杭品生活
杭城人的品质生活圈

杭品生活科技股份有限公司
HANG PIN LIVING TECHNOLOGY COMPANY LIMITED

(Incorporated in Bermuda with limited liability 於百慕達註冊成立之有限公司)

股份代號 Stock Code :1682

ANNUAL REPORT 2019 年報

CONTENTS

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Zhi Hua *(Chairman)*
Mr. Lam Kai Yeung *(Chief Executive Officer)*
Mr. Ma Jun *(Chief Operating Officer)*

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Hui
Mr. Chau On Ta Yuen
Dr. Lam Lee G.
Mr. Chan Kin*
(re-designated on 25 February 2019)

COMPANY SECRETARY

Mr. Lam Kai Yeung *FCPA FCCA*

AUDIT COMMITTEE

Dr. Lam Lee G. *(Chairman)*
Mr. Li Hui
Mr. Chau On Ta Yuen
Mr. Chan Kin*
(appointed on 25 February 2019)

REMUNERATION COMMITTEE

Mr. Chau On Ta Yuen *(Chairman)*
Mr. Zhi Hua
Dr. Lam Lee G.
Mr. Chan Kin*
(appointed on 25 February 2019)

NOMINATION COMMITTEE

Mr. Zhi Hua *(Chairman)*
Mr. Chau On Ta Yuen
Dr. Lam Lee G.
Mr. Chan Kin*
(appointed on 25 February 2019)

AUTHORISED REPRESENTATIVES

Mr. Zhi Hua
Mr. Lam Kai Yeung

LEGAL ADVISERS AS TO HONG KONG LAW

Paul Hastings
Chungs Lawyers

AUDITOR

Pan-China (H.K.) CPA Limited

* Mr. Chan Kin was appointed as a non-executive director on 12 June 2017, and re-designated as an independent non-executive Director on 25 February 2019. Mr. Chan was appointed as a member of each of the Audit Committee, Remuneration Committee and Nomination Committee on 25 February 2019 as well.

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM 08
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 303, 3/F
Hing Yip Commercial Centre
272-284 Des Voeux Road Central, HK

STOCK CODE

1682

COMPANY WEBSITE

http://www.1682hk.com

Chairman's Statement

On behalf of the Board, I am pleased to present the Group's annual report for the year ended 31 March 2019.

BUSINESS REVIEW

The Group is principally engaged in (i) the sourcing management business; and (ii) provision of financial services which include, among others, asset management, finance lease, pawn and money lending business.

(I) SOURCING MANAGEMENT BUSINESS

Over the past several years, all businesses around the world have experienced unprecedented drastic change from technology advancements and geopolitical volatility. Companies in a wide spectrum of industries had to create new business models and reshape themselves. Traditionally, the main types of customers for the Group's garment sourcing management business were brand owners/operators, outlets, department stores and supermarket chains. In the past few years, as the consumption pattern changed, consumers would spend more of their income on mobile electronics, personal services and rentals, while their expenditure on garments and accessories dropped significantly. In addition, online sales also severely hit the traditional retail industry. The proliferation of e-commerce and the price competition as intensified by both pure digital players and fully vertical retailers put our industry on the brink of considerable change. In a moment when garment consumption has slack in most markets around the world, the fast growth of digital and vertical retailers marked a corresponding loss of market share for other channels and numerous other companies. Meanwhile, global investment had slowed down and trade flows became sluggish. The operating performance of garment customers in the United States and Canada continued to deteriorate, as reflected mainly by the general decline of same-store sales, the general decrease or even loss of net profits, and the high gearing ratio, which led to the decline of net assets and operating difficulties. Some of them even had to shut down their large retail stores, realize their real assets and plunged into liquidity crisis. In addition, the Sino-US trade war continues, the expansion of tariffs in the United States will increase in inflation and weaken the purchasing power of Americans, especially those retail products with a significant increase in price, such as garment. As affected by such, the Group also suffered a serious business setback. In order to prevent the sales receivables, which have already been shrinking, from turning into bad debts, it is necessary to change the composition of the customers.

The Group has implemented strategies to expand its geographical coverage for garment sourcing management business, in particular of China where the spending power is increasingly stronger. By conducting diversified garment sourcing management business in more geographical locations, the Group has reduced the proportion of business revenue generated from Canada and the United States, which once were the Group's main export destinations. At the same time, the Group continued to expand its network of suppliers to include more diversified products so as to broaden its product base.

(II) PROVISION OF FINANCIAL SERVICES WHICH INCLUDE, AMONG OTHERS, ASSET MANAGEMENT, FINANCE LEASE, PAWN AND MONEY LENDING BUSINESS

The Group operates the business segment of financial services which includes asset management, finance lease, pawn and money lending business. Over the past year, with the continuous advancement of technological innovation, fintech companies have rapidly developed themselves as important players in financial sector.

Against this backdrop, the Group gathered our efforts to accelerate our strategic layout in mainland China market, further enriching the Group's product offerings and improving its financial service system, in a bid to promptly enhance the Group's business scale and seize the domestic market. The Board considers that the demand for financial services is significant and the industry is vibrant in China and Hong Kong. The Board is of the view that the business activities will provide a good opportunity for the Group to diversify its revenue stream, which is expected to benefit the Company and its shareholders as a whole.

On 4 October 2018 (after trading hours), Linglong (Hangzhou) Asset Management Co., Ltd.* (玲隆(杭州)資產管理有限公司) (the "**WFOE**"), an indirect wholly-owned subsidiary of the Company entered into the exclusive business co-operation agreement, the loan agreement, the exclusive purchase right agreement, the equity pledge agreement, the authorisation agreement and the spousal consent letter (collectively, the "**VIE Agreements**") with among others, Hangzhou Huazhiying Investment Management Co., Ltd.* (杭州華之贏投資管理有限公司) (the "**OPCO**") and the persons with the PRC nationality who hold the entire equity interest of the OPCO (the "**PRC Equity Owners**"). Through the VIE Agreements, the WFOE will have effective control over the finance and operation of the OPCO and will enjoy the entire economic interests and benefits generated by the OPCO. Upon the entry of the VIE Agreements, the financial results of the OPCO are consolidated into the consolidated financial statements of the Group and the OPCO has become a wholly-owned subsidiary of the Company. For details, please refer to the circular of the Company dated 20 November 2018.

Due to the reasons set out above, during the period under review, revenue amounted to approximately HK$185,668,000 (2018: approximately HK$184,829,000): revenue from the sourcing management business amounted to approximately HK$171,179,000, representing a decrease of approximately 7.35% (2018: approximately HK$184,767,000); revenue from provision of financial services amounted to approximately HK$14,489,000, representing an increase of approximately 23,269.35% (2018: approximately HK$62,000). Gross profit margin was approximately 12.34%, representing an increase of approximately 0.97% (2018: approximately 11.37%). Other income amounted to approximately HK$5,606,000, representing an increase of approximately 28.43% (2018: approximately HK$4,365,000), which was mainly attributable to the gain on disposal of subsidiaries. Foreign exchange (loss)/gain amounted to approximately HK$(1,212,000) (2018: approximately HK$413,000), mainly due to the depreciation of RMB during the period. Selling and distribution costs amounted to approximately HK$7,606,000 (2018: Nil), mainly due to the increase of advertising and promotion costs. Administrative expenses amounted to approximately HK$18,542,000, representing an increase of approximately 4.36% (2018: approximately HK$17,767,000). Due to the aforesaid reasons, the profit for the year attributable to owners of the Company amounted to approximately HK$476,000 (2018: approximately HK$7,995,000).

PROSPECTS AND DEVELOPMENT PLAN

According to the latest "World Economic Outlook" issued by the International Monetary Fund, after strong growth in 2017 and early 2018, global economic activity slowed notably in the second half of last year, reflecting a confluence of factors affecting major economies. Global growth is now projected to slow from 3.6% in 2018 to 3.3% in 2019, before returning to 3.6% in 2020.

Looking forward, the Group will endeavor to raise the level of operations for the two principal businesses. As to the sourcing management business, the global economy is not stable due to the trade war between the PRC and the United States of America. The Group expects to face severe challenge on its principle businesses. Therefore, the Group will continue to implement strategies to expand its geographical coverage and the products area for sourcing management business, in particular in the PRC and South-East Asia where the spending power is increasingly stronger. As to the provision of financial services business, the Group will continue to deepen the business segment of financial services.

At the same time, the Group will endeavor to search for new business opportunities and expand profit channels with the goal to strive for greater returns for shareholders.

APPRECIATION

In closing, on behalf of the Board, I would like to take this opportunity to express my sincere thanks and gratitude to our management team and employees for their commitments, hard work and loyalty to the Group during the Period. I would also like to extend my deepest thanks to our customers, bankers, business partners and Shareholders for their continual support.

Zhi Hua
Chairman

Hong Kong, 26 June 2019

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2019, the Group had total assets of approximately HK$136,145,000 (as at 31 March 2018: approximately HK$263,575,000) (including cash and bank balances of approximately HK$3,705,000 (as at 31 March 2018: approximately HK$76,146,000) which were financed by current liabilities of approximately HK$19,347,000 (as at 31 March 2018: approximately HK$145,407,000), long-term liability of approximately HK$253,000 (as at 31 March 2018: approximately HK$368,000) and shareholders' equity of approximately HK$116,545,000 (as at 31 March 2018: approximately HK$117,800,000).

The Group generally services its debts primarily through cash generated from its operations. As at 31 March 2019, the liquidity ratio, represented by a ratio between current assets over current liabilities, was 6.59:1 (as at 31 March 2018: 1.80:1), the gearing ratio of the Group, defined as a ratio between total debts over total assets, was 1: 6.95 (as at 31 March 2018: 1:1.81). The Group also approaches other strategic investors to invest in the Company to cope with the financial needs of the Company. Therefore, the directors of the Company believe that the Group has sufficient fund for developing existing business.

TREASURY POLICY

The Group adopts a prudent financial management strategy in implanting the treasury policy. Thus a sound liquidity position was able to be maintained throughout the year ended 31 March 2019. The Group continues to assess its customers' credit and financial positions so as to minimize the credit risks. In order to control the liquidity risks, the Board would closely monitor the liquidity position of the Group to ensure its assets, liabilities and other flow structure committed by the Group would satisfy the funding needs from time to time.

FOREIGN EXCHANGE AND RISK MANAGEMENT

The Group's working capital is mainly financed through internal generated cash flows. The management of the Group regularly monitors the funding requirements of the Group to support its normal operations and its development plans. Most of the Group's cash balances were deposits in US$, HK$ and RMB with major global financial institutions and most of the Group's monetary assets, revenues, monetary liabilities and payments were held in US$, HK$ and RMB.

Foreign exchange risks arising from sales and purchases transacted in different currencies may be managed by the Group through the use of foreign exchange forward contracts. Pursuant to the Group's policy in place, foreign exchange forward contracts or any other financial derivative contracts may be entered into by the Group for hedging purpose. The Group had not entered into any financial derivative contracts throughout the year ended 31 March 2019 and had no outstanding financial derivative contracts as at 31 March 2019.

CAPITAL EXPENDITURE AND COMMITMENTS

During the year ended 31 March 2019, the Group did not have any material investment in plant and equipment.

As at 31 March 2019, the Group had no commitment (as at 31 March 2018: Nil) in respect of acquisition of new machineries and no significant capital commitments.

As at the date of this report, the Group had no plan for any material investment or capital assets.

CHARGES ON ASSETS

As at 31 March 2019, the Group had no pledged assets (as at 31 March 2018: Nil).

DIVIDENDS

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

EMPLOYEE INFORMATION

As at 31 March 2019, the Group employed approximately 57 employees (excluding Directors). The total salaries and related costs (including the Directors' fees and labour cost) amounted to approximately HK$7,961,000 (2018: approximately HK$7,627,000). The Group offers its employees competitive remuneration schemes which are generally structured with reference to market terms and individual qualifications. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors. In addition, bonuses are normally paid to those eligible based on the Group's and individual's performance.

The Company maintains the Share Option Scheme, pursuant to which share options may be granted to selected eligible participants including employees of the Group, with a view to providing those eligible participants with appropriate incentive to contribute to the success of the Group.

Please refer to the section headed "Share Option Scheme" in "Report of the Director" set out in this report for further details about the Share Option Scheme of the Company.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS

On 4 October 2018 (after trading hours), the WFOE entered into the VIE Agreements with the OPCO and the PRC Equity Owners. Through the VIE Agreements, the WFOE will have effective control over the finance and operation of the OPCO and will enjoy the entire economic interests and benefits generated by the OPCO. Upon the entry of the VIE Agreements, the financial results of the OPCO are consolidated into the consolidated financial statements of the Group and the OPCO has become a wholly-owned subsidiary of the Company.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the transactions contemplated under the VIE Agreements exceed 5% and all the applicable percentage ratios are less than 25%, the entering into of the VIE Agreements constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Each of the PRC Equity Owners and the OPCO is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the VIE Agreements constituted the connected transactions and continuing connected transactions of the Company.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the transactions contemplated under the VIE Agreements exceeds 5%, the transactions contemplated under the VIE Agreements are subject to the announcement, shareholders' approval, reporting and annual review requirements under Chapter 14A of the Listing Rules.

The Company has applied for and the Stock Exchange has granted a waiver pursuant to Rule 14A.102 of the Listing Rules from (i) fixing the term of the VIE Agreements for a period of not exceeding three years pursuant to Rule 14A.52 of the Listing Rules, and (ii) setting a maximum aggregate annual cap pursuant to Rule 14A.53 of the Listing Rules for the services fees payable by the OPCO to the WFOE and the amount of loans to be made available by the WFOE to the OPCO and the PRC Equity Owners under the relevant VIE Agreements.

Except for what has been disclosed in this report, the Group had no significant investments held or material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 March 2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Except for what has been disclosed in this report, the Group did not have other plans for material investments or capital assets at the date of this report.

CONTINGENT LIABILITIES

As at 31 March 2019, the Group did not have any material contingent liabilities (as at 31 March 2018: Nil).

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Zhi Hua, aged 46, was appointed as an executive director of the Company and the chairman of the board of directors of the Company on 13 September 2017.

Mr. Zhi graduated from China University of Geosciences with a diploma in economics through distance learning in July 2007. He has been conducting business in certain companies, including Hangzhou Zhihua Municipal Construction Company Limited* (杭州支華市政工程有限公司), which is principally engaged in municipal and infrastructure construction since February 2003, Hangzhou Huazhiying Investment Management Company Limited* (杭州華之贏投資管理有限公司), which is principally engaged in provision of investment management and advisory services since November 2014 and Hangzhou Zhishi Technology Company Limited* (杭州支氏科技有限公司) and Hangzhou Huayingbao Technology Company Limited* (杭州華贏寶網絡科技有限公司) which are principally engaged in technology development, advisory and transfer on computer hardware, software and electronic products in the People's Republic of China (the "**PRC**") since August 2002 and December 2015, respectively.

Mr. Lam Kai Yeung, aged 49, was appointed as an executive director of the Company on 30 June 2017 and the chief executive officer of the Company on 13 September 2017.

Mr. Lam is an independent non-executive director of Finsoft Financial Investment Holdings Limited (Stock code: 8018) (formerly known as "Finsoft Corporation 匯財軟件公司") and Shi Shi Services Limited (formerly known as "Kong Shum Union Property Management (Holding) Limited") (Stock code: 8181), both of which are listed on GEM of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). He is also an independent non-executive director of Starrise Media Holdings Limited (formerly known as "Silverman Holdings Limited") (Stock code: 1616), Holly Futures Co., Limited (弘業期貨股份有限公司) (Stock code: 3678) and Kin Shing Holdings Limited (Stock code: 1630), which are companies listed on the Main Board of the Stock Exchange. Mr. Lam was a director of Sunway International Holdings Limited (Stock code: 58) from May 2015 to June 2019, a company is listed on the Main Board of the Stock Exchange.

Mr. Lam is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a licensed person for type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**"). He is also a Certified Dealmaker. He has more than 20 years' experience in finance and auditing. He obtained a bachelor degree in accounting from Xiamen University (廈門大學) in July 1990 and a master degree in business administration from Oxford Brookes University in the United Kingdom in July 2010.

EXECUTIVE DIRECTORS (continued)

Mr. Ma Jun, aged 48, was appointed as the chief operating officer of the Company on 16 October 2017 and the executive director of the Company on 30 November 2017.

Mr. Ma graduated from Zhejiang Gongshang University* (浙江工商大學) with a double degree in accounting and foreign trade and economic management in 1992. Mr. Ma possessed years of experience in the area of garment manufacturing and trade. He had served as the department head of Zhejiang Textiles Import and Export Group* (浙江省紡織品進出口集團).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Hui, aged 50, was appointed as an independent non-executive director of the Company on 17 May 2017.

Mr. Li graduated from Henan University with a Master of Arts in English Language and Literature in 1995 and from Royal Melbourne Institute of Technology University of Australia with a master degree of Business Administration (International Management) in 2004. Mr. Li has been working for Henan Hong Kong (Holdings) Limited since 1995 and has been the managing director since 2006. From January 2005 to March 2006, Mr. Li worked for Bright Star Resources (Holding) Pte Ltd. in Singapore as executive general manager. Mr. Li has extensive experience in corporate management, investment, financing and merger and acquisition in electricity, nonferrous metals, automobiles and biopharmaceuticals businesses.

Since March 2017, Mr. Li has been an independent non-executive director, a member of each of audit committee, remuneration committee and nomination committee of China Smarter Energy Group Holdings Limited (Stock code: 1004), a company listed on the main board of The Stock Exchange of Hong Kong Limited.

Mr. Chau On Ta Yuen, aged 71, was appointed as an independent non-executive director of the Company on 19 September 2017.

