Prepayment	—	1,894
Interest in subsidiaries	**64,086**	64,086
	64,086	65,980
Current assets		
Amount due from subsidiaries	**173,668**	183,957
Prepayment	**1,894**	7,576
Cash and bank balances	**375**	372
	175,937	191,905
Current liabilities		
Accruals and other payables	**3,409**	6,569
Amount due to subsidiaries	**4,470**	4,470
Convertible bonds	**210,522**	206,152
	218,401	217,191
Net current liabilities	**(42,464)**	(25,286)
NET ASSETS	**21,622**	40,694
CAPITAL AND RESERVES		
Share capital	**72,300**	72,300
Reserves	**(50,678)**	(31,606)
TOTAL EQUITY	**21,622**	40,694

Signed on its behalf by:

QIN YUQUAN
DIRECTOR

CHAU TSZ KONG ALAN
DIRECTOR

45. STATEMENT OF FINANCIAL POSITION AND MOVEMENT OF RESERVES OF THE COMPANY (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 2018	172,613	52,085	293,092	2,844	(539,828)	(19,194)
Loss and total comprehensive loss for the year	—	—	—	—	(12,412)	(12,412)
At 31 March 2019 and at 1 April 2019	172,613	52,085	293,092	2,844	(552,240)	(31,606)
Loss and total comprehensive loss for the year	—	—	—	—	(19,072)	(19,072)
At 31 March 2020	172,613	52,085	293,092	2,844	(571,312)	(50,678)

46. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries of the Company as at 31 March 2020 and 2019 are as follows:

Name	Country/place of incorporation/ establishment	Particulars of issued and fully paid share capital/ registered capital	Attributable equity interest 2020	Attributable equity interest 2019	Principal activities
Aim Extreme Limited (i)	British Virgin Islands ("BVI")	Share capital — US$1	**100%**	100%	Investment holding
Century Wind Limited (i)	BVI	Share capital — US$50,000	**100%**	100%	Investment holding
Chance Across Limited (i)	BVI	Share capital — US$1	**100%**	100%	Investment holding
Colorful Focus Limited	BVI	Share capital — US$1	**100%**	100%	Investment holding
Digit Dragon Limited	Hong Kong	Share capital — HK$1	**100%**	—	Investment holding

46. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries of the Company as at 31 March 2020 and 2019 are as follows:

Name	Country/place of incorporation/ establishment	Particulars of issued and fully paid share capital/ registered capital	Attributable equity interest		Principal activities
			2020	2019	
Dragon Richly Limited	Hong Kong	Share capital — HK$1	**100%**	100%	Investment holding
Earn Million Limited	Hong Kong	Share capital — HK$1	**100%**	100%	Securities investment in Hong Kong
Elements Assets Management Limited	Hong Kong	Share capital — HK$1	**100%**	100%	Property investment in Hong Kong
Excellent Shine Limited	Hong Kong	Share capital — HK$1	**100%**	100%	Property investments in Hong Kong
Field Horizon Limited	Hong Kong	Share capital — HK$1	**100%**	100%	Dormant
Greater Earn Limited (i)	BVI	Share capital — US$1	**100%**	—	Investment holding
Green Step Investments Limited	BVI	Share capital — US$1	**100%**	—	Investment holding
Jia Meng Holdings Limited	Hong Kong	Share capital — HK$2	**100%**	100%	Investment holding
Jia Meng Limited (i)	BVI	Share capital — US$1	**100%**	100%	Investment holding in BVI
Koala Enterprises Limited	Hong Kong	Share capital — HK$1	**100%**	100%	Dormant
Miles Advance Limited	Hong Kong	Share capital — HK$1	**100%**	100%	Dormant
Natural Yield Investment Limited (i)	BVI	Share capital — US$1	**100%**	100%	Property and securities investment in Hong Kong
Oasis Rainbow Investment Holdings Limited	BVI	Share capital — US$1	**100%**	100%	Investment holding

46. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries of the Company as at 31 March 2020 and 2019 are as follows:

