# Vico International Holdings Limited

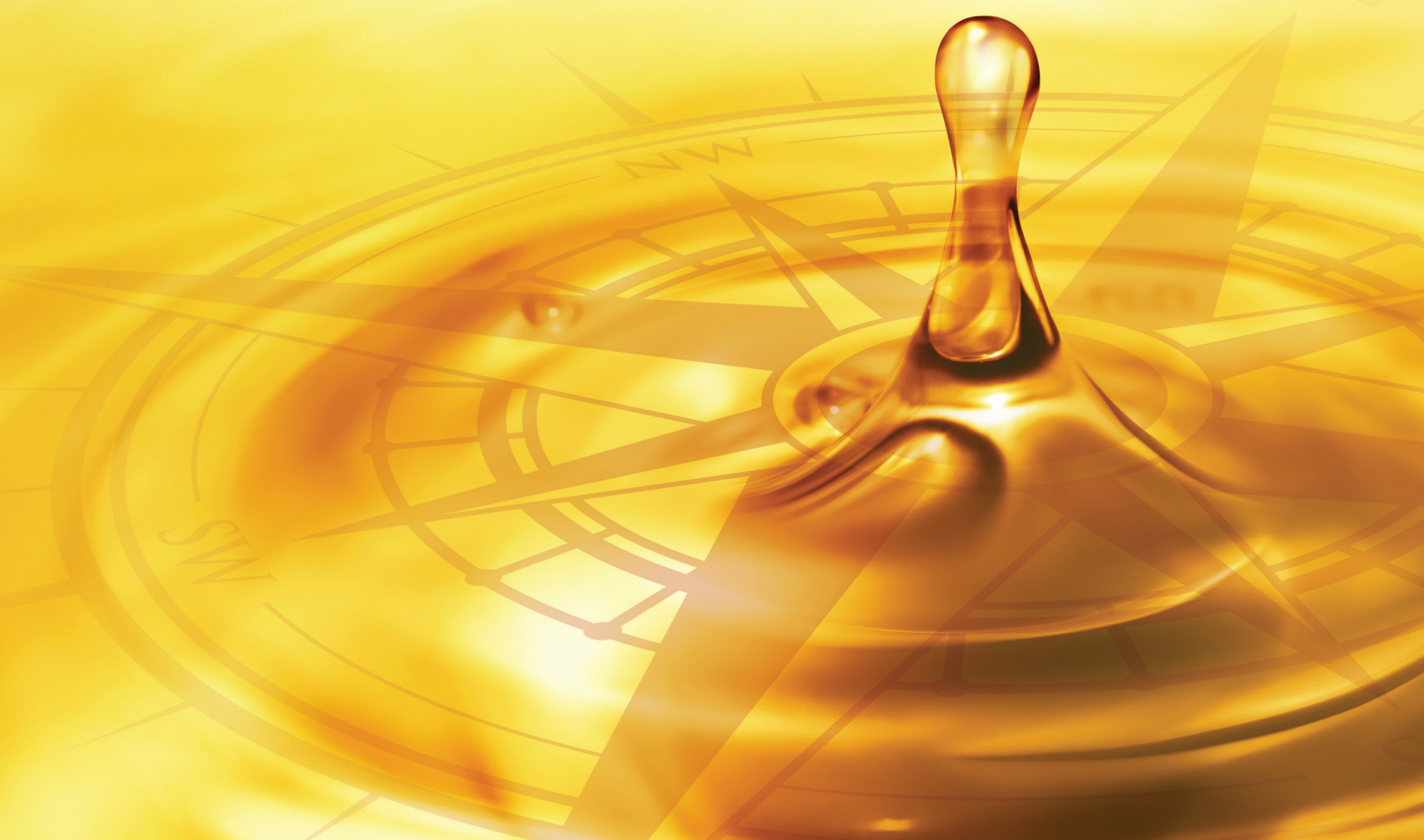
域 高 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1621

2018/2019

ANNUAL REPORT



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. HUI Pui Sing *(Chairman)*
Ms. TONG Man Wah
Mr. HUI Yip Ho Eric *(Chief Executive Officer)*
Ms. HUI Wing Man Rebecca
Mr. KONG Man Ho

### Non-executive Director

Mr. WONG Chun Man

### Independent Non-Executive Directors

Mr. LEUNG Ho Chi
Mr. CHAN Ching Sum
Mr. TSE Yung Hoi

## AUDIT COMMITTEE

Mr. LEUNG Ho Chi *(Chairman)*
Mr. CHAN Ching Sum
Mr. TSE Yung Hoi

## REMUNERATION COMMITTEE

Mr. LEUNG Ho Chi *(Chairman)*
Mr. HUI Yip Ho Eric
Mr. TSE Yung Hoi

## NOMINATION COMMITTEE

Mr. HUI Pui Sing *(Chairman)*
Mr. LEUNG Ho Chi
Mr. CHAN Ching Sum

## AUTHORISED REPRESENTATIVES

Mr. HUI Yip Ho Eric
Mr. KONG Man Ho

## COMPANY SECRETARY

Ms. NGAI Kit Fong *(FCIS, FCS (PE))*

## REGISTERED OFFICE

Cricket Square, Hutchins Drive, P.O. Box 2681
Grand Cayman, KY1-1111 Cayman Islands

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit D, 11/F, Billion Plaza II
No. 10 Cheung Yue Street
Cheung Sha Wan, Hong Kong

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East, Hong Kong

## COMPLIANCE ADVISER

Kingsway Capital Limited
7/F, Tower One, Lippo Centre
89 Queensway
Hong Kong