Mr. Chau graduated from Xiamen University, majoring in Chinese language and literature. Mr. Chau is currently a non-executive director and the honorary chairman of the board of directors of China Ocean Industry Group Limited (formerly known as China Ocean Shipbuilding Industry Group Limited) (Stock Code: 651), an executive director and the chairman of the board of directors of ELL Environmental Holdings Limited (Stock Code: 1395), an independent non-executive director of Good Resources Holdings Limited (formerly known as Good Fellow Resources Holding Limited) (Stock Code: 109), an independent non-executive director of Redco Properties Group Limited (Stock Code: 1622), and an independent non-executive director of Come Sure Group (Holdings) Limited (Stock Code: 794), the shares of all of which are listed on the Main Board of the Stock Exchange.

Mr. Chau is a member of the National Committee and the Standing Committee of the Chinese People's Political Consultative Conference (中國全國政協委員及常務委員) and the honorary consultant of Hong Kong Federation of Fujian Associations (香港福建社團聯會榮譽顧問). Mr. Chau is awarded with a Bronze Bauhinia Star (BBS) and Silver Bauhinia Star (SBS) by the Government of HKSAR on 1 July 2010 and 1 July 2016, respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Dr. Lam Lee G., aged 60, was appointed as an independent non-executive director of the Company on 29 September 2017.

Dr. Lam has over 30 years of international experience in general management, management consulting, corporate governance, investment banking, direct investment and fund management, across the telecommunications/media/technology (TMT), consumer/healthcare, infrastructure/real estates, energy/resources and financial services sectors. He serves as an independent/non-executive director of several publicly listed companies and investment funds in the Asia Pacific region. Having served as a Part-time Member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region for two terms, a Member of the Legal Aid Services Council, a Member of the New Business Committee of the Financial Services Development Council (FSDC), a Member of the Derivatives Market Consultative Panel of Hong Kong Exchanges and Clearing Limited (HKEx) and a Member of the General Council and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies, Dr. Lam is currently the Chairman of Hong Kong Cyberport Management Company Limited, a Member of the Jilin Province Committee (and formerly a Specially-invited Member of the Zhejiang Province Committee) of the Chinese People's Political Consultative Conference (CPPCC), a Vice Chairman of Liaoning Chinese Overseas Friendship Association, Vice Chairman of the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) Business Advisory Council and Chairman of its Task Force on Banking and Finance, Honorary Chairman – Asia Pacific of CMA Australia, a Fellow of CMA Australia, an Honorary Fellow of CPA Australia, a Member of the Hong Kong Institute of Bankers, a Fellow of the Hong Kong Institute of Directors and the Hong Kong Institute of Arbitrators, an Accredited Mediator of the Centre for Effective Dispute Resolution (CEDR), a Member of the Hong Kong-Thailand Business Council, a Founding Member of Hong Kong-Korea Business Council, a Board Member of the Australian Chamber of Commerce in Hong Kong and Macau, a Board Member of Pacific Basin Economic Council (PBEC), a Board member of the Chinese General Chamber of Commerce of Hong Kong, President of Hong Kong-ASEAN Economic Cooperation Foundation, a Founding Board Member and the Honorary Treasurer of the Hong Kong-Vietnam Chamber of Commerce, a Vice President of the Hong Kong Real Property Federation, Chairman of Monte Jade Science and Technology Association of Hong Kong, a Member of the Court of City University of Hong Kong, a visiting professor (in the subjects of corporate governance and investment banking) at the School of Economics & Management of Tsinghua University in Beijing, an Adjunct Professor at the Department of Management in the Chinese University of Hong Kong. Dr. Lam is a Solicitor of the High Court of Hong Kong and an Honorary Fellow of CPA Australia.

INDEPENDENT NON-EXECUTIVE DIRECTORS (continued)

Dr. Lam is an independent non-executive director of each of CSI Properties Limited (Stock Code: 497), Mei Ah Entertainment Group Limited (Stock Code: 391), Vongroup Limited (Stock Code: 318), Glorious Sun Enterprises Limited (Stock Code: 393) and Haitong Securities Company Limited (Stock Code: 6837 and it is also listed in the Shanghai Stock Exchange with Stock Code: 600837), Elife Holdings Limited (Stock Code: 223), Huarong Investment Stock Corporation Limited (Stock Code: 2277), Kidsland International Holdings Limited (Stock Code: 2122), Hsin Chong Group Holdings Limited (Stock code: 404), Mingfa Group (International) Company Limited (stock code: 846) and Aurum Pacific (China) Group Limited (Stock code: 8148); and a non-executive director of each of Sunwah Kingsway Capital Holdings Limited (Stock Code: 188), China LNG Group Limited (Stock Code: 931), National Arts Entertainment and Culture Group Limited (Stock Code: 8228), China Shandong Hi-Speed Financial Group Limited (Stock code: 412), Tianda Pharmaceuticals Limited (Stock Code: 455) and Green Leader Holdings Group Limited (Stock code: 0061), the shares of all of which are listed on the Stock Exchange. He is an independent non-executive director of each of China Medical (International) Group Limited (formerly known as “Asia-Pacific Strategic Investments Limited”) (Stock Code: 5RA), Top Global Limited (Stock Code: BHO), JCG Investment Holdings Limited (formerly known as “China Medical (International) Group Co., Ltd”) (stock code: VFP) and Thomson Medical Group Limited (A50), and a non-executive director of Singapore eDevelopment Limited (Stock code: 40V), the shares of all of which are listed on the Singapore Exchange. Dr. Lam is also an independent director of each of Sunwah International Limited (Stock Code: TSX SWH) whose shares are listed on the Toronto Stock Exchange, Aust China Holdings Limited (Stock Code: ASX AUH) whose shares are listed on the Australian Securities Exchange and TMC Life Sciences Berhad (Stock Code: 0101) whose shares are listed on the Malaysia Stock Exchange, and a non-executive director of Adamas Finance Asia Limited (Stock code: ADAM) whose shares are listed on the London Securities Exchange.

Dr. Lam was an independent non-executive director of Imagi International Holdings Limited (Stock Code: 585), Xi’an Haitian Holdings Company Limited (Formerly known as “Xi’an Haitian Antenna Holdings Co., Ltd.”) (Stock code: 8227). He was also a non-executive director of Roma Group Limited (Stock Code: 8072), the shares of all of which are listed on the Stock Exchange. He was an independent non-executive director of Thomson Medical Group Limited (formerly known as “Rowsley Limited”) (Stock code: A50), the shares of which is listed on the Singapore Stock Exchange. He was an independent non-executive director of Vietnam Equity Holding (Stock code: 3MS), the shares of which is listed on the Stuttgart Stock Exchange.

Mr. Chan Kin, aged 55, was appointed as a non-executive director of the Company on 12 June 2017 and re-designated as an independent non-executive director of the Company on 25 February 2019.

Mr. Chan graduated from Shanghai Institute of Foreign Trade* (上海外貿職工大學) in 1980s and immigrated to Hong Kong in 1990s. He engaged in international trade, marketing, finance and investment risk management and other industries. Since 1993, he has been self-employed and founded Fong Shing Investment Limited. With the practical working experience accumulated in Hong Kong and China in the past 30 years, he has been engaged in the project investment research, operation planning and business evaluation of the project as well as the provision of advice regarding corporate strategic management, investment management and capital operation management and risk.

SENIOR MANAGEMENT

Mr. Yuan Xiaolei, aged 48, was appointed as the chief financial officer of the Company on 13 September 2017.

Mr. Yuan graduated from Hangzhou Institute of Commence* (杭州商學院) (currently known as Zhejiang Gongshang University* 浙江工商大學) with a bachelor degree in accounting. He has been a certified public accountant since May 1996, certified public valuer since 1998 and certified tax appraiser of the PRC since June 2002. Mr. Yuan is currently the chief financial officer of Zhishi Holdings Group Company Limited* (支氏控股集團有限公司) since 2017. Mr. Yuan has more than 20 years of experience in the field of finance and accounting. Prior to joining the Company, Mr. Yuan had worked for various companies and accounting firms in the PRC.

Report of the Directors

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

PRINCIPAL ACTIVITIES

The Company acts an investment holding company. The principal activities of its principal subsidiaries are set out in Note 33 to the consolidated financial statements.

SEGMENT INFORMATION

An analysis of the Group's revenue by geographical areas of operations for the year ended 31 March 2019 is set out in Note 6 to the consolidated financial statements.

BUSINESS REVIEW

Details of the business review of the Group are set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" on pages 4 to 9 of this report. Description of the principal risks and uncertainties facing the Company can also be found throughout this report particularly in Note 32 to the consolidated financial statements.

The Group has reported its financial conditions in due compliance with procedures stipulated under the Listing Rules. For details of the financial risks, please refer to the section headed "Financial Review" in "Management Discussion and Analysis" set out on pages 7 to 8 of this report.

The key financial and business performance indicators of the Group included revenue, gross profit, profit attributable to equity holders of the Company, shareholders' funds and debt to equity ratio. Details of these indicators are provided in "Financial Summary" and "Management Discussion and Analysis" and as set out on page 128 and pages 7 to 9 of this report respectively.

RESULTS

The results of the Group for the year ended 31 March 2019 and the Group's financial position at that date are set out on pages 41 and 42.

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

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to Shareholders as at 31 March 2019, represented by its special reserve and net of accumulated losses was HK$91,637,000 (2018: HK$95,163,000).

SHARE CAPITAL

Details of share capital of the Company during the year are set out in Note 23 to the consolidated financial statements.

DIVIDEND POLICY

The objective of the Company's dividend policy (the "**Dividend Policy**") is to allow shareholders of the Company (the "**Shareholders**") to participate in the Company's profits whilst retaining adequate reserves for the Group's future growth.

The Board has the discretion to declare and distribute dividends to the Shareholders, subject to the Articles and all applicable laws and regulations and the factors set out below:

- the Group's results of operations and cash flows;
- the Group's future prospects;
- general business conditions;
- the Group's capital requirements and surplus;
- contractual restrictions on the payment of dividends by the Company to its Shareholders or by subsidiaries to the Company;
- statutory and regulatory restrictions; and
- any other factors the Board may deem relevant.

FIVE YEARS FINANCIAL SUMMARY

A summary of the Group's published results and the Group's assets and liabilities for the last five financial years is set on page 128 of this report.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

DIRECTORS

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

EXECUTIVE DIRECTORS:

Mr. Zhi Hua *(Chairman)*
Mr. Lam Kai Yeung *(Chief Executive Officer)*
Mr. Ma Jun *(Chief Operating Officer)*

INDEPENDENT NON-EXECUTIVE DIRECTORS:

Mr. Li Hui
Mr. Chau On Ta Yuen
Dr. Lam Lee G.
Mr. Chan Kin *(re-designated on 25 February 2019)*

In accordance with Bye-Law 108(A), Mr. Li Hui, Mr. Ma Jun and Mr. Chan Kin shall retire by rotation and being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company.

DIRECTORS' SERVICE CONTRACTS

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

COOPERATION AGREEMENTS

Details of cooperation agreements entered by the Group subsequent to 31 March 2019 are set out in Note 35 to the consolidated financial statements.

CHANGE IN INFORMATION OF DIRECTORS

Upon specific enquiry by the Company and following confirmations from the Directors, up to the date of this report, save as set below, there is no change in the information of the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

Dr. Lam Lee G. ("Dr. Lam")
Save as disclosed on the interim report 2018/2019 of the Company, Dr. Lam was appointed as an independent non-executive director of Aurum Pacific (China) Group Limited (Stock code: 8148) on 1 January 2019 and a non-executive director of Green Leader Holdings Group Limited (Stock code: 0061) on 1 June 2019, the two companies are listed on the Stock Exchange. He also was appointed as an independent non-executive director of each of TMC Life Sciences Berhad (Stock code: 0101) on 25 January 2019, whose shares are listed on the Malaysia Stock Exchange and Thomson Medical Group Limited (Stock code: A50) on 2 May 2019, whose shares are listed on Singapore Stock Exchange.

Mr. Lam Kai Yeung ("Mr. Lam")
Save as disclosed on the interim report 2018/2019 of the Company, Mr. Lam resigned as an executive director of Sunway International Holdings Limited (Stock code: 58) on 6 June 2019, a company listed on the Main Board of the Stock Exchange.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Except for the VIE agreements disclosed in this report, no transactions, arrangements and contract of significance, to which the Company, its holding company, or any of its subsidiaries was a party and in which a Director or a connected entity of a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

Except for the VIE agreements disclosed in this report, no other contract of significance, including contracts for the provision of services, had been entered into between the Company or any of its subsidiaries and the controlling shareholders during the year ended 31 March 2019.

COMPETING BUSINESS INTERESTS OF DIRECTORS

For the year ended 31 March 2019, none of the Directors or their respective associates has any interests in a business which competes or may compete with the business of the Company.

(CONTINUING) CONNECTED TRANSACTION

Except for the transactions contemplated under the VIE Agreements constitute connected transactions and continuing connected transactions of the Company, during the year ended 31 March 2019, there was no other transaction which is required to be disclosed as (continuing) connected transaction in accordance with Chapter 14A of the Listing Rules.

The independent non-executive Directors had reviewed the continuing connected transactions above and confirmed that such transactions had:

(1) been entered into in the ordinary and usual course of business of the Group;

(2) been conducted on normal commercial terms; and

(3) been carried out according to the relevant agreements governing such transactions on fair and reasonable terms and in the interest of the Shareholders as a whole.

The Board has received a letter from the auditors of the Company and has submitted a copy to the Stock Exchange, confirming that during the reporting period, in respect of the above continuing connected transactions, nothing has come to the attention of them that the continuing connected transactions:

(1) have not been approved by the listed issuer's board of directors;

(2) were not, in all material respects, in accordance with the pricing policies of the Group;

(3) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions.

TAX RELIEF AND EXEMPTION

During the year ended 31 March 2019, the Directors are not aware of any tax relief and exemption available to the shareholders by reason of their holding the Company's securities.

RELATED PARTY TRANSACTION

Except for the transactions contemplated under the VIE Agreements constitute connected transactions and continuing connected transactions of the Company, during the year ended 31 March 2019, there was no other transaction which is defined as (continuing) connected transaction in accordance with Chapter 14A of the Listing Rules.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in Hong Kong and PRC while the Company itself is listed on the Stock Exchange.

To the best of our knowledge, during the year ended 31 March 2019, there was no material breach of or non-compliance by the Group with the applicable laws and regulations that have a significant impact on the business and operation of the Group.

CONFIRMATION OF INDEPENDENCE BY INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. Save as disclosed above, the Company considers all the independent non-executive Directors are independent.

BIOGRAPHICAL DETAILS OF DIRECTORS

Brief biographical details of the Directors are set out on pages 10 to 14 of this report.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2019, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of director	Capacity in which interests are held	Number of shares held and class of securities (Note 2)	Number of shares held under equity derivatives	Approximate percentage of shareholding (Note 1)
Mr. Zhi Hua	Interest of controlled corporation	322,409,404 (L) (Note 3)		49.15%
Mr. Lam Kai Yeung	Beneficial owner		5,192,000 (L) (Note 4)	0.79%
Mr. Ma Jun	Beneficial owner		1,000,000 (L) (Note 5)	0.15%

Notes:

1. The percentage has been calculated based on 655,927,000 Shares in issue as at 31 March 2019.

2. The letter "L" denotes the Directors' long position in the Shares.

3. These 322,409,404 shares are owned by Rosy Lane International Limited, a company incorporated in the British Virgin Islands and the entire issued share capital of which is beneficially owned by Mr. Zhi Hua. Mr. Zhi Hua is deemed to be interested in such Shares held by Rosy Lane International Limited under the SFO.

4. It represents 5,192,000 share options granted on 16 January 2018 pursuant to the Share Option Scheme on 2 June 2010 and are exercisable at the price of HK$0.854 per share, and a ten years validity period from 16 January 2018.

5. It represents 1,000,000 share options granted on 16 January 2018 pursuant to the Share Option Scheme on 2 June 2010 and are exercisable at the price of HK$0.854 per share, and a ten years validity period from 16 January 2018.

Save as disclosed above in this report, as at 31 March 2019, none of the Directors nor the chief executive of the Company had any interest or short position in the Shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 31 March 2019, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following persons (other than Directors and the chief executive of the Company) had interests or short positions in the Shares and/or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity	Number of shares held and class of securities (Note 2)	Approximate percentage of shareholding (Note 1)
Rosy Lane International Limited	Beneficial owner	322,409,404 Shares (L) (Note 3)	49.15%
Mr. Ng Leung Ho	Beneficial owner	103,950,000 Shares (L) (Note 4)	15.85%
Mr. Ng Tsze Lun	Beneficial owner	50,173,000 Shares (L)	7.65%
Ms. Yau Yuk Chun Carole	Interest of spouse	50,173,000 Shares (L) (Note 5)	7.65%

Notes:

1. The percentage has been calculated based on 655,927,000 Shares in issue as at 31 March 2019.

2. The letter "L" denotes the individual's or the corporation's long position in the Shares.

3. Rosy Lane International Limited is a company incorporated in the British Virgin Islands and the entire issued share capital of which is beneficially owned by Mr. Zhi Hua.

4. Apart from 103,950,000 Shares of the Company, there are also 322,326,500 Shares of the Company charged to Mr. Ng Leung Ho under a share charge as security for a loan from Bloom Dragon Finance Limited. Bloom Dragon Finance Limited is owned as to 50% by Mr. Ng Chi Lung and 50% by Good Fellow Group Limited. Good Fellow Group Limited is owned as to 99.99% by Hillbrow Securities Limited, which is wholly-owned by Mr. Ng Leung Ho.

5. Ms. Yau Yuk Chun Carole is the wife of Mr. Ng Tsze Lun. Under the SFO, Ms. Yau Yuk Chun Carole is deemed to be interested in the same number of shares in which Mr. Ng Tsze Lun is interested.