Name	Country/place of incorporation/ establishment	Particulars of issued and fully paid share capital/ registered capital	Attributable equity interest 2020	2019	Principal activities
Pioneer One Investments Limited	BVI	Share capital — US$1	**100%**	100%	Investment holding
Prudent Success Limited (i)	BVI	Share capital — US$1	**100%**	100%	Investment holding
Pursue Return Limited (i)	BVI	Share capital — US$1	**100%**	—	Investment holding
Raise Precious Limited	Hong Kong	Share capital — HK$1	**100%**	100%	Investment holding
Raise Steady Limited (i)	BVI	Share capital — US$1	**100%**	100%	Investment holding
Regal Leader (Hong Kong) Limited	Hong Kong	Share capital — HK$1	**100%**	—	Dormant
Sunhine Wealthy Limited	BVI	Share capital — US$1	**100%**	100%	Dormant
Super Media Group Limited	Hong Kong	Share capital — HK$1	**100%**	100%	Media related services in Hong Kong
Trillion Charm Limited	Hong Kong	Share capital — HK$10	**80%**	—	Dormant
Ultimate Rise Limited (i)	BVI	Share capital — US$1	**100%**	—	Investment holding
Union Bloom Consultants Limited	Hong Kong	Share capital — HK$1	**100%**	100%	Money lending in Hong Kong
Willing Investments Limited	Hong Kong	Share capital — HK$2	**100%**	100%	Property investment in Hong Kong
Wisdom Empire Limited (i)	BVI	Share capital — US$1	**100%**	100%	Investment holding

46. PARTICULARS OF SUBSIDIARIES (Continued)

Particulars of the subsidiaries of the Company as at 31 March 2020 and 2019 are as follows:

Name	Country/place of incorporation/ establishment	Particulars of issued and fully paid share capital/ registered capital	Attributable equity interest 2020	Attributable equity interest 2019	Principal activities
廣州歌譽家居用品有限公司 (Guangzhou Geyu Household Products Co., Limited*)	The PRC	Registered capital — RMB15,000,000	**100%**	100%	Manufacturing of custom-made furniture in the PRC
廣州圖霞家居用品有限公司 (Guangzhou Tuxia Household Products Co., Limited*) (ii)	The PRC	Registered capital — RMB20,000,000	**100%**	100%	Manufacturing of custom-made furniture in the PRC
廣州馨悦家寢具有限公司 (Guangzhou Xinyue Beddings Limited*) (ii)	The PRC	Registered capital — RMB1,000,000	**—**	100%	Deregistesed
廣州新美學家居用品有限公司 (Guangzhou Xin Meixue Household Products Co., Limited*)	The PRC	Registered capital — RMB1,000,000	**100%**	—	Distribution of furniture in the PRC
廣州雅品家具科技有限公司 (Guangzhou Yapin Furniture Technology Co., Limited*)	The PRC	Registered capital — RMB50,000,000	**100%**	—	Manufacturing of custom-made furniture in the PRC
深圳市前海緯龍科技有限公司 (Shenzhen City Qianhai Weilong Technology Co., Limited*) (ii)	The PRC	Registered capital — RMB10,000,000	**100%**	—	Investment holding

Notes:

(i) Directly held subsidiaries of the Company

(ii) Wholly foreign owned enterprises

* *for identification purposes only*

The directors considered that the non-controlling interest of non-wholly owned subsidiary of the Group was insignificant to the Group and thus are not separately presented in these consolidated financial statements. In addition, no separate financial information of the non-wholly owned subsidiary is required to present.

47. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Interest payable	Bank borrowings	Lease liabilities	Obligations under finance lease	Convertible bonds	Promissory note	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2018	—	37,484	—	199	201,872	—	239,555
Financing cash flows	(3,909)	(12)	—	4,706	—	—	785
Non-cash changes:							
— Finance costs	3,909	—	—	—	4,280	—	8,189
Foreign exchange translation	—	(2,397)	—	(14)	—	—	(2,411)
At 31 March 2019	—	35,075	—	4,891	206,152	—	246,118
Application of HKFRS 16	—	—	5,976	(4,891)	—	—	1,085
At 1 April 2019	—	35,075	5,976	—	206,152	—	247,203
Financing cash flows	(1,399)	(16,956)	(4,622)	—	—	—	(22,977)
Non-cash changes:							
— Finance costs	1,399	—	3,354	—	4,370	19,095	28,218
— Business combination	—	—	70,138	—	—	247,443	317,581
— Gain on fair value change of promissory note	—	—	—	—	—	(188,641)	(188,641)
Foreign exchange translation	—	(1,535)	(2,883)	—	—	—	(4,418)
At 31 March 2020	—	16,584	71,963	—	210,522	77,897	376,966

48. MAJOR NON-CASH TRANSACTIONS

The Group entered into the following major non-cash investing and financing activities, which were not reflected in the consolidated statement of cash flows:

On 8 May 2019, the Group completed the acquisition of Green Step, at consideration of HK$280,000,000 satisfied by the issuance of promissory note.

49. COMPARATIVE INFORMATION

Certain comparative figures have been reclassified to conform with the disclosure requirements in respect of the discontinued operation as set out in note 11 to the consolidated financial statements.

The Group has initially applied HKFRS 16 on 1 April 2019. Under the transition method, comparative information is not restated. Further details of the changes in accounting policies are set out in note 3(a) to the consolidated financial statements.

50. EVENTS AFTER THE REPORTING PERIOD

Since January 2020, the outbreak of Novel Coronavirus ("COVID-19") has impact on the global business environment. Pending the development and spread of COVID-19 subsequent to the date of this report, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of this report. The Group will keep continuous attention on the situation of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

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				
	2020	2019 (Restated)	2018	2017	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	**140,464**	132,409	135,524	52,830	57,511
Cost of sales	**(85,264)**	(90,801)	(98,470)	(41,731)	(44,931)
Gross profit	**55,200**	41,608	37,054	11,099	12,580
Other income	**2,905**	1,905	1,674	8,456	3,407
Selling and distribution expenses	**(12,104)**	(10,460)	(8,142)	(4,279)	(3,290)
Administrative expenses	**(36,519)**	(45,962)	(40,726)	(36,577)	(21,445)
Impairment loss recognised of goodwill	**(72,757)**	—	—	—	—
Impairment on trade and other receivables	**(10,035)**	(373)	—	(7,495)	(8,579)
Research expenses	**(4,618)**	(4,919)	(3,840)	(710)	(2,400)
Other operating expenses	**—**	—	—	—	(1,666)
(Loss)/gain on financial assets at fair value through profit and loss	**1,397**	(2,129)	(128,086)	163,626	12,939
Gain on fair value charge of promissory note	**188,641**	—	—	—	—
Fair value (loss)/gain on investment property	**(19,900)**	10,200	39,200	13,000	2,789
Gain from bargaining purchase	**—**	—	—	—	—
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	**(1,201)**	(201)	662	570	—
Finance costs	**(28,218)**	(8,189)	(479)	(2,970)	(1,983)
(Loss)/profit before income tax	**62,791**	(18,520)	(378,838)	144,720	(7,648)
Income tax credit/(expenses)	**(912)**	6,868	9,251	(28,053)	(1,659)
(Loss)/profit after taxation from continuing operations	**61,879**	(11,652)	(369,587)	116,667	(9,307)
Profit from discontinued operations	**21,505**	—	—	—	2,960
Profit/(loss) for the year attribution to:					
— Owners of the Company	**83,384**	(11,652)	(369,586)	116,820	(6,231)
— Non-controlling interests	**—**	—	(1)	(153)	(116)
	83,384	(11,652)	(369,587)	116,667	(6,347)

FIVE YEARS FINANCIAL SUMMARY

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2020	2019	2018	2017	2016
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
TOTAL ASSETS	**915,216**	628,877	668,370	517,743	294,136
TOTAL LIABILITIES	**(521,842)**	(315,787)	(334,165)	(102,310)	(51,329)
NON-CONTROLLING INTERESTS	**—**	—	—	(352)	(504)
	393,374	313,090	334,205	415,081	242,303

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