Save as disclosed above, as at 31 March 2019, there was no other person who was recorded in the register of the Company as having interests or short positions in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all the circumstances at general meetings of members of the Group other than the Company, or which were required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

The Company conditionally adopted the Share Option Scheme on 2 June 2010 which became effective upon the Company's shares were listed on the Stock Exchange on 5 October 2010. The purpose of the Share Option Scheme is to provide incentives and rewards to eligible participants, including eligible Directors, eligible employees and any other eligible persons, for their contributions to the Group.

Subject to the terms and conditions of the Share Option Scheme, the total number of Shares Options which may be issued upon the exercise of all options granted under the Share Option Scheme and any other share option schemes of the Company shall be re-set at 10% of the Shares in issue as at the date of the approval of the limit as "refreshed".

An aggregate number of shares granted on 16 January 2018 under the Share Option Scheme was 22,068,000 shares, representing approximately 3.36% of the issued share capital of the Company as at the date the Company obtained a fresh approval from its shareholders in an annual general meeting held on 28 September 2018. Details of the share options of the Company granted, exercised, lapsed and cancelled pursuant to the Share Option Scheme during the year ended 31 March 2019 were as follows:

					Number of shares issuable under the share options				
Name of Grantee	Date of grant	Exercise Price (HK$)	Exercise period	Vesting period	As at 1 April 2018	Granted during the year	Exercised during the year	Lapsed/ cancelled during the year	As at 31 March 2019
Directors									
Mr. Lam Kai Yeung	16/01/2018	0.854 per share	16/01/2018-15/01/2028	16/01/2018-15/01/2028	5,192,000	–	–	–	5,192,000
Mr. Ma Jun	16/01/2018	0.854 per share	16/01/2018-15/01/2028	16/01/2018-15/01/2028	1,000,000	–	–	–	1,000,000
Other participants in aggregate	16/01/2018	0.854 per share	16/01/2018-15/01/2028	16/01/2018-15/01/2028	15,876,000	–	–	–	15,876,000

The Share Option Scheme will remain in force for a period of ten years commencing on the date on which the Share Option Scheme is adopted.

None of the share options was granted, exercised, lapsed and cancelled under the Share Option Scheme throughout the year ended 31 March 2019 and as at the date of this report.

ARRANGEMENTS TO PURCHASE SHARES OF DEBENTURES

Save as disclosed in the paragraph headed "Share Option Scheme" above, at no time during the year was the Company, its holding company, nor any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the Remuneration Committee on the basis of their merit, qualifications and competence.

The emoluments of the Directors and management of the Group are reviewed and recommended by the Remuneration Committee, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted the Share Option Scheme as an incentive to Directors and eligible employees. Details of Share Option Scheme are set out in Note 25 to the consolidated financial statements.

KEY RELATIONSHIP WITH EMPLOYEES

The Group recognises the employees as the most important and valuable assets of the Group. The objective of the Group's human resource management is to reward and recognise performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression by appropriate on-the-job training and providing opportunities within the Group for career advancement.

MANAGEMENT CONTRACTS

The Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company for the year ended 31 March 2019.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Bye- Laws or the laws of Bermuda which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

MAJOR CUSTOMERS AND SUPPLIERS

For the year under review, sales to the five largest customers accounted for 60.58% of the total revenue of the Group and sales to the largest customer included therein accounted for approximately 22.32% of the total revenue of the Group.

For the year under review, purchases from the five largest suppliers accounted for approximately 66.64% of the total purchases of the Group and purchases from the largest supplier included therein accounted for approximately 43.24%.

At no time during the year did a Director, an associate of a Director or a shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) have an interest in any of the Group's five largest suppliers or customers.

RELATIONSHIPS WITH CUSTOMERS AND SUPPLIERS

CUSTOMERS

The Group is committed to offering high-quality services to customers. It values the opinions and feedback of all customers through various means and channels, including the usage of telephone, direct mail and after-sale return visit. This is to ensure that the Group is well aware of all customers' requirements or feedbacks on a timely basis and provides high quality services to its customers. In addition, the Group continues to proactively manage customer relations, expand its customer base and enhance customer loyalty.

SUPPLIERS

The Group establishes working relationships with suppliers to meet customers' needs in an effective and efficient manner. The Group's requirements and standards are well-communicated to suppliers before placing orders in order to ensure the deliverance of high-quality samples. All key suppliers have a close and long-term relationship with the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained the prescribed public float pursuant to the Listing Rules as at the date of this report.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance and Bye-Law 191) for the benefit of the Directors is currently in force and was in force throughout the year ended 31 March 2019.

The Company had taken out and maintained appropriate corporate liability insurance coverage for the Directors and officers of the Company throughout the year ended 31 March 2019.

CORPORATE GOVERNANCE REPORT

The Company's corporate governance principles and practices are set out in the section headed "Corporate Governance Report" in this annual report.

EVENTS AFTER THE REPORTING PERIOD

Details of events after the reporting period are provided in Note 35 to the consolidated financial statement.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Further discussion on the Company's environmental principles and practices and its relationship with the respective stakeholders is set out in the Independent Environmental, Social and Governance Report, which will be uploaded to the Company's and the Stock Exchange's website and no later than three months after the publication of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group recognises the importance of environmental sustainability against modern ecological challenges. As a responsible corporate citizen, the Group has been actively taking steps to minimise the negative environmental impacts, reduce wastage and maximise energy efficiency which in turn provides a green and eco-friendly environment to the community. Green office practices such as double-sided printing and copying, promoting using recycled papers and reducing energy consumption by switching off idle lighting are encouraged in the operation of the Group's businesses. The Group will review its environmental practices from time to time and will consider implementing further practicable measures and practices to enhance environmental sustainability.

AUDITORS

Pan-China (HK) CPA Limited was appointed as auditor of the Company with effect from 31 August 2017 to fill the casual vacancy following the resignation of Deloitte and to hold office until the conclusion of the next annual general meeting of the Company. Save as disclosed above, the Company did not change its auditor in the past three years. The Consolidated Financial Statements of the Group for the year ended 31 March 2019 have been audited by Pan-China (H.K.) CPA Limited, who will retire and being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

OTHER DISCLOSURE

Change of company name and Stock Short Names

The change of the English name of the Company from "Hua Long Jin Kong Company Limited" to "Hang Pin Living Technology Company Limited", and the adoption Chinese name of "杭品生活科技股份有限公司" as been adopted as the secondary name of the Company in place of "華隆金控有限公司" were approved by the shareholders of the Company at the special general meeting held on 8 March 2019.

The Certificate of Incorporation on Change of Name and the Certificate of Second Name were both issued by the Bermuda Registrar of Companies on 9 April 2019. The Certificate of Registration of Alternation of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies on 26 April 2019.

The stock short names of the Company for trading in the Shares on the Stock exchange has been changed from "華隆金控" to "杭品生活科技" in Chinese and from "HUALONGJINKONG" to "HP LIVING TECH" in English with effect from 9:00 a.m. on 8 May 2019.

The change of the Company's name will not affect any of the rights of the holders of securities of the Company or the Company's daily business operation and its financial position.

By Order of the Board

Zhi Hua
Chairman

Hong Kong,
26 June 2019

CORPORATE GOVERNANCE PRACTICES

The Company had complied with all the code provisions ("**Code Provisions**") under the Corporate Governance Code throughout the year ended 31 March 2019, except for the following deviations:

Code Provision A.6.7 which stipulates, among others, that independent non-executive Directors and other non-executive Directors should attend general meetings. Due to other business engagement, Mr. Chan Kin, a non-executive Director who was re-designated as an independent non-executive Director on 25 February 2019, was unable to attend the SGM held on 10 December 2018, and Mr. Chau On Ta Yuen, an independent non-executive Director, was unable to attend the SGM held on 8 March 2019.

Under Code Provision C.2.5, the Group should have an internal audit function. However, due to the size of the Group and for cost effectiveness consideration, the Group currently does not have an internal audit function. Instead, the Audit Committee has a review on the internal control system annually. The review covers major financial, operational controls in rotation basis and also the risk management functions. No significant deficiency was identified under current period's review and the systems were operating effectively and adequately. The Group continues to review the need for an internal audit function annually.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has established a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard set out in the Model Code for Securities Transaction by Directors of Listed Issuers (the "**Model Code**"). Having made specific enquiries to the Directors, all Directors confirmed that they had complied with the required standard set out in the Model Code during the year ended 31 March 2019.

BOARD OF DIRECTORS

The Board currently comprises seven Directors, including three executive Directors, namely Mr. Zhi Hua (chairman), Mr. Lam Kai Yeung (chief executive officer) and Mr. Ma Jun (chief operating officer); four independent non-executive Directors, namely Mr. Li Hui, Mr. Chau On Ta Yuen, Dr. Lam Lee G. and Mr. Chan Kin.

The relationship among members of the Board and biographical details of the Directors who are currently serving on the Board are set out on pages 10 to 14 of this annual report. To the best knowledge of the Company and save as disclosed under the section headed "Biographical Details of Directors and Senior Management" of this report and interests set out in the sections headed "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" and "Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares" of this report, there is no financial, business, family or other material or relevant relationship(s) among members of the Board.

All Directors are subject to retirement by rotation and if eligible, may offer themselves for re-election at the annual general meeting of the Company in accordance with the provisions of the Bye-Laws.

CORPORATE GOVERNANCE REPORT

The Board collectively monitors performance and the related risks and controls in pursuit of the strategic objectives of the Company. Day- to-day management of the Company is delegated to executive Directors and management of the Company in charge of the Group's business.

To implement the strategies and plans effectively, executive Directors and the management meet on a regular basis to review the performance of the business of the Group, co-ordinate overall resources and make financial and operational decisions.

BOARD MEETINGS

Apart from the regular board meetings, the Board met on other occasions when a board-level decision on a particular matter was required.

The Board meets regularly to review and determine the corporate strategies and overall strategic policies. Each of the Directors of the Board has full access to relevant information at the meetings. The Board has met 8 times during the year ended 31 March 2019 and conducted the following activities at such regular meetings:

(a) approved the interim and final results, interim and annual report, and matters to be considered at the annual general meeting of the Company;

(b) discussed corporate strategies of the Group for the financial year ending 31 March 2020;

(c) reviewed the performance and financial position of the Group;

(d) reviewed, discussed and approved the matters in relation to the appointment of the Directors; and

(e) reviewed, discussed and approved the remuneration packages of the employees of the Group and Directors and bonus payment for the year ended 31 March 2019.

CORPORATE GOVERNANCE FUNCTIONS

Pursuant to the Board Committees' terms of reference, the Board shall keep the effectiveness of the corporate governance and system of internal non-financial controls of the Group. The Board shall introduce and propose relevant principles concerning corporate governance and to review and determine the corporate governance policy, so as to effect a high standard of corporate governance practices in the Group. The duties of the Board and the Board Committees, as the case may be, shall include the following aspects:

(a) to develop and review the Group's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous development of the Directors and the management;

(c) to review and monitor the Group's policies and practices on compliance with legal and regulatory requirements;

(d) to review and approve the annual corporate governance report and related disclosures in annual and interim reports of the Group and ensure compliance with relevant requirements under the Listing Rules or the rules of any other stock exchange in respect of which the securities of the Company are listed or quoted, or other laws, regulations, rules and codes as may be applicable to the Group (the "**Applicable Laws**");

(e) to make sure that appropriate monitoring systems are in place to ensure compliance against the relevant internal control systems, processes and policies, and in particular to monitor the implementation of the Group's plans to maintain a high level of compliance with its own risk management standard;

(f) to monitor if each of the Audit Committee, Remuneration Committee and Nomination Committee (or such other Board committee(s) from time to time established) has duly discharged their respective duties and obligations in accordance with their respective terms of reference, the Listing Rules and any Applicable Laws; and

(g) to review the Group's compliance with the Corporate Governance Code from time to time adopted by the Group and the disclosure in the corporate governance report to be contained in the Company's annual reports.

CHAIRMAN AND CHIEF EXECUTIVE

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of the chairman of the Board and the chief executive officer of the Company are separate and performed by Mr. Zhi Hua and Mr. Lam Kai Yeung respectively since 13 September 2017. The Board believes that such arrangement is in the best interest of the Company and the Shareholders as a whole.

TERMS OF APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a fixed term of three years. The term of each of the independent non-executive Directors shall be renewable automatically for a successive term of three years each commencing from the next day after the expiry of their then current term of appointment, subject to retirement by rotation and re-election at an annual general meeting pursuant to the Bye-Laws unless terminated by not less than one month notice in writing.

Save as disclosed in the section headed "Compliance with Laws and Regulations" on page 18 in this report, during the year under review, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received annual written confirmation of independence from all independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Board considers them to be independent in accordance with the Listing Rules.

BOARD COMMITTEES

The Board has established three Board Committees including the Nomination Committee, the Remuneration Committee and the Audit Committee.

The Board has delegated some of its functions to the Board Committees, the details of which are discussed below.

NOMINATION COMMITTEE

The Nomination Committee currently comprises one executive Director, namely Mr. Zhi Hua (chairman) and three independent non-executive Directors, namely Mr. Chau On Ta Yuen, Dr. Lam Lee G and Mr. Chan Kin. It was established on 19 March 2012 and its duties are clearly defined in its revised written terms of reference which have been prepared and adopted according to the Code Provisions. The revised terms of reference of Nomination Committee can be found in the websites of the Stock Exchange and the Company.

The duties of the Nomination Committee are, but not limited to, to review, formulate and consider the nomination procedures as regards the appointment, reappointment and removal of Directors and to make recommendations to the Board regarding candidates to fill vacancies on the Board. No director takes part in any discussions and decisions about his own appointment.

Proposals for the appointment of a new director, if any, will be considered and reviewed by the Nomination Committee prior to recommending them to the Board for approval. All candidates to be selected and qualified to be members of the Board must also meet the standards as set forth in Rules 3.08 and 3.09 of the Listing Rules. A candidate who is to be appointed as an independent non-executive director should also meet the independence criteria set out in Rule 3.13 of the Listing Rules.

The Board will also seek legal advice on the requirements of Rule 3.13 of the Listing Rules prior to the appointment of any independent non-executive Director as appropriate.

One meeting of the Nomination Committee were held during the financial year ended 31 March 2019 (with individual member's attendance as set out on page 31 of this report under the section of "Number of Meetings and Directors' Attendance"). The Nomination Committee conducted the following major work during the year ended 31 March 2019, amongst other things:

– reviewed the size, structure and the composition of the Board;

– reviewed the independence of independent non-executive Directors; and

– made recommendations to the Board on the nomination of Directors for re-election at 2018 AGM.

DIRECTOR NOMINATION POLICY

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. The Nomination Committee would review the implementation of the Board Diversity Policy in achieving the objectives set for the benefits of the Company. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board

BOARD DIVERSITY POLICY

The Company is dedicated to having a diverse Board which can enable corporate issues be considered from different perspectives and appropriate level of examination and evaluation be conducted. On 29 August 2013, the Board adopted a board diversity policy which sets out the approach to achieve diversity on the Board. The Company aims to achieve diversity of its board members through consideration of a number of factors, including but not limited to gender, age, cultural and educational background and professional and industry experience. The Nomination Committee will discuss and agree annually measurable objectives for implementing diversity on the Board and recommend them to the Board for adoption to ensure its continued effectiveness.

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises three independent non-executive Directors, namely Mr. Chau On Ta Yuen (chairman), Dr. Lam Lee G. and Mr. Chan Kin and one executive Director, namely Mr. Zhi Hua. It was established by the Board on 8 September 2010 and its duties are clearly defined in its revised written terms of reference which have been prepared and adopted according to the Code Provisions. The revised terms of reference of Remuneration Committee can be found in the websites of the Stock Exchange and the Company.

The Remuneration Committee is primarily responsible for determining the Group's policy and structure for remuneration of Directors and senior management and making recommendations to the Board regarding the specific remuneration packages of individual Director and senior management of the Company. The remuneration of Directors will be determined by the Board with reference to the individual's experience duties and responsibilities with the Company, and the prevailing market conditions.

Two meetings of the Remuneration Committee were held during the financial year ended 31 March 2019 (with individual member's attendance as set out on page 31 of this report under the section of "Number of Meetings and Directors' Attendance") and conducted the following major work:

- reviewed the policy and structure for the remuneration of Directors and senior management;
- reviewed the appropriateness of appointment letter of a non-executive Director;
- reviewed the remuneration packages of employees of the Group and Directors; and
- reviewed the bonus payment to employees of the Group for the year end 31 March 2019.

No Director took part in any discussions and decisions about his own remuneration during the year ended 31 March 2019.

Pursuant to Code Provision B.1.5, a company should disclose details of any remuneration payable to members of the senior management by band for the year ended 31 March 2019 in its annual report. Details of members of the senior management remuneration are provided in Note 30 to the consolidated financial statement.

AUDIT COMMITTEE

The Audit Committee currently comprises four independent non-executive Directors, namely Dr. Lam Lee G. (chairman), Mr. Li Hui, Mr. Chau On Ta Yuen and Mr. Chan Kin. It was established by the Board on 8 September 2010 and its duties are clearly defined in its revised written terms of reference which have been prepared and adopted according to the Code Provisions. The revised terms of reference of Audit Committee can be found in the websites of the Stock Exchange and the Company.

Save as disclosed in the section headed "Compliance with Laws and Regulations" on page 18 in this report, the Board had complied with the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules in relation to the appointment of a minimum of three independent non-executive Directors and at least one independent non-executive Director, the chairman of the Audit Committee, having appropriate professional accounting or financial management experience.

The Audit Committee provides an important link between the Board and the Company's external auditor in matters coming within the scope of the Group's audit. It also reviews the annual and interim results of the Company prior to recommending them to the Board for approval, the effectiveness of the external and internal audit and of internal controls and risk evaluation.

During the year ended 31 March 2019, the Audit Committee has convened three meetings (with individual member's attendance as set out on page 31 of this report under the section of "Number of Meetings and Directors' Attendance") and conducted the following major work:

– reviewed the interim and annual reports of the Company together with the external auditor and management of the Company;

– reviewed the audit plans and findings of the external auditor of the Company as well as development in accounting standards and its effects on the Group;

– updated the terms of reference of audit committee of the Board of Directors of the Company;

– reviewed the effectiveness of the risk management and internal control system together with the external auditor of the Company; and

– made recommendations to the Board on the appointment and re-appointment of the external auditor.

There was no disagreement between the Board's and the Audit Committee's view on the selection, appointment and resignation of external auditor.

The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 March 2019 with the management and the external auditor of the Company and recommended its adoption by the Board.

NUMBER OF MEETINGS AND DIRECTORS' ATTENDANCE

Attendance records of the Directors at Board Meetings (BM), Audit Committee Meetings (ACM), Remuneration Committee Meetings (RCM), Nomination Committee Meetings (NCM), Special General Meeting (SGM) and Annual General Meeting (AGM) held for the year ended 31 March 2019 are set out below:

	Meetings attended/Eligible to attend For the year ended 31 March 2019					
	BM	ACM	RCM	NCM	SGM	AGM
Executive Directors						
Mr. Zhi Hua *(Chairman)*	7/7	N/A	0/2	1/1	2/2	1/1
Mr. Lam Kai Yeung *(Chief Executive Officer)*	7/7	N/A	N/A	N/A	2/2	1/1
Mr. Ma Jun *(Chief Operating Officer)*	8/8	N/A	N/A	N/A	1/2	1/1
Independent Non-executive Directors						
Mr. Li Hui	7/8	3/3	N/A	N/A	2/2	1/1
Mr. Chau On Ta Yuen	8/8	3/3	2/2	1/1	1/2	1/1
Dr. Lam Lee G.	7/8	3/3	2/2	1/1	2/2	1/1
Mr. Chan Kin* *(re-designated on 25 February 2019)*	7/7	N/A	N/A	N/A	1/2	1/1

* Mr. Chan Kin was appointed as a non-executive Director on 12 June 2017 and re-designated as an independent non-executive director and a member of each of audit committee, nomination committee and remuneration committee on 25 February 2019.

DIRECTORS' AND OFFICERS' INSURANCE

The Company has arranged appropriate corporate insurance cover in respect of potential legal actions against its Directors and officers.

DIRECTORS' INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director receives a necessary induction and information to ensure that he has a proper understanding of the Company's business and operations. In addition, our external legal adviser conducts training for new Director(s) on the first occasion of his appointment, so that he is aware of Director's responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Pursuant to Code Provision A.6.5, all Directors should participate 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 reading regulatory updates provided by the company secretary of the Company to refresh their knowledge in corporate governance matters, as follows:

	Reading materials
Executive Directors	
Mr. Zhi Hua *(Chairman)*	✓
Mr. Lam Kai Yeung *(Chief Executive Officer)*	✓
Mr. Ma Jun *(Chief Operating Officer)*	✓
Independent Non-executive Directors	
Mr. Li Hui	✓
Mr. Chau On Ta Yuen	✓
Dr. Lam Lee G.	✓
Mr. Chan Kin	✓

AUDITOR'S REMUNERATION

During the year, the nature of the audit and non-audit services provided by Pan-China (H.K.) CPA Limited, the existing auditor of the Company, and the relevant fee paid by the Company for such services are as follows:

Audit services of HK$530,000 for the Group; Non-audit services of HK$88,000 including:

– participating the interim results works;

– taxation services for the Group including profits tax returns filing; and

– agreed-upon procedures on the Group's annual results announcement.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND INTERNAL CONTROLS

The Directors are responsible for the preparation of the financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the financial statements for the year ended 31 March 2019, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group, for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for overseeing and ensuring that a sound and effective internal control system is maintained within the Group in order to safeguard the Group's assets and the interests of the Shareholders. The management reviews and evaluates the control process and monitors any risk factors on a regular basis, and reports to the Board and the Audit Committee on any findings and measures to address the variances and identified risks.

For the year under review, the Board conducted an annual review of the effectiveness of the Group's internal control system. The Board is satisfied that the existing internal control system of the Group is effective and adequate for its present requirement.

COMPANY SECRETARY

The Company Secretary, Mr. Lam Kai Yeung, met the requirements on professional training under the Rule 3.29 of the Listing Rules during the financial year ended 31 March 2019.

SHAREHOLDERS' RIGHTS

CONVENING A SPECIAL GENERAL MEETING ON REQUISITION

1.1 Shareholders have the right to call for a special general meeting on requisition in the manner prescribed by and set out in the Bye-Laws and the Companies Act.

1.2 Bye-Law 65 provides that "The Directors may, whenever they think fit, convene a special general meeting, and special general meetings shall also be convened on requisition, as provided by the Companies Act, and, in default, may be convened by the requisitionists."

1.3 Pursuant to section 74 of the Companies Act, Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "**General Meeting Requisitionists**") may by written requisition (the "**General Meeting Requisition**") to the Board or the secretary of the Company (the "**Company Secretary**"), require a special general meeting to be called by the Board for the transaction of any business specified in such requisition.

1.4 The General Meeting Requisition must state the purpose of the meeting, and must be signed by the General Meeting Requisitionists; the General Meeting Requisition may consist of several documents in like form each signed by one or more General Meeting Requisitionists.

1.5 The General Meeting Requisition shall be deposited at the registered office of the Company at *Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda* and copied to the head office and principal place of business of the Company at *Room 303,3/F, Hing Yip Commercial Centre, 272-284 Des Voeux Road Central, HK* and marked for the attention of the Board or the Company Secretary.

1.6 If the Board fails to proceed to convene such meeting within 21 days from the date of the deposit of General Meeting Requisition as set out in the paragraph 1.2 above, the General Meeting Requisitionists, or any of them representing more than one half of their total voting rights, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of three months from the date of the deposit of the General Meeting Requisition.

1.7 Any reasonable expenses incurred by the General Meeting Requisitionists by reason of the failure of the directors of the Company to duly convene a meeting shall be repaid to the General Meeting Requisitionists by the Company.

PROCEDURES FOR RAISING ENQUIRIES

Shareholders should direct their questions about their shareholdings, share transfer, registration and payment of dividend to the Company's branch share registrar in Hong Kong, details of which are as follows:

Tricor Secretaries Limited

Address: Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Email: is-enquiries@hk.tricorglobal.com
Tel: (852) 2980 1333
Fax: (852) 2861 1465

Shareholders may at any time raise any enquiry in respect of the Company at the following designated contacts, correspondence addresses, email addresses and enquiry hotlines of the Company:

Address: Room 303,3/F, Hing Yip Commercial Centre, 272-284 Des Voeux Road Central, HK
Email: hk1682@163.com
Tel: (852) 2111 9823
Fax: (852) 2111 0793
Attention: Board of Directors/Company Secretary

Shareholders are encouraged to make enquiries via the online enquiry form available on the Company's website at www.1682hk.com.

Shareholders are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETING

1. Subject to paragraph 2 below, pursuant to in sections 79 and 80 of the Companies Act, Resolution Requisitionists (as defined in paragraph 2 below) may, by requisition in writing (the "**Resolution Requisition**"), request the Company to give to or circulate to (as the case may be) the Shareholders (i) notice of any resolution which may properly be moved and is intended to be moved at the next annual general meeting of the Company (the "**Forthcoming AGM**") (and such notice shall be given to Shareholders who are entitled to receive notice of the Forthcoming AGM); or (ii) any statement of not more than one thousand words with respect to the matter referred to in any proposed resolution or the business to be dealt with at any general meeting (and such notice shall be circulated to members entitled to have notice of any general meeting sent to them), at the expense of the Resolution Requisitionists.

2. "Resolution Requisitionists" means Shareholders making a requisition under paragraph 1 above and shall constitute either:

   (a) any number of Shareholders representing not less than one-twentieth of the total voting rights of all the Shareholders having at the date of the requisition a right to vote at the meeting to which the requisition relates; or

   (b) not less than one hundred Shareholders.

3. A copy of the Resolution Requisition signed by the Resolution Requisitionists with their detailed contact information, or two or more copies containing the signatures of all the Resolution Requisitionists, shall be deposited at the registered office and copied to the head office and principal place of business of the Company at their respective address specified in above headed "convening a special general meeting on requisition":

   (a) in the case of Resolution Requisition requiring notice of a resolution, not less than six weeks before the Forthcoming AGM; and

   (b) in the case of any other requisition, not less than one week before the general meeting.

4. Resolution Requisitionists shall deposit or tender with the Resolution Requisition a sum reasonably sufficient to meet the Company's expenses in giving notice of any resolution or to circulate any statement as provided under the Companies Act.

CONSTITUTIONAL DOCUMENT

There was no change in the Company's constitutional documents during the year ended 31 March 2019.

Independent Auditor's Report

PAN-CHINA (H.K.) CPA LIMITED Certified Public Accountants
天健(香港)會計師事務所有限公司

TO THE MEMBER OF HANG PIN LIVING TECHNOLOGY COMPANY LIMITED
(incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Hang Pin Living Technology Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 41 to 125, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs"). 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.

KEY AUDIT MATTER

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. Those 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 our audit addressed the key audit matter
Impairment assessment of short-term loan and loan interest receivables	
As disclosed in note 16 to the consolidated financial statements, the Group had short-term loan and loan interest receivables of approximately HK$65 million, net of expected credit loss allowance of HK$409,000, as at 31 March 2019. We identified the impairment assessment of short-term loan and loan interest receivables as a key audit matter due to the significance of short-term loan and loan interest receivables to the Group's consolidated financial position and the involvement of subjective judgement and management estimates in evaluating the expected credit losses ("ECL") of the Group's short-term loan and loan interest receivables at the end of the reporting period.	– We discussed with the management of the Company in order to understand the Group's loan advance policy and how the management of the Company assessed and mitigated credit risk in determining whether or not to lend monies to potential borrowers. – We obtained an understanding of how the management estimates the loss allowance for short-term loan and loan interest receivables. – We tested the integrity of information used by management in the ECL calculation model on a sample basis. – We challenged management's basis and judgement in determining credit loss allowance on short-term loan and loan interest receivables as at 1 April 2018 and 31 March 2019, including the identification of significant increase in credit risk and credit-impaired short-term loan receivables and loan interest receivables, and the basis of estimated loss rates applied to each loan debtor and the value of the collaterals pledged to the Group. – We assessed the reasonableness of recoverability of short-term loan and loan interest receivables with reference to factors like subsequent interest settlements and aging analysis of the customers. – We evaluated the disclosures regarding the impairment assessment of short-term loan and loan interest receivables in note 16 to the consolidated financial statements.

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

The directors of the Company are responsible for the other information. The other information comprises all 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 FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so. The directors are assisted by the audit committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act, 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.

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

As part of an audit in accordance with Hong Kong Standards on Auditing, 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 audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

From the matters communicated with audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 the independent auditor's report is Chan Kin Wai.

PAN-CHINA (H.K.) CPA LIMITED
Certified Public Accountants
Chan Kin Wai
Practising Certificate Number P05342

11/F, Hong Kong Trade Centre
161-167 Des Voeux Road Central
Hong Kong, 26 June 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	(5)	**185,668**	184,829
Cost of sales		**(162,751)**	(163,820)
Gross profit		**22,917**	21,009
Other income	(7)	**5,606**	4,365
Net foreign exchange (loss)/gain		**(1,212)**	413
Selling and distribution costs		**(7,606)**	–
Administrative and operating expenses		**(18,542)**	(17,767)
Finance costs		**(23)**	(19)
Profit before tax		**1,140**	8,001
Income tax expense	(8)	**(664)**	(6)
Profit for the year attributable to owners of the company	(9)	**476**	7,995
Other comprehensive income, net of income tax			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of overseas operations		**(2,422)**	1,029
Release of translation reserve upon disposal of subsidiaries		**3**	–
		(2,419)	1,029
Total comprehensive (expense)/income for the year attributable to owners of the Company		**(1,943)**	9,024
Earnings per share	(11)		
Basic (HK Cents)		**0.07**	1.426
Diluted (HK Cents)		**0.07**	1.424

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 March 2019

	Note	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Plant and equipment	(12)	**7,042**	1,500
Goodwill	(13)	**1,606**	–
		8,648	1,500
CURRENT ASSETS			
Inventories	(14)	**524**	119,060
Trade receivables	(15)	**4,648**	36,961
Short-term loan and loan interest receivables	(16)	**65,024**	8,362
Deposits, prepayments and other receivables	(17)	**45,224**	21,078
Amount due from former subsidiaries	(18)	**8,372**	–
Tax recoverable		**–**	468
Bank balances and cash	(19)	**3,705**	76,146
		127,497	262,075
CURRENT LIABILITIES			
Trade payables	(20)	**5,210**	139,518
Other payables, accruals and deposit received	(21)	**12,722**	4,310
Tax payable		**1,303**	1,467
Obligation under finance lease	(22)	**112**	112
		19,347	145,407
NET CURRENT ASSETS		**108,150**	116,668
TOTAL ASSETS LESS CURRENT LIABILITIES		**116,798**	118,168
NON-CURRENT LIABILITIES			
Obligation under finance lease	(22)	**253**	368
NET ASSETS		**116,545**	117,800
CAPITAL AND RESERVES			
Share Capital	(23)	**6,559**	6,559
Reserves		**109,986**	111,241
TOTAL EQUITY		**116,545**	117,800

The consolidated financial statements on pages 41 to 125 were approved and authorised for issue by the Board of Directors (the "Board") on 26 June 2019 and are signed on its behalf by:

Zhi Hua
Director

Lam Kai Yeung
Director

The accompanying Accounting Policies and Explanatory Notes form an integral part of, and should be read in conjunction with, these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 March 2019

	Share capital HK$'000 (Note 20)	Share premium HK$'000	Special reserve HK$'000 (Note i)	Share option reserve HK$'000	Foreign currency translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 April 2017	5,198	–	18,787	–	(3)	(18,102)	5,880
Issue of shares (Note 23(ii) & (iii))	1,361	101,350	–	–	–	–	102,711
Recognition of equity-settled share-based payments	–	–	–	185	–	–	185
Profit for the year	–	–	–	–	–	7,995	7,995
Other comprehensive income							
– Exchange differences arising on translation of overseas operations	–	–	–	–	1,029	–	1,029
Total comprehensive income for the year	–	–	–	–	1,029	7,995	9,024
At 31 March 2018 and 1 April 2018	6,559	101,350	18,787	185	1,026	(10,107)	117,800
Impact on initial application of HKFRS 9	–	–	–	–	–	(185)	(185)
Restated balance at 1 April 2018	6,559	101,350	18,787	185	1,026	(10,292)	117,615
Recognition of equity-settled share-based payments	–	–	–	873	–	–	873
Profit for the year	–	–	–	–	–	476	476
Other comprehensive income							
– Exchange differences arising on translation of overseas operations	–	–	–	–	(2,422)	–	(2,422)
– Release of translation reserve upon disposal of subsidiaries	–	–	–	–	3	–	3
Total comprehensive income for the year	–	–	–	–	(2,419)	476	(1,943)
At 31 March 2019	**6,559**	**101,350**	**18,787**	**1,058**	**(1,393)**	**(9,816)**	**116,545**

note (i): The special reserve represents (a) the reserve arising from a previous group reorganisation; and (b) cancellation of share premium, less special dividend of HK$374,239,000, in prior years.

Consolidated Statement of Cash Flows

For the year ended 31 March 2019

	2019 HK$'000	2018 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	1,140	8,001
Adjustments for:		
Interest income	(44)	(165)
Depreciation of plant and equipment	853	185
Equity settled share option expenses	873	185
Loss allowance on trade receivables	132	–
Reversal of loss allowance on trade receivables	(143)	–
Loss allowance on loans and loan interest receivables	535	–
Loss allowance on amount due from a former subsidiary	42	–
Loss allowance on other receivables	269	–
Gain on disposal of subsidiaries	(4,885)	–
Operating (loss)/profit before changes in working capital	(1,228)	8,206
Decrease/(Increase) in inventories	118,536	(119,060)
Decrease/(Increase) in trade receivables	28,681	(33,924)
Increase in short-term loan and loan interest receivable	(57,197)	(8,362)
Increase in deposits, prepayments and other receivables	(19,362)	(17,279)
Decrease in amount due from former subsidiaries	80	3,105
(Decease)/Increase in trade payables	(139,804)	136,717
Increase in other payables, accruals and deposit received	8,432	9,518
Decrease in amounts due to directors	–	(8,657)
Cash used in operations	(61,862)	(29,736)
Income tax (paid)/refunded	(321)	673
Net cash used in operating activities	(62,183)	(29,063)
INVESTING ACTIVITIES		
Interests received	44	165
Purchase of plant and equipment	(121)	(1,132)
Cash flow from acquisition of subsidiaries (note 26)	(7,320)	–
Cash flow from disposal of subsidiaries (note 27)	(79)	–
Net cash used in investing activities	(7,476)	(967)
FINANCING ACTIVITIES		
Payment of lease liabilities	(115)	(73)
Net proceeds from issuance of shares	–	102,276
Net cash (used in)/generated from financing activities	(115)	102,203
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(69,774)	72,173
Exchange alignment	(2,667)	1,464
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	76,146	2,509
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
Representing by bank balances and cash	3,705	76,146

1. GENERAL

The Company is an exempted company with limited liability incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). With effect from 12 March 2019, the name of the Company has been changed from "Hua Long Jin Kong Company Limited" to "Hang Pin Living Technology Company Limited".

The Company's parent company is Rosy Lane International Limited, a company incorporated in the British Virgin Islands (the "BVI") with limited liability, which is wholly and ultimately and beneficially owned by Mr. Zhi Hua, director of the Company. The Company's registered office is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and its principal place of business is located at 25th & 26th Floor, 238 Des Voeux Road Central, Hong Kong.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in Note 33 to the consolidated financial statements.

The functional currency of the Company is Renminbi ("RMB"). The consolidated financial statements are presented in Hong Kong dollars ("HK$") because the Company's shares are listed on the Stock Exchange and most of its potential investors are located in Hong Kong.

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

In the current year, the Company and its subsidiaries (collectively, the "Group") had applied a number of new HKFRSs and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are mandatorily effective for an accounting period that begins on or after 1 April 2018. These new and revised HKFRSs have been applied by the Group for the first time in the current year unless otherwise specified. The impacts of these amendments are described below.

HKFRS 9	Financial Instruments
HKFRS 15 and amendments to HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle

The application of the above new and revised to HKFRSs in the current year, except for HKFRS 9, has no material impact on the Group's consolidated financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

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

HKFRS 9 Financial Instruments

HKFRS 9 has replaced HKAS 39 Financial instruments: recognition and measurement. HKFRS 9 sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. In accordance with the specific transitional provisions set out in HKFRS 9, the Group has applied the classification and measurement requirements (including requirements relating to impairment) to items that existed as of the date of initial application (i.e. 1 April 2018) on a retrospective basis based on the facts and circumstances that existed as at 1 April 2018. However, the Group has decided not to restate the comparative figures. Accordingly, the comparative information continues to be presented based on the requirements of HKAS 39 and hence may not be comparable with the current year information. The cumulative effect of initial application of HKFRS 9 has been recognised as adjustments to the opening equity.

(i) Classification and measurement of financial assets

In general, HKFRS 9 categories financial assets into the following three classification categories:

- measured at amortised cost;
- at fair value through other comprehensive income (FVTOCI); and
- at fair value through profit or loss (FVTPL).

These classification categories are different from those set out in HKAS 39 which included held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVTPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

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

HKFRS 9 Financial Instruments (continued)

(i) Classification and measurement of financial assets (continued)

The following table shows a reconciliation from how the Group's financial assets existed as of 1 April 2018 were classified and measured under HKAS 39 to how they are classified and measured under HKFRS 9:

Financial assets	Original classification under HKAS 39	New classification under HKFRS 9	Carrying amount as at 31 March 2018 under HKAS 39	Remeasurement	Carrying amount as at 1 April 2018 under HKFRS 9
			HK$'000	HK$'000	HK$'000
Trade receivables	Loans and receivables	Amortised cost	36,961	(143)	36,818
Deposits and other receivables	Loans and receivables	Amortised cost	20,053	–	20,053
Short-term loans and loan interest receivables	Loans and receivables	Amortised cost	8,362	(42)	8,320
Bank balances and cash	Loans and receivables	Amortised cost	76,146	–	76,146

Impairment of financial assets

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

HKFRS 9 requires the Group to recognise ECL for financial assets at amortised costs (including trade receivables, deposits and other receivables, short-term loans and loan interest receivables, and bank balances and cash).

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

HKFRS 9 Financial Instruments (continued)

(i) Classification and measurement of financial assets (continued)

Impairment of financial assets (continued)

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables within the scope of HKFRS 15 using HKFRS 9 simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For short-term loans and loan interest receivables, the Group applies the general approach, which requires an amount equal to 12-month ECLs to be recognised as the impairment loss for the financial instrument if the credit risk on a financial instrument has not increased significantly since initial recognition and expected lifetime losses to be recognised if the credit risk on that financial instrument has increase significantly since initial recognition.

ECL for other financial assets at amortised cost, included cash and bank balances and other receivables, are assessed on 12-month ECL basis as it was assessed and concluded by the directors of the Company that there had been no significant increase in credit risk since initial recognition.

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

HKFRS 9 Financial Instruments (continued)

(i) Classification and measurement of financial assets (continued)

Impairment of financial assets (continued)

Measurement of ECLs (continued)

For financial assets subject to ECL impairment, the carrying amounts in accordance with HKAS 39 have been remeasured upon transition to HKFRS 9 on 1 April 2018. The reconciliation of the carrying amounts in accordance with HKAS 39 and HKFRS 9 is as follows:

	HKAS 39 carrying amounts as at 31 March 2018 HK$'000	Remeasurement (ECL allowance) HK$'000	HKFRS 9 Carrying amounts as at 1 April 2018 HK$'000
Trade receivables	36,961	(143)	36,818
Deposits and other receivables	20,053	–	20,053
Short-term loans and loan interest receivables	8,362	(42)	8,320
Bank balances and cash	76,146	–	76,146

The following table shows the movements in ECL that has been recognised for trade receivables and short-term loans and loan interest receivables in accordance with HKFRS 9.

	ECL on trade receivables HK$'000	ECL on short-term loan and loan interest receivables HK$'000	Total HK$'000
Balance as at 31 March 2018 – as originally stated	–	–	–
Remeasurement of loss allowance	143	42	185
Balance as at 1 April 2018 – as restated	143	42	185

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

HKFRS 9 Financial Instruments (continued)

(ii) Classification and measurement of financial liabilities

Under HKFRS 9, for a financial liability 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 required to be presented in other comprehensive income, with the remaining amount of change in the fair value of the liability being presented in profit or loss (unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch in profit or loss and in which case all gains or loss on that liability are presented in profit or loss).

The Group does not have any financial liabilities designated at fair value through profit or loss and therefore the classification and measurement of the Group's financial liabilities have not been impacted by the initial application of HKFRS 9.

(iii) Hedge accounting

The Group has not applied any hedge accounting and hence the new general hedge accounting model set out in HKFRS 9 has not had any impact on the Group's consolidated financial statements.

(iv) Effect on the Group's accumulated losses and other reserves as of 1 April 2018

The following tables summarise the impact of transition to HKFRS 9 on accumulated losses and reserves and the related tax impact at 1 April 2018:

	HK$'000
Accumulated losses as at 31 March 2018 (as originally stated)	10,107
Recognition of additional ECL on trade receivables	143
Recognition of additional ECL on short-term loans and loan interest receivables	42
Restated balance as at 1 April 2018 (as restated)	10,292

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

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 has replaced HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations. Under HKAS 11 and HKAS 18, revenue arising from construction contracts and provision of services was recognised over time whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers. Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 has introduced additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. Please see note 3 for details of old and new accounting policies.

Based on the specific transitional provisions set out in HKFRS 15, the Group had decided to use the cumulative effect transition method and had recognised the cumulative effect of initial application of HKFRS 15 as an adjustment to the opening balance of equity as at the date of initial application of HKFRS 15 (i.e. 1 April 2018). Accordingly, comparative information has not been restated and continues to be presented under HKAS 11 and HKAS 18. Also, the Group has applied the HKFRS 15 requirements only to contracts that were not completed before 1 April 2018.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity 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.

Except for the deposits received from sales of garment products previously presented as deposits received are now presented under contract liabilities, the adoption of HKFRS 15 did not have material impact on the consolidated statement of profit or loss and other comprehensive income for the current year and the consolidated statement of financial position as at 1 April 2018 and 31 March 2018, by comparing the amounts reported under HKAS 18 and related interpretations that were in effect before the change. The adoption of HKFRS 15 did not have material impact on the Group's operating, investing and financing cash flows.

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

HK(IFRIC) Interpretation 22 Foreign Currency Transactions and Advance Consideration

This Interpretation addresses how to determine the date of the transaction for the purpose of determining the exchange rate to be used on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. The Interpretation concludes that the date of the transaction for the abovementioned purpose is the date on which an entity initially recognises the non-monetary asset or nonmonetary liability arising from the payment or receipt of advance consideration.

The application of HK (IFRIC) 22 has not had any material impact on the consolidated financial position and the consolidated financial result.

Amendments to HKFRS 2 Classification and Measurement of Share-based Payment Transactions

The amendments clarify the following:

- In estimating the fair value of a cash-settled share-based payment, the accounting for the effects of vesting and non-vesting conditions should follow the same approach as for equity-settled share-based payments.

- Where tax law or regulation requires an entity to withhold a specified number of equity instruments equal to the monetary value of the employee's tax obligation to meet the employee's tax liability which is then remitted to the tax authority, i.e. the share-based payment arrangement has a 'net settlement feature', such an arrangement should be classified as equity-settled in its entirety, provided that the share-based payment would have been classified as equity-settled had it not included the net settlement feature.

- A modification of a share-based payment that changes the transaction from cash-settled to equity-settled should be accounted for as follows: the original liability is derecognised. The equity-settled share-based payment is recognised at the modification date fair value of the equity instrument granted to the extent that services have been rendered up to the modification date. Any difference between the carrying amount of the liability at the modification date and the amount recognised in equity should be recognised in profit or loss immediately.

The Group does not have any cash-settled share-based payment arrangements or any withholding tax arrangements with tax authorities in relation to share-based payments. The application of amendments has not had any material impact on the consolidated financial position and the consolidated financial result.

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

Amendments to HKAS 40 Transfers of Investment Property

The amendments clarify that an entity should transfer a property to, or from, investment property when, and only when, there is a change in use. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. The amendments emphasise that a change in management's intentions for the use of a property, in isolation, does not provide evidence of a change in use. Further, the amendments clarify that the list of circumstances set out in paragraph 57 of HKAS 40 are examples only.

The amendments require an entity to apply the amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments (i.e. the date of initial application). At the date of initial application, an entity should reassess the classification of property held at that date and, if applicable, reclassify property to reflect the conditions that exist at that date.

The application of the amendments has not had any material impact on the consolidated financial position and the consolidated financial result, as the Group did not have any transfers in the past.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied any of the following new HKFRSs, amendments to HKFRSs and new interpretations ("new and revised HKFRSs") that have been issued but are not yet mandatorily effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 3	Definition of a Business[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint-Ventures[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle[1]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[2]

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

(2) Effective for annual periods beginning on or after 1 January 2020.

(3) Effective for annual periods beginning on or after 1 January 2021.

(4) Effective date not yet determined.

(5) Effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period.

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

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

HKFRS 16 Leases

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

With regards to lessee accounting, distinctions of operating leases and finance leases, as required by HKAS 17, has been replaced by a model which requires a right-of-use asset and a corresponding liability to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the date of the commencement of the lease. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, operating lease payments are presented as operating cash flows. Upon the application of HKFRS 16, lease payments in relation to lease liability will be split into a principal and an interest portions which will be presented as financing and operating cash flows respectively by the Group.

With regards to lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 March 2019, the Group has non-cancellable operating lease commitments of approximately HK$4,357,000 as disclosed in Note 28. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above.

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

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

HKFRS 17 Insurance Contracts

HKFRS 17 is not applicable to the Group as the Company or its subsidiaries are not engaged in insurance business.

Amendments to HKFRS 3 Definition of Business

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

The directors of the Company do not anticipate that the application of the amendments in the future will have a significant impact on the consolidated financial statements.

Amendments to HKFRS 9 Prepayment Features with Negative Compensation

The HKICPA issued two amendments to HKFRS 9 in November 2017 and December 2017 respectively. The first amendment clarifies that prepayable financial assets with negative compensation can be measured at amortised cost or at FVOCI if specified conditions are met instead of at FVTPL.

The second amendment clarifies, in the Basis for Conclusions, the accounting for a modification or exchange of a financial liability measured at amortised cost that does not result in derecognition. HKFRS 9 requires an entity to recalculate the amortised cost of the modified financial liability by discounting the modified contractual cash flows using the original effective interest rate. Any adjustments to the amortised cost of the financial liability would be recognised in profit or loss at the date of the modification or exchange. If entities apply a different accounting treatment for modifications of financial liabilities under HKAS 39, they are required to apply the amendments retrospectively on transition to HKFRS 9.

The amendments are effective for annual periods beginning on or after 1 January 2019. Early application is permitted. The directors of the Company do not anticipate that the application of the amendments will have a material impact on the Group's consolidated financial statements.

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

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

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 and HKAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the re-measurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Group did not enter into these transactions in the current year. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to HKAS 1 and HKAS 8 Definition of Material

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

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

Amendments to HKAS 19 Plan Amendment, Curtailment or Settlement

The amendments require an entity to use updated assumptions to determine current service cost and net interest for the remainder of the reporting period after a change is made to a plan.

The directors of the Company do not anticipate that the application of the amendments in the future will have a significant impact on the consolidated financial statements.

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

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

Amendments to HKAS 28 Long-term Interests in Associates and Joint Ventures

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognizing losses of an associate or joint venture and impairment of the net investment in the associate or joint venture.

The directors of the Company do not anticipate that the application of the amendments will have a significant impact on the consolidated financial statements.

HK(IFRIC) Interpretation 23 Uncertainty over Income Tax Treatments

This Interpretation clarifies how to apply the recognition and measurement requirements in HKAS 12 when there is uncertainty over income tax treatments.

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

Except as described above, the directors of the Company consider that the application of the other new and revised HKFRSs and amendments is unlikely to have a material impact on the Group's financial position and performance as well as disclosure.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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 HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets"

The principal accounting policies are set out below.

(a) Basis of consolidation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

Accounting subsidiaries as a result of contractual arrangements

Owing to the foreign ownership restrictions in an entity providing value-added telecommunications services under the PRC laws and regulations, the Group entered into the peer-to-peer ("P2P") financing industry through 杭州華之贏投資管理有限公司 ("杭州華之贏"), a limited liability company established in the PRC. 杭州華之贏 operates an online platform in provision of information services including information gathering, information publication, credit assessment, information exchange and lender-borrower matching for both lenders and borrowers to facilitate P2P loans. The registered shareholders of杭州華之贏are Zhis Holding Group Co., Ltd. and Ms. Yu Xiaoling, the spouse of Mr. Zhi Hua, the executive director of the Company.

Linglong (Hangzhou) Asset Management Co., Ltd. ("Linglong (Hangzhou)"), a wholly-owned subsidiary of the Company, 杭州華之贏 and its registered owners entered into a series of contractual arrangements (the "Contractual Arrangements") on 4 October 2018, which enable Linglong (Hangzhou) and the Group to:

– exercise effective financial and operational control over 杭州華之贏;

– exercise all owners' voting rights of 杭州華之贏;

– receive the economic interest returns in terms of service fee generated by 杭州華之贏 in consideration for the technical support and consulting services provided by Linglong (Hangzhou);

– obtain an irrevocable and exclusive right to purchase all or part of equity interests in 杭州華之贏 from the respective owners at a minimum purchase price permitted under PRC laws and regulations, and all or part of the assets of 杭州華之贏 at the net book value of such assets or such minimum purchase price permitted under PRC laws and regulations. Linglong (Hangzhou) may exercise such purchase right at any time until it has acquired all equity interests and/or all assets of 杭州華之贏; and

– obtain a pledge over the entire equity interest of 杭州華之贏 from their respective owners as collateral security for all of 杭州華之贏's payments due to Linglong (Hangzhou) and to secure performance of respective owners and 杭州華之贏's obligations under the Contractual Arrangements.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

Accounting subsidiaries as a result of contractual arrangements (continued)

The details of the Contractual Arrangements were disclosed in the announcement and circular dated 4 October 2018 and 20 November 2018 respectively.

The Group does not hold any equity interest in 杭州華之贏. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with 杭州華之贏 and has the ability to affect those returns through its power over 杭州華之贏 and is considered to control 杭州華之贏. Consequently, the Company regards 杭州華之贏 as an indirect wholly owned subsidiary for accounting purpose.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over 杭州華之贏 and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of 杭州華之贏. The directors of the Company, based on the advice of its legal advisor, consider that the Contractual Arrangements among Linglong (Hangzhou), 杭州華之贏 and its equity holders are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by HKFRS.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (continued)

Business combinations (continued)

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Revenue recognition

Policy applicable from 1 April 2018

Income is classified by the group as revenue when it arises from the sale of goods, the provision of services or the use by others of the group's assets under leases in the ordinary course of the group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Control is transferred over time and revenue is recognised over time if one of the following criteria is met:

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

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

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Company, revenue recognised under that contract includes the interest expenses accreted on the contract liability under the effective interest method. The Company takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Revenue recognition (continued)

Principal versus agent

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

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

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 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Revenue recognition (continued)

Policy applicable prior to 1 April 2018

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services rendered in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Service income is recognised at the completion of the service rendered.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Lease

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

The Group as lessee

(i) Operating leases

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

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

(ii) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Assets under finance leases are depreciated the same as owned asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Plant and equipment

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

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of 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 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.

(e) Impairment of tangible and intangible assets excluding goodwill

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset 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 in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the group's previously held equity interest in the acquiree; over

(ii) The net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment.

For the purposes of impairment testing, goodwill is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit 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 of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of profit or loss. An impairment loss for goodwill is not reversed in subsequent periods.

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items, are recognised in profit or loss for the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

(h) Retirement benefit costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. The employees of the Group's subsidiaries which operate overseas are required to participate in central pension schemes operated by the local municipal governments. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension schemes. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension schemes.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from service cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

(j) Taxation

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

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

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

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

Deferred tax 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. Current and deferred tax are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Equity-settled share-based payment transactions

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

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

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

(l) Inventories

Inventories representing finished goods for resale are stated at the lower of cost and net realisable value. Cost of inventories are determined on a first-in, first-out (FIFO) basis. Net realisable value represents the estimated selling price for inventories less all estimated costs necessary to make the sale.

(m) Financial instruments

Policy applicable from 1 April 2018

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (continued)

Policy applicable from 1 April 2018 (continued)

Financial assets

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 marketplace.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Group may make the following irrevocable election/designation at 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 certain criteria are met (see (iii) below); and

- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (see (iv) below).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (continued)

Policy applicable from 1 April 2018 (continued)

Financial assets (continued)

Classification of financial assets (continued)

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (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) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

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

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "Revenue – interest income from loan receivables" line item note 5 and "Other income — interest income" line item note 7.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (continued)

Policy applicable from 1 April 2018 (continued)

Financial assets (continued)

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at mortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

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

(i) *Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument 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. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (continued)

Policy applicable from 1 April 2018 (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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

- 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 for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same 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 on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(1) The financial instrument has a low risk of default,

(2) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(3) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (continued)

Policy applicable from 1 April 2018 (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or
- 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 collateral held by the Group).

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (continued)

Policy applicable from 1 April 2018 (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 (see (ii) above);

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

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

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

(iv) Write off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor 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. Any recoveries made are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (continued)

Policy applicable from 1 April 2018 (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) *Measurement and recognition of expected credit losses*

The measurement of expected credit losses 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 as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with HKAS 17 Leases.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (continued)

Policy applicable from 1 April 2018 (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. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

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. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities and equity instruments

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments

Financial liabilities

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

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and financial guarantee contracts issued by the Group, are measured in accordance with the specific accounting policies set out below.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (continued)

Policy applicable from 1 April 2018 (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities measured subsequently at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVTPL, are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

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.

When the Group exchanges with the existing lender one debt instrument into another one with the substantially different terms, such exchange is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, the Group accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. If the modification is not substantial, the difference between: (1) the carrying amount of the liability before the modification; and (2) the present value of the cash flows after modification should be recognised in profit or loss as the modification gain or loss within other gains and losses.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (continued)

Policy applicable prior to 1 April 2018

The Group has applied HKFRS 9 retrospectively, but has elected not to restate comparative information. Accordingly, the comparative financial information provided continues to be accounted for in accordance with the Group's previous accounting policy.

Financial assets and financial liabilities are recognised on the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. 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) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. 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 marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (continued)

Policy applicable prior to 1 April 2018 (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, earnest money, bank balances held under segregated trust accounts and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment (see accounting policy on impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (continued)

Policy applicable prior to 1 April 2018 (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Financial liabilities and equity instruments

Debts and equity instruments issued by a group entity are initially classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Equity instruments

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

Other financial liabilities

Other financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial instruments (continued)

Policy applicable prior to 1 April 2018 (continued)

Derecognition

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 assets and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Group retains substantially all the risks and rewards of the ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

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

(n) 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 past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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 probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefit is remote.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Related parties

For the purposes of these consolidated financial statements, a person or an entity is considered to be related to the Group if as follows:

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

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

(2) has significant influence over the Group; or

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

or

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

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

(2) One entity is an associate or joint venture of another entity (or of an associate or joint venture of a member of a group of which the other entity is a member).

(3) Both entities are joint ventures of the same third party.

(4) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

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

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

(7) A person is identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of the parent of the entity).

(8) The entity, or any member of the Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations. Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(q) Events after the end of the reporting period

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Critical judgements in applying accounting policies

In the application of the Group's accounting policies, which are described in note 3, the management has made the following judgement which has the most significant effect on the amounts recognised in the consolidated financial statements.

Revenue recognition in respect of sourcing of garment products

The Group assesses its business relationships with suppliers and customers of the sourcing of garment products and determines that the Group acts as a principal.

Upon application of HKFRS 15, the Group is a principal and hence reassessed whether the Group should continue to recognise revenue on gross basis based on the requirements in HKFRS 15. In determining whether revenue from sourcing of garment products shall be recorded on net basis or gross basis, the Group has made reference to indicators and requirements stated in HKFRS 15. Determining whether the Group is acting as a principal or an agent requires judgement and consideration of all relevant facts and circumstances, and the Group considers itself as a principal regarding sourcing of garment products by taking into account the following considerations:

- The Group is the primary obligor in the customer contract and is responsible for fulfilling the promise to provide the specified goods (i.e. garment products) rather than the supplier.

- The Group has its own discretion in negotiating and establishing the prices of the garment products with the customers.

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(a) Critical judgements in applying accounting policies (continued)

Revenue recognition in respect of sourcing of garment products (continued)

- For sourcing of garment products, the Group settles amount due to suppliers before the settlement from customers.

- The earnings from sourcing of garment products are not predetermined and negotiating by the Group with the supplier and customer separately.

After assessing all above factors, the management concluded that the Group acts as the principal for such transactions as it controls the specified goods before it is transferred to the customers.

Accounting for company governed under Contractual Arrangements as subsidiary

As detailed in Note 3(a), the Company and its subsidiaries do not hold any equity interests in 杭州華之贏. Nevertheless, under the Contractual Agreements entered into between Linglong (Hangzhou), 杭州華之贏 and its owners, the management determines that the Group has the power to govern the financial and operating policies of 杭州華之贏 so as to obtain benefits from its activities. As such, 杭州華之贏 is accounted for as subsidiary of the Group for accounting purposes.

Income taxes

Deferred tax asset in relation to unused tax losses of approximately HK$38,840,000 (2018: approximately HK$36,415,000) has not been recognised in the consolidated statement of financial position due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(b) 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 causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of financial assets at amortised cost

The impairment provisions for financial assets at amortised cost are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the number of days that an individual receivable is outstanding as well as the Group's historical experience and forward-looking information at the end of the reporting period. Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional impairment charge to the consolidated statement of profit or loss and other comprehensive income.

As at 31 March 2019, the accumulated impairment loss for trade receivables, short-term loan receivables, loan interest receivables, amount due from former subsidiaries and other receivables amounted to HK$128,000, HK$397,000, HK$12,000, HK$42,000 and HK$269,000 respectively. Details are set out in the respective notes to the consolidated financial statements.

Impairment of goodwill

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

The carrying amount of goodwill as at 31 March 2019 was approximately HK$1,606,000. Details of the impairment loss calculation are set out in note 13.

Share-based payment expenses

The fair value of share options granted to the eligible participants determined at the date of grant is expensed on a straight-line basis over the vesting period, with a corresponding adjustment to the Group's share options reserve. In assessing the fair value of the share options, the generally accepted option pricing model was used to calculate the fair value of the share options. The option pricing model requires the input of subjective assumptions, including the volatility of its own ordinary shares and the expected life of options etc. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options. Details are set out in note 25.

5. REVENUE

Disaggregation of the Group's revenue from contracts with customers for the year by major products or service line and reconciliation of total revenue is as follows:

	2019 HK$'000	2018 HK$'000
Sourcing of garment products	**171,179**	184,767
Financial services income	**10,998**	–
Total revenue from contracts with customers	**182,177**	184,767
Interest income from loan receivables	**3,491**	62
Total revenue	**185,668**	184,829

During the year, all the revenue from contracts with customers is recognised at a point in time.

6. SEGMENT INFORMATION

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

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

- garment sourcing
- provision of financial service

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

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

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

6. SEGMENT INFORMATION (CONTINUED)

Segment revenues and results

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

For the year ended 31 March 2019

	Garment sourcing HK$'000	Provision of financial services HK$'000	Total HK$'000
Revenue	**171,179**	**14,489**	**185,668**
Segment results	**(513)**	**(882)**	**(1,395)**
Unallocated other revenue and gains			**5,023**
Unallocated administrative and other expenses			**(2,465)**
Profit from operations			**1,163**
Finance costs			**(23)**
Profit before taxation			**1,140**

For the year ended 31 March 2018

	Garment sourcing HK$'000	Provision of financial services HK$'000	Total HK$'000
Revenue	184,767	62	184,829
Segment results	16,168	33	16,201
Unallocated other revenue and gains			4,200
Unallocated administrative and other expenses			(12,381)
Profit from operations			8,020
Finance costs			(19)
Profit before taxation			8,001

6. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segment:

As at 31 March 2019

	Garment sourcing HK$'000	Provision of financial service HK$'000	Total HK$'000
Segment assets	65,928	58,032	123,960
Unallocated corporate assets			12,185
Consolidated assets			136,145
Segment liabilities	16,111	2,940	19,051
Unallocated corporate liabilities			549
Consolidated liabilities			19,600

As at 31 March 2018

	Garment Sourcing HK$'000	Provision of financial services HK$'000	Total HK$'000
Segment assets	242,460	8,362	250,822
Unallocated corporate assets			12,753
Consolidated assets			263,575
Segment liabilities	141,908	5	141,913
Unallocated corporate liabilities			3,862
Consolidated liabilities			145,775

6. SEGMENT INFORMATION (CONTINUED)

Segment assets and liabilities (continued)

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

- all assets are allocated to operating segments other than unallocated corporate assets (mainly comprising of certain plants and equipment, bank balances and cash, deposits, prepayments and other receivables); and

- all liabilities are allocated to operating segments other than unallocated corporate liabilities (mainly comprising of certain accruals and other payables and finance lease payable).

Geographical information

The Group's operation is mainly located in China, Hong Kong and the United States of America (the "USA").

The Group's revenue from external customers by location of customers is detailed below:

	2019 HK$'000	2018 HK$'000
China	**185,470**	154,651
USA	**–**	17,330
Canada	**–**	11,003
Mexico	**–**	936
Hong Kong	**198**	909
	185,668	184,829

Information about major customers

Revenue from customers contributing to over 10% of the Group's total annual revenue are as follows:

	2019 HK$'000	2018 HK$'000
Customer A (2018: Customer B)	**41,434**	75,383
Customer B (2018: Customer A)	**38,519**	71,960
Customer C	**N/A**	23,218

note: Revenue from Customer C contributed less than 10% of the Group's total annual revenue for the year ended 31 March 2019.

7. OTHER INCOME

	2019 HK$'000	2018 HK$'000
Interest income	44	165
Reversal of long services payment	–	854
Reversal of ECL on trade receivables	143	–
Rental income	28	17
Gain on disposal of subsidiaries (note 27)	4,885	–
Sundry income	506	3,329
	5,606	4,365

8. INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Hong Kong Profits Tax		
– Current year	46	6
– Overprovision in prior years	–	–
PRC Enterprise Income Tax		
– Current year	618	–
– Overprovision in prior years	–	–
	664	6

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the year ended 31 March 2019 (2018: 16.5%). PRC Enterprise Income Tax is calculated at 25% of the estimated assessable profit for the year ended 31 March 2019 (2018: Nil).

Operations in USA suffered loss for both years and hence, no tax was provided.

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

	2019 HK$'000	2018 HK$'000
Profit before tax	1,140	8,001
Tax expenses at Hong Kong Profits Tax rate of 16.5%	188	1,320
Effect of different tax rates of subsidiaries operating in other jurisdictions	313	(53)
Tax effect of expenses not deductible for tax purpose	–	46
Tax effect of income not taxable for tax purpose	(350)	(2,993)
Tax effect of temporary difference not recognised	(69)	(64)
Tax effect of tax losses not recognised	582	1,750
Income tax expenses for the year	664	6

At the end of the reporting period, the Group had unused tax losses of approximately HK$38,840,000 (2018: approximately HK$36,415,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams. The unrecognised tax losses may be carried forward indefinitely.

9. PROFIT FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

	2019 HK$'000	2018 HK$'000
Profit for the year has been arrived at after charging:		
Auditor's remuneration		
– audit services	530	500
– non-audit services	88	103
Directors' remuneration (note (i))	2,605	3,101
Other staff costs		
– salaries and wages	4,878	4,367
– retirement benefit scheme contributions	466	156
– equity-settled share-based payment expenses	12	3
Total staff costs	7,961	7,627
Depreciation of plant and equipment	853	185
Sampling expenses (included in selling and distribution costs)	39	–
Allowance for ECLs on short-term loan and loan interest receivables	535	–
Allowance for ECLs on other receivables	269	–
Allowance for ECLs on trade receivables	132	–
Allowance for ECLs on amount due from former subsidiaries	42	–
and after crediting:		
Interest income (included in other income)	44	165

The cost of inventories recognised as an expense approximates the cost of sales as disclosed in the consolidated statement of profit or loss and other comprehensive income for both years.

9. PROFIT FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY (CONTINUED)

(i) Directors' remuneration

(a) Directors

Directors' and chief executive's remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

	Directors' fee HK$'000	Discretionary bonus HK$'000	Share-based payment HK$'000	Total 2019 HK$'000
EXECUTIVE DIRECTORS				
Zhi Hua (Chairman) (note i)	240	–	–	240
Lam Kai Yeung (Chief Executive Officer) (note ii)	1,568	–	205	1773
Ma Jun (Chief Operating Officer) (note iii)	–	–	40	40
Sub-total	1,808	–	245	2,053

	Directors' fee HK$'000	Discretionary bonus HK$'000	Share-based payment HK$'000	Total 2019 HK$'000
INDEPENDENT NON-EXECUTIVE DIRECTORS				
Li Hui (note iv)	144	–	–	144
Chau On Ta Yuen (note v)	144	–	–	144
Lam Lee G. (note vi)	144	–	–	144
Chan Kin (note vii)	11	–	–	11
Sub-total	443	–	–	443

	Directors' fee HK$'000	Discretionary bonus HK$'000	Share-based payment HK$'000	Total 2019 HK$'000
NON-EXECUTIVE DIRECTORS				
Chan Kin (note vii)	109	–	–	109
Sub-total	109	–	–	109
Total	2,360	–	245	2,605

9. PROFIT FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY (CONTINUED)

(i) Directors' remuneration (continued)

(a) Directors (continued)

	Directors' fee HK$'000	Discretionary bonus HK$'000	Share-based payment HK$'000	Total 2018 HK$'000
EXECUTIVE DIRECTORS				
Zhi Hua (Chairman) (note i)	–	–	–	–
Lam Kai Yeung (Chief Executive Officer) (note ii)	1,209	–	44	1,253
Ma Jun (Chief Operating Officer) (note iii)	–	–	8	8
Feng Chen (note viii)	200	–	–	200
Gao Zhiping (note ix)	400	–	–	400
Gao Zhiyin (note x)	400	–	–	400
Shi Jiguo (note xi)	200	–	–	200
Sub-total	2,409	–	52	2,461

	Directors' fee HK$'000	Discretionary bonus HK$'000	Share-based payment HK$'000	Total 2018 HK$'000
NON-EXECUTIVE DIRECTORS				
Chan Kin (note vii)	96	–	–	96
Shum Ngok Wa (note xii)	37	–	–	37
Sub-total	133	–	–	133

	Directors' fee HK$'000	Discretionary bonus HK$'000	Share-based payment HK$'000	Total 2018 HK$'000
INDEPENDENT NON-EXECUTIVE DIRECTORS				
Li Hui (note iv)	153	–	–	153
Chau On Ta Yuen (note v)	64	–	–	64
Lam Lee G. (note vi)	61	–	–	61
Lau Chi Kit (note xiii)	125	–	–	125
Ma Ming (note xiv)	83	–	–	83
Lam Kai Yeung (note ii)	21	–	–	21
Sub-total	507	–	–	507
Total	3,049	–	52	3,101

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The emoluments for non-executive directors and independent non-executive directors shown above were mainly for their services as directors of the Company.

9. PROFIT FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY (CONTINUED)

(i) Directors' remuneration (continued)

(a) Directors (continued)

Note:

(i) Mr. Zhi Hua was appointed as an executive director with effect from 13 September 2017.

(ii) Mr. Lam Kai Yeung resigned as an independent non-executive director with effect from 1 May 2017 and was subsequently appointed as an executive director with effect from 30 June 2017.

(iii) Mr. Ma Jun was appointed as the chief operating officer and an executive director with effect from 16 October 2017 and 30 November 2017 respectively.

(iv) Mr. Li Hui was appointed as an independent non-executive director with effect from 17 May 2017.

(v) Mr. Chau On Ta Yuen was appointed as an independent non-executive director with effect from 19 September 2017.

(vi) Mr. Lam Lee G. was appointed as an independent non-executive director with effect from 29 September 2017.

(vii) Mr. Chan Kin was appointed as a non-executive director with effect from 12 June 2017 and was re-designated from non-executive director to independent non-executive director with effect from 25 February 2019.

(viii) Mr. Feng Chen was appointed as an executive director with effect from 31 May 2017 and subsequently resigned as an executive director with effect from 29 September 2017.

(ix) Mr. Gao Zhiping resigned as an executive director with effect from 13 September 2017.

(x) Mr. Gao Zhiyin resigned as an executive director with effect from 13 September 2017.

(xi) Mr. Shi Jiguo resigned as an executive director with effect from 31 May 2017.

(xii) Mr. Shum Ngok Wa resigned as a non-executive director with effect from 14 June 2017.

(xiii) Mr. Lau Chi Kit resigned as an independent non-executive director with effect from 29 September 2017.

(xiv) Mr. Ma Ming resigned as an independent non-executive director with effect from 19 September 2017.

9. PROFIT FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY(CONTINUED)

(i) Directors' remuneration (continued)

(b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group for the year ended 31 March 2019, two (2018: two) of them are directors of the Company whose emoluments are included in note 9(i)(a).

The remuneration of the remaining three (2018: three) individuals for the year ended 31 March 2019 and 2018 are as follows:

	2019 HK$'000	2018 HK$'000
Salaries and allowances	1,064	1,938
Retirement benefit schemes contributions	23	51
	1,087	1,989

During each of the two years ended 31 March 2019, the emoluments of each of the above individuals did not exceed HK$1,000,000.

During each of the two years ended 31 March 2019, no emoluments were paid by the Group to the directors of the Company or to the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

Mr. Gao Zhiyin, Mr. Gao Zhiping, Mr. Shi Jiguo, Mr. Feng Chen and Mr. Ma Ming have agreed to waive their directors' remuneration for the year ended 31 March 2018 of the aggregate amount of HK$1,283,000. Except for the above, none of the directors of the Company waived or agreed to waive any emoluments for the years ended 31 March 2018 and 2019.

10. DIVIDEND

No final/interim dividend was paid or proposed for the year ended 31 March 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

11. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2019 HK$'000	2018 HK$'000
Earnings		
Profit for the year attributable to owners of the Company for the purpose of basic earnings per share	476	7,995

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	655,927,000	561,260,151
Weighted average number of ordinary shares for the purpose of diluted earnings per share	655,927,000	561,776,554

Diluted earnings per share for the year ended 31 March 2019 was equal to the basic earnings per share because the exercise price of the Company's share options was higher than the average market price and was therefore considered as anti-dilutive.

For the year ended 31 March 2018, diluted earnings per share assumed the exercise of the share options since the average share price of the Company is higher than the exercise price of the share options.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume exercise of share options.

12. PLANT AND EQUIPMENT

	Furniture, fixtures and equipment HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Motor vehicle HK$'000	Total HK$'000
Cost:					
At 1 April 2017	2,376	1,202	258	–	3,836
Additions	58	1,012	–	615	1,685
At 31 March 2018	2,434	2,214	258	615	5,521
Additions	121	–	–	–	121
Acquisition of subsidiary	–	5,626	445	–	6,071
Exchange adjustment	(4)	183	14	–	193
At 31 March 2019	2,551	8,023	717	615	11,906
Depreciation and impairment:					
At 1 April 2017	2,376	1,202	258	–	3,836
Provided for the year	5	119	–	61	185
At 1 April 2018	2,381	1,321	258	61	4,021
Provided for the year	43	557	160	93	853
Exchange adjustment	(1)	(5)	(4)	–	(10)
At 31 March 2019	2,423	1,873	414	154	4,864
Carrying amount:					
As at 31 March 2019	128	6,150	303	461	7,042
As at 31 March 2018	53	893	–	554	1,500

The above items of plant and equipment were depreciated on a straight-line basis at the following rates per annum:

Furniture, fixtures and equipment	15% – 25%
Leasehold improvements	Over 5 to 10 years or the term of the relevant leases, if shorter
Plant and machinery	20%
Motor vehicle	10%

13. GOODWILL

	2019 **HK$'000**	2018 HK$'000
Recognised on acquisition of subsidiaries	**1,606**	–

Goodwill, which arose on the acquisition of 杭州華之贏 and its subsidiaries, represents the excess of the cost of the business combination over the Group's interest in the net fair value of their identifiable assets and liabilities as of the date of the acquisition.

Impairment testing of goodwill

Goodwill arising on the above acquisition was recognised in the consolidated statement of financial position as an asset, initially measured at cost and subsequently assessed for impairment testing.

The recoverable amount of the cash-generating unit has been determined based on a value-in-use calculations, using cash flow projections based on financial budgets approved by management covering a five-year period. The cash flows beyond that five-year period have been extrapolated using a steady 10% per annum growth rate. The discount rate applied to the cash flow projections is 25%. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments.

The followings are the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the budgeted gross margins is based on the past performance and management's expectations for market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

As the recoverable amount determined by the management of the Group was higher the carrying amount, no impairment loss was recognized on goodwill.

14. INVENTORIES

	2019 HK$'000	2018 HK$'000
Finished goods	**524**	119,060

Included in the inventories as at 31 March 2018, approximately HK$118,519,000 represent 49,000 units of coats purchased by the Group in March 2018 pursuant to two purchase agreements entered into between the Group and a supplier, which is an independent third party of the Group.

The consideration for the two purchases was approximately HK$62,963,000 and HK$55,556,000 respectively. Pursuant to the purchase agreements, the supplier promised to reclaim all unsold products at the original price within 50 days after sale.

In April 2018, 10,000 units of the coats were sold by the Group. The remaining unsold coats were then all returned to the supplier in May 2018 in accordance with the purchase agreements. The cost of the 10,000 units of sold coats in the amount of approximately HK$37,037,000 was settled by the Group in May 2018.

15. TRADE RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	**4,776**	36,961
Less: Allowance for ECLs	**(128)**	–
	4,648	36,961

The Group allows its trade customers a credit period of 30 to 150 days. No interest is charged on trade receivables and the Group does not hold any collateral over the trade receivables. The following is an aged analysis of trade receivables presented based on the invoice dates at the end of each reporting period:

	2019 HK$'000	2018 HK$'000
0 – 30 days	**3,307**	28,332
31 – 60 days	**–**	1,665
61 – 90 days	**–**	3,743
91 – 120 days	**–**	78
Over 120 days	**1,469**	3,143
	4,776	36,961

15. TRADE RECEIVABLES (CONTINUED)

Movements in the allowance for ECLs:

	2019 **HK$'000**	2018 HK$'000
Balance at 31 March under HKAS 39	**–**	N/A
Effect of initial application of HKFRS 9	**143**	N/A
Balance at 1 April	**143**	–
Impairment loss	**132**	–
Exchange adjustments	**(4)**	–
Reversal of impairment loss	**(143)**	–
Balance at 31 March	**128**	–

15. TRADE RECEIVABLES (CONTINUED)

Impairment assessment under HKFRS 9 for the year ended 31 March 2019

The Group applies the simplified approach to provide for expected credit loss prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Group overall considers the shared credit risk characteristics and the days past due of each type of the trade receivables to measure the expected credit losses.

The expected loss on trade receivables is estimated by reference to the past default experience of debtors, adjusted for current and forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables. During the year ended 31 March 2019, the expected credit losses of trade receivables are determined as follows:

	Expected credit loss rate	Gross carrying amount HK$'000	Loss allowance HK$'000
Current (not past due)	**0.1%**	**3,384**	**3**
1 – 60 days past due	**0.6%**	**293**	**2**
61 – 90 days past due	**11%**	**1,099**	**123**
		4,776	**128**

Impairment assessment under HKAS 39 for the year ended 31 March 2018

The Group monitors the recoverable amount of the trade debts and considers adequate impairment loss is made for irrecoverable amount, if necessary. In determining the recoverability of trade receivables, the Group considers any change in the credit quality of trade receivables from the date credit was initially granted up to the end of the reporting period.

As there was no significant change in credit quality and the amounts were considered to be recoverable, no impairment loss was provided.

Aging of trade receivables which are past due but not impaired

	HK$'000
31 – 60 days	1,665
61 – 90 days	3,743
91 – 120 days	78
Over 120 days	3,143
	8,629

16. SHORT-TERM LOAN AND LOAN INTEREST RECEIVABLES

	2019 HK$'000	2018 HK$'000
Short-term loan and loan interest receivables (current not past due)		
– Principal	**64,260**	8,300
– Interest	**1,173**	62
Less: Loss allowance for ECLs	**(409)**	–
	65,024	8,362

The Group has commenced its money lending business since March 2018.

At 31 March 2019, the Group had loan receivables as follows:

Secured loans:

(i) Loan to an individual who is an independent third party with outstanding principal amount of HK$7,000,000. The loan was unsecured, interest-bearing at 18% per annum and repayable in March 2020, guaranteed by an independent third party and secured by mortgages over two residential properties in Hangzhou, the PRC.

(ii) Loan to a PRC company, which is an independent third party with outstanding principal amount of RMB13,000,000 (equivalent to HK$15,205,000). The loan was interest-bearing at 5% per annum and repayable in October 2019, secured by a bill receivable of the borrower and guaranteed by Mr. Zhi Hua, the director of the Company.

P2P loans:

Loans advanced through the online P2P financing platform to various borrowers who are subcontractors in the construction industry. The loan amount did not exceed RMB200,000 (equivalent to HK$234,000) for each borrower. The loans were interest-bearing at the rates ranging from 5% to 12.5% per annum, unsecured and repayable pursuant to the agreement terms.

As at the date of this report, the P2P operations of the Group had been disposed of. Pursuant to the disposal agreement, one of the term of the disposal was that new owner has to repay the Group's P2P loan receivables amounted to RMB35,900,000 (equivalent to approximately HK$40,842,000). Cash cheque of RMB35,900,000 (equivalent to approximately HK$40,842,000) was received by the Group in May 2019.

16. SHORT-TERM LOAN AND LOAN INTEREST RECEIVABLE (CONTINUED)

Impairment assessment under HKFRS 9 for the year ended 31 March 2019

The Group applies the general approach to provide for expected credit loss prescribed by HKFRS 9 on its loan receivables and loan interest receivables. The Group have taken into account the historical default experience, the background and the financial position of the counterparties, value of collateral and various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case.

The loan receivables and loan interest receivables are considered to be credit-impaired when they are default. In determining whether loan receivables and loan interest receivables are default, 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 or partially (without taking into account any collaterals held by the Group). Irrespective of the above, the Group considers that default has occurred when a loan receivable and related loan interest receivable have been past due for more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Movements in the loss allowance of loan receivables:

	12-month ECL HK$'000
Balance at 31 March under HKAS 39	–
Effect of initial application of HKFRS 9	42
Balance at 1 April	42
Impairment loss	365
Exchange adjustments	(10)
Balance at 31 March	397

16. SHORT-TERM LOAN AND LOAN INTEREST RECEIVABLE (CONTINUED)

Impairment assessment under HKFRS 9 for the year ended 31 March 2019 (continued)

Movements in the loss allowance of loan interest receivables:

	12-month ECL HK$'000
Balance at 31 March under HKAS 39	–
Effect of initial application of HKFRS 9	–
Balance at 1 April	–
Impairment loss	170
Written off	(154)
Exchange adjustments	(4)
Balance at 31 March	12

Impairment assessment under HKAS 39 for the year ended 31 March 2018

The Group assessed the collectability of loan receivables from time to time individually with reference to borrowers' past collection history and current creditworthiness. Based on the Group's credit assessments and analysis, no impairment was provided as at year ended 31 March 2018.

17. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Deposits paid for purchases of garment products and others	**16,737**	15,479
Other receivables	**6,219**	4,574
Undeducted input value-added tax	**7,346**	–
Other deposits (note)	**14,035**	–
Prepayments	**887**	1,025
	45,224	21,078

Note:

As at 31 March 2019, the Group had paid RMB12,000,000 (equivalent to HK$14,035,000) being deposit paid in respect of telephone card charging service project (the "Project"). According to the management of the Company, the Project involves telephone card charging service and will generate income to the Group. The negotiation was still under progress as at 31 March 2019. Mr. Zhi Hua, the director of the Company, has guaranteed to repay to the Group if the Project does not proceed and the deposit cannot be refunded to the Group.

Details of impairment assessment on other receivables are set out in note (32)(b).

Major non-cash transaction

During the year ended 31 March 2018, the Group offsets its trade deposits with its balances due to former immediate holding company of HK$20,462,000 and former directors of HK$6,439,000.

18. AMOUNT DUE FROM FORMER SUBSIDIARIES

Amount due from former subsidiaries was interest-free, had no fixed repayment terms and secured by the equity securities listed in Canada held by a related company of the current shareholder of the former subsidiary. Details of impairment assessment on amount due from former subsidiaries are set out in note 32(b).

19. BANK BALANCES AND CASH

Bank balances carry interest at market rates which range from 0.001% to 1% (2018: 0.001% to 1%) per annum.

20. TRADE PAYABLES

The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2019 HK$'000	2018 HK$'000
0 – 60 days	2,529	139,494
61 – 90 days	–	24
Over 90 days	2,681	–
	5,210	139,518

The average credit period on purchases of goods is 30 days (2018: 30 days).

21. OTHER PAYABLES, ACCRUALS AND DEPOSIT RECEIVED

	2019 HK$'000	2018 HK$'000
Other payables	1,187	1,621
Accrued expenses	904	2,198
Deposits received	–	491
Contract liabilities	10,455	–
Other tax payable	176	–
	12,722	4,310

Contract liabilities represented deposit received from sales of garment products.

22. OBLIGATION UNDER FINANCE LEASE

The Group leases a motor vehicle for its corporate function. This lease is classified as a finance lease and has a remaining lease term of four years.

	Minimum lease payments		Present value of minimum lease payments	
	2019 HK$'000	2018 HK$'000	2019 HK$'000	2018 HK$'000
Within one year	139	139	112	112
In the second to fifth years	254	392	253	368
	393	531	365	480
Less: Future finance charges	(28)	(51)		
Total net finance lease payable	365	480		
Portion classified as current liabilities	(112)	(112)		
Non-current portion	253	368		

23. SHARE CAPITAL

	Number of shares	Amount HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
As at 1 April 2017	900,000,000	9,000
Increase in authorised capital (note i)	9,100,000,000	91,000
As at 31 March 2018, 1 April 2018 and 31 March 2019	10,000,000,000	100,000
Issued and fully paid:		
As at 1 April 2017	519,777,000	5,198
Issue of shares pursuant to placement of shares (note ii)	32,200,000	322
Subscription of new shares (note iii)	103,950,000	1,039
As at 31 March 2018, 1 April 2018 and 31 March 2019	655,927,000	6,559

All shares rank pari passu in all respects.

notes:

(i) On 13 November 2017, the authorised share capital of the Company was increased from HK$9,000,000 to HK$100,000,000 by the creation of the additional 9,100,000,000 new shares of HK$0.01 each. These new shares ranked pari passu in all respects with the existing shares.

(ii) On 13 October 2017, the Company issued a total of 32,200,000 new shares as a result of the placing. Net proceeds of approximately HK$29,400,000 were raised. Details of the placing are set out in the announcement of the Company dated 20 September 2017 and 13 October 2017.

(iii) On 30 November 2017, the Company entered into a subscription agreement with an independent third party for the placing and subscription of 103,950,000 new ordinary shares of the Company at a subscription price of HK$0.7 per share. Net proceeds of approximately HK$72,520,000 were raised. The subscription was completed on 29 December 2017. Details of the subscription are set out in the Company's announcement dated 30 November 2017, 21 December 2017 and 29 December 2017 respectively.

24. RETIREMENT BENEFIT SCHEMES

The Group has operated a defined contribution retirement benefit scheme for all qualifying employees in Hong Kong since 1 April 1995. The assets of the scheme are held separately from those of the Group in a provident fund managed by an independent trustee. The retirement benefits scheme contributions represent contributions payable to the fund by the Group at rates specified in the rules of the scheme. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. According to the MPF legislation regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong, with effect from 1 December 2000, the Group is also required to participate in a MPF scheme operated by approved trustees in Hong Kong and to make contributions for its eligible employees. The contributions borne by the Group are calculated at 5% of the salaries and wages (monthly contribution is limited to 5% of HK$30,000 for each eligible employee) as calculated under the MPF legislation.

Both the defined contribution retirement benefits scheme and the MPF scheme co-existed within the Group in both years.

As at 31 March 2019 and 2018, there were no forfeited contributions available to offset future employers' contributions to the scheme.

In addition, the overseas subsidiary of the Company is required to contribute amount based on employees' salaries to the retirement benefit scheme as stipulated by the relevant local authority. The employees are entitled to this subsidiary's contributions subject to the regulations of the relevant local authority.

The total expenses recognised in profit or loss of approximately HK$466,000 (2018: approximately HK$156,000) represent contributions payable to these plans by the Group at rates specified in the rules of the plans.

25. SHARE-BASED PAYMENT TRANSACTIONS

Share Option Scheme of the Company

Pursuant to a written resolution passed on 2 June 2010, the Company adopted a share option scheme (the "Share Option Scheme"). The purpose of the Share Option Scheme is to provide incentives to eligible participants including employees, directors and other selected participants for their contributions to the Group. The Share Option Scheme will remain in force for a period of ten years from the date of its adoption (i.e. 2 June 2010).

The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the issued share capital of the Company from time to time. The total number of shares which may be issued upon exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on the date of adoption of the Share Option Scheme. Such 10% limit may be refreshed, subject to specific approval by the shareholders of the Company, from time to time with reference to the issued share capital of the Company for the time being. Subject to specific approval by the shareholders of the Company, the total number of shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being.

Options granted must be taken up within 21 days from the date of grant. Options may, subject to the black-out periods under the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules, generally be exercised at any time from the date of grant to the 10th anniversary of the date of grant. In each grant of options, the Board of Directors of the Company may at its discretion determine the specific exercise period and exercise price. The exercise price shall not be less than the highest of (i) the closing price of shares on the Stock Exchange on the date of the offer of grant; (ii) the average closing price of shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

The options are conditionally vested upon the grantees fulfilling certain non-market performance vesting conditions. As detailed in the supplementary agreements with the share option holders, the share option is exercisable at any time from the date of grant to the 10th anniversary of the date of grant after one of the conditions is fulfilled: (1) the share option holder completing 10 years of service from the offer date of the share options or (2) the Group's accumulative profit meeting a target of HK$80M (profit before deducting non-cash expense or cost) during the 10 years from the offer date of the share options.

On 28 September 2018, the limit of number of ordinary shares of the Company which may be issued upon exercise of all options to be granted was refreshed to 10% of the issued ordinary share capital of the Company as at 21 August 2018.

25. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Share Option Scheme of the Company (continued)

As at 31 March 2019, 22,068,000 share options have been granted by the Company (2018: 22,068,000).

The following table discloses movements in the Company's share options during the current year:

Name of Grantee	Date of grant	Exercise Price (HK$)	Vesting period dd/mm/yyyy	Exercise period dd/mm/yyyy	Number of share options Outstanding at 1.4.2018	Granted during the year	**Outstanding at 31.3.2019**
Directors							
Mr. Lam Kai Yeung	16/01/2018	0.854	16/01/2018-15/01/2028	16/01/2018-15/01/2028	5,192,000	–	**5,192,000**
Mr. Ma Jun	16/01/2018	0.854	16/01/2018-15/01/2028	16/01/2018-15/01/2028	1,000,000	–	**1,000,000**
Employees (other than directors) in aggregate	16/01/2018	0.854	16/01/2018-15/01/2028	16/01/2018-15/01/2028	300,000	–	**300,000**
Other participants in aggregate	16/01/2018	0.854	16/01/2018-15/01/2028	16/01/2018-15/01/2028	15,576,000	–	**15,576,000**
Exercisable at the end of the year					22,068,000		**22,068,000**
Weighted average exercise price					0.854		**0.854**

The total number of securities available for issue under the share option scheme as at 31 March 2019 was 87,660,700 shares (including options for 22,068,000 shares that have been granted but not yet lapsed or exercised) which represented 13.36% of the ordinary shares of the company in issue at 31 March 2019.

At the end of the reporting period, the Company had 22,068,000 (2018: 22,068,000) share options outstanding under the Share Option Scheme. The exercise in full of the remaining share options would under the present capital structure of the Company, resulting in issue of 22,068,000 (2018: 22,068,000) additional ordinary shares of the Company and additional share capital of approximately HK$18,846,000 (2018: HK$18,846,000) (before the issue expenses).

25. SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)

Share Option Scheme of the Company (continued)

The following major assumptions were used to calculate the fair values of the share options granted during the year ended 31 March 2018:

Inputs into the model	
Fair value at measurement date	HK$0.40
Grant date share price	HK$0.83
Exercisable period	10 years
Vesting period	10 years
Exercise price	HK$0.854
Exercise life	9.996 years
Expected volatility	50.65%
Dividend yield	0.20%
Risk-free interest rate	1.949%

The Company has used the Binomial option pricing model to value the share options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions. The expected life of the options was determined with reference to the historical share price records of the Company and the expected volatility was determined with reference to the historical volatilities of the share prices of the Company over the period that is equal to the expected life of the options before the grant date.

26. ACQUISITION OF SUBSIDIARIES

As a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with 杭州華之贏 and has the ability to affect those returns through its power over 杭州華之贏 and is considered to control 杭州華之贏. Consequently, the Company regards 杭州華之贏 as an indirect wholly owned subsidiary for accounting purpose.

The fair value recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	HK$'000
Net assets acquired:	
Property, plant and equipment	6,071
Prepayments and other receivables	5,100
Tax recoverable	39
Bank balances and cash	88
Account payables	(5,496)
Total identifiable assets	5,802
Goodwill	1,606
Total consideration	7,408

Total consideration was satisfied by:

	HK$'000
Cash consideration	7,408
Total consideration	7,408

Net cash outflow arising on acquisition:

	HK$'000
Bank balances and cash acquired	88
Cash consideration paid	7,408
	(7,320)

During the period between the date of completion of the acquisition and 31 March 2019, 杭州華之贏 contributed loss and turnover of approximately HK$1,781,000 and HK$9,144,000 respectively to the Group's profit and turnover for the year ended 31 March 2019.

If the acquisition had been completed on 1 April 2018, Group's total loss and turnover for the year would have been approximately HK$5,333,000 and HK$21,530,000 respectively. The pro forma information is for illustrative purpose only and is not necessarily an indication of revenue and results of the Group that actually would have been achieved had the acquisition been completed on 1 April 2018, nor is it intended to be a projection of future results.

27. DISPOSAL OF SUBSIDIARIES

During the year ended 31 March 2019, the Group disposed of Best Keen International Limited, together with its subsidiaries (the "Disposal Group"), which carried out garment sourcing operation.

Analysis of assets and liabilities over which control was lost

Disposal Group

	HK$'000
Current assets	
Trade receivables	3,500
Other receivables	47
Bank balances	79
	3,626
Current liabilities	
Other payables	(20)
Amount due to the Company	(8,494)
	(8,514)
Net liabilities disposed of	(4,888)
Release of translation reserve upon disposal of subsidiaries	3
Consideration received	–
Gain on disposal	4,885

28. OPERATING LEASE COMMITMENTS

The Group as lessee

	2019 HK$'000	2018 HK$'000
Minimum lease payments paid by the Group under operating leases during the year	**3,210**	3,820

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented office premises which fall due as follows:

	2019 HK$'000	2018 HK$'000
Within one year	**2,905**	2,905
In the second to fifth year inclusive	**1,452**	4,982
	4,357	7,887

Leases are negotiated for terms ranging from one to three years and rental is fixed throughout the lease period.

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

The following is the statement of financial position of the Company as at 31 March 2019 and 31 March 2018:

	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS		
Investment in a subsidiary, unlisted	1	1
Plant and equipment	1,030	1,489
	1,031	1,490
CURRENT ASSETS		
Deposits	957	849
Amounts due from subsidiaries	89,655	–
Amounts due from former subsidiaries	8,372	130,640
Cash and bank balances	1,707	10,089
	100,691	141,578
CURRENT LIABILITIES		
Accruals	903	2,144
Amount due to subsidiaries	–	37,337
Tax payable	1,200	1,200
Obligation under finance lease	112	112
	2,215	40,793
NET CURRENT ASSETS	98,476	100,785
TOTAL ASSETS LESS CURRENT LIABILITIES	99,507	102,275
NON-CURRENT LIABILITIES		
Obligation under finance lease	253	368
Net assets	99,254	101,907
CAPITAL AND RESERVES		
Share capital	6,559	6,559
Reserves (note (a))	92,695	95,348
TOTAL EQUITY	99,254	101,907

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

note:

(a) Reserves

	Share premium HK$'000	Contributed surplus HK$'000 (note i)	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 31 March 2017	–	125,518	–	(124,190)	1,328
Loss for the year	–	–	–	(7,515)	(7,515)
Issue of share capital	101,350	–	–	–	101,350
Recognition of equity-settled share-based payments	–	–	185	–	185
At 31 March 2018 and 1 April 2018	101,350	125,518	185	(131,705)	95,348
Loss for the year	–	–	–	(3,526)	(3,526)
Recognition of equity-settled share-based payments	–	–	873	–	873
At 31 March 2019	101,350	125,518	1,058	(135,231)	92,695

(i) The contributed surplus represents the reserve arising from a previous group reorganisation.

30. RELATED PARTY DISCLOSURES

Compensation of key management personnel

The emoluments of the directors of the Company and the employees included in the five highest paid individuals who are identified as members of key management of the Group during both years are set out in Note 9.

Save as disclosed in this report, the Group did not have any other significant transactions and balances with related parties during the year and/or at the end of the reporting period.

31. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes obligation under finance lease, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves, net of accumulated losses.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

32. FINANCIAL RISK MANAGEMENT

(a) Categories of financial instruments

	2019 **HK$'000**	2018 HK$'000
Financial assets		
Amortised cost		
– Trade receivables	**4,648**	36,961
– Short-term loan and loan interest receivable	**65,024**	8,362
– Deposits and other receivables	**6,219**	5,852
– Amount due from former subsidiaries	**8,372**	–
– Bank balances and cash	**3,705**	76,146
	87,968	127,321
Financial liabilities		
Amortised cost		
– Trade payables	**5,210**	139,518
– Other payables and accruals	**2,091**	3,819
– Obligation under finance lease	**365**	480
	7,666	143,817

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management and policies

The Group's major financial instruments include trade receivables, other receivables, short-term loan and loan interest receivables, bank balances and cash, trade payables, other payable and obligation under finance lease. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group's operations are mainly located in Hong Kong, the USA and PRC and the exposure in exchange rate risks mainly arises from fluctuations in RMB exchange rates. Exchange rate fluctuations and market trends have always been the concern of the Group. As RMB is under a managed floating system, after reviewing the Group's exposure for the time being, the Group did not enter into any derivative contracts aimed at minimising exchange rate risks during the year. However, management monitors foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

At the end of the reporting period, the carrying amount of the Group's net monetary assets/(liabilities) denominated in currencies other than the respective functional currencies of the relevant group entities are as follows:

	Net monetary assets/(liabilities)	
	2019	2018
	HK$'000	HK$'000
RMB	**64,137**	(69,122)

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management and policies (continued)

Market risk (continued)

(i) Currency risk (continued)

Sensitivity analysis

As at 31 March 2019 and 2018, the Group mainly exposed to foreign currency risk of RMB.

The following table details the Group's sensitivity to a 5% increase and decrease in the functional currencies of the relevant group entities against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in profit for the year where the functional currency of the group entities strengthen 5% against the relevant currency. For a 5% weakening of the functional currency of the group entities against the relevant currency, there would be an equal and opposite impact on the profit for the year.

	2019 **HK$'000**	2018 HK$'000
Profit/(Loss) for the year	**3,207**	(3,456)

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk due to the fluctuation of the prevailing market interest rates on its bank balances which carry interest at prevailing market interest rates. The Group is also exposed to fair value interest rate risk as the Group's obligation under finance lease bear interests at fixed interest rate. The management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. No sensitivity analysis is presented as the risk is limited as assessed by management of the Group.

Credit risk

As at 31 March 2019, the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position best represent the Group's maximum exposure to credit risk which will cause a financial loss to the Group.

The Group's exposure to credit risk on trade as well as loan and loan interest receivables is influenced mainly by the individual characteristics of each customer and industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. The Group has policies in place for the control and monitoring of such credit risk.

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management and policies (continued)

Credit risk (continued)

At the end of the reporting period, the Group had concentration of credit risk as 30% (2018: 43%) and 79% (2018: 100%) of the total trade receivables was due from the Group's largest customer and five largest customers respectively which had no history of default.

At the end of the reporting period, the Group had concentration of credit risk as 24% (2018: 100%) and 36% (2018: 100%) of the total loan and loan interest receivables was due from the Group's largest loan and loan interest receivable and five largest loan and loan interest receivables respectively which had no history of default.

In respect of loan and loan interest receivables, individual credit evaluations are performed on all borrowers requiring credit over a certain amount. These evaluations focus on the borrowers' past history of making payments when due and current ability to pay, and take into account information specific to the borrowers.

In order to minimise its credit risk, management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For amount due from former subsidiaries and other receivables, the directors of the Company consider the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on an ongoing basis during the year ended 31 March 2019. To assess whether there is a significant increase in credit risk, the Group compares risk of a default occurring on the assets as at the reporting date with the risk of default as at the date of initial recognition. Especially the following indicators are incorporated:

– actual or expected significant adverse changes in business, financial economic conditions that are expected to cause a significant change to the third party borrower's ability to meet its obligations;

– actual or expected significant changes in operating results of the third party borrower;

– significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrower;

– the employment relationship with the employee borrower.

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management and policies (continued)

Credit risk (continued)

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment/repayable demanded.

A default on a financial asset is when the counterparty fails to make contractual payments/repayments demanded within 90 days when they fall due, unless the Group has reasonable and supportable information that demonstrate otherwise.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group categorises a loan or receivable for write off when a debtor fails to make contractual payments/repayments demanded greater than 120 days past due. When loans or receivables have been written off, the Group continues to engage in enforcement activities to attempt to recover the receivables due. When the receivables are recovered, these are recognized in profit or loss.

In estimating the expected credit loss, the Group considers the default history of former subsidiaries and other receivables, and adjusts for forward looking macroeconomic data. As at 31 March 2019, the Group estimated the 12-month expected credit loss and expected credit losses amounting to approximately HK$42,000 and HK$269,000 on amount due from former subsidiaries and other receivables respectively were recognised.

For the rest of the other receivables, the majority of the balances were expected to be settled within 12 months after the end of the reporting period based on the historical data and forward-looking information. The management of the Group did not consider there have been an significant increase in credit risk at the end of the reporting period since the initial recognition. As at 31 March 2019, the management of the Group considered the expected credit loss for these other receivables was insignificant.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have 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. The maturity dates for other financial liabilities are based on the agreed repayment dates.

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial risk management and policies (continued)

Liquidity risk (continued)

Liquidity tables

	Weighted average interest rate	On demand or less than 1 month HK$'000	1 to 3 months HK$'000	3 months to 1 year HK$'000	1-5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
2019							
Trade payables	–	2,529	2,681	–	–	5,210	5,210
Other payables and accruals	–	2,091	–	–	–	2,091	2,091
Obligation under finance lease	2.25%	11	23	104	255	393	365
		4,631	2,704	104	255	7,694	7,666
2018							
Trade payables	–	16,314	123,180	24	–	139,518	139,518
Other payables and accruals	–	3,819	–	–	–	3,819	3,819
Obligation under finance lease	2.25%	11	23	104	393	531	480
		20,144	123,203	128	393	143,868	143,817

(c) Fair value measurement of financial instruments

The fair values of the financial assets and financial liabilities have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis. The management considers that the carrying amounts of the financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

33. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries as at 31 March 2019 and 2018 are as follows:

Name of subsidiary	Place of incorporation or establishment/ operation	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Group Directly 2019	Directly 2018	Indirectly 2019	Indirectly 2018	Principal activities
Champion Success Trading Limited	Hong Kong	Ordinary HK$1	100	100	-	–	Garment sourcing
浙江旺城進出口有限公司	PRC	Registered capital HK$100,000,000 (Paid: HK$50,000,000)	-	–	100	100	Garment and others sourcing
溫州旺誠進出口有限公司	PRC	Registered capital RMB5,000,000 (Paid: RMB1,000,000)	-	–	100	100	Garment and others sourcing
Hua Long Finance Holdings Company Limited	Hong Kong	Ordinary HK$1	100	100	-	–	Money lending
玲隆(杭州)資產管理有限公司	PRC	Registered capital HK$250,000,000 (Paid: HK$ Nil)	-	–	100	100	Assets management
Sino Insurance Broker Group Limited	Hong Kong	Ordinary HK$1	100	100	-	–	Insurance broker
Guozan Technology Co., Limited	Hong Kong	Ordinary HK$10,000	100	100	-	–	Lease financing
國贊融資租賃(深圳)有限公司	PRC	Registered capital USD30,000,000 (Paid: Nil)	-	–	100	100	Lease financing
Victory Finance Holdings Limited	BVI	Ordinary US$1	-	–	100	–	Not yet commenced business
杭州華之贏投資管理有限公司 (Note 3(a))	PRC	Registered capital RMB50,000,000 (Paid: RMB13,726,000)	-	–	100	–	P2P financing business
浙江海寬典當有限公司	PRC	Registered capital RMB20,000,000 (Paid: RMB20,000,000)	-	–	100	–	Pawnshop services
Best Keen International Limited	The BVI	Ordinary US$50,000	-	100	-	–	Investment holding
Top Value Inc.	The USA	Ordinary US$1,000	-	–	-	100	Trading of garment products
United Gainer Investment Limited	Hong Kong	Ordinary HK$1	-	–	-	100	Trading of garment products

None of the subsidiaries had issued any debt securities subsisting at the end of the year or at any time during the year.

34. RECONCILIATION IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Finance lease HK$'000	Amount due to immediate holding company HK$'000	Total HK$'000
At 1 April 2017	–	20,462	20,462
Changes from financing cash flow:			
Finance lease rentals paid	(73)	–	(73)
Other changes:			
New finance lease	553	–	553
Balance offsets	–	(20,462)	(20,462)
At 31 March 2018 and 1 April 2018	480	–	480
Changes from financing cash flow:			
Finance lease rentals paid	(115)	–	(115)
At 31 March 2019	365	–	365

35. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the following events took place:

On 22 May 2019, the Group entered into an assignment contract to dispose of its VIE arrangement at the consideration of RMB6,540,000 (equivalent to approximately HK$7,440,000), resulting in a loss of control over 杭州華之贏 and its subsidiaries.

A gain of approximately HK$2,046,000 was arisen from the disposal and was derived from the difference of (i) the total consideration of RMB6,540,000 (equivalent to approximately HK$7,440,000); and (ii) the net assets of 杭州華之贏 and its subsidiaries of approximately RMB4,746,000 (equivalent to approximately HK$5,394,000) upon the disposal.

Other than the aforementioned, the buyer settled the loan receivables of the Group in the amount of RMB35,900,000 (equivalent to HK$40,842,000) in May 2019.

Glossary

Abbreviation	Definition
2018 AGM	annual general meeting of the Company held on 28 September 2018
Audit Committee	audit committee of the Company established by the Board on 8 September 2010 with written terms of reference, as amended from time to time
Board	the board of Directors
Board Committees	Audit Committee, Nomination Committee and Remuneration Committee
Bye-Law(s)	the bye-laws of the Company, as amended from time to time
Company	Hang Pin Living Technology Company Limited, a company incorporated in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
Corporate Governance Code	Corporate Governance Code as set out in Appendix 14 of the Listing Rules
Director(s)	the director(s) of the Company
Group	the Company and its subsidiaries from time to time
HK$	Hong Kong dollars, the lawful currency of Hong Kong
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange
Model Code	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
Nomination Committee	nomination committee of the Company established by the Board on 19 March 2012 with written terms of reference, as amended from time to time PRC the People's Republic of China
Remuneration Committee	remuneration committee of the Company established by the Board on 8 September 2010 with written terms of reference, as amended from time to time
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Share(s)	ordinary share(s) of HK$0.01 each in the share capital of the Company

Abbreviation	Definition
Share Options Scheme	share option scheme conditionally adopted by the Company on 2 June 2010 which became effective upon the Shares were listed on the Stock Exchange on 5 October 2010.
Shareholder(s)	holder(s) of the Share(s) in issue
Stock Exchange	The Stock Exchange of Hong Kong Limited
US$	United States dollars, the lawful currency of the United States of America
%	per cent.

Financial Summary

Results

	Year ended 31 March				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Revenue	365,690	164,589	80,992	184,829	**185,668**
Profit (loss) before taxation	(454)	(24,777)	(11,443)	8,001	**1,140**
Income tax (expense) credit	(902)	20	–	(6)	**(664)**
Profit (loss) for the year from continuing operation	(1,356)	(24,757)	(11,443)	7,995	**476**
Profit (loss) for the year from discontinued operations	(5,074)	–	–	–	**–**
Profit (loss) for the year	(6,430)	(24,757)	(11,443)	7,995	**476**
Attributable to:					
Owners of the Company	(6,833)	(24,757)	(11,443)	7,995	**476**
Non-controlling interests	403	–	–	–	**–**
	(6,430)	(24,757)	(11,443)	7,995	**476**

Assets And Liabilities

	At 31 March				
	2015 HK$'000	2016 HK$'000	2017 HK$'000	2018 HK$'000	**2019** **HK$'000**
Total assets	134,009	66,022	40,230	263,575	**136,145**
Total liabilities	(91,929)	(48,699)	(34,350)	(145,775)	**(19,600)**
	42,080	17,323	5,880	117,800	**116,545**
Equity attributable to:					
Owners of the Company	42,080	17,323	5,880	117,800	**116,545**
Non-controlling interests	–	–	–	–	**–**
	42,080	17,323	5,880	117,800	**116,545**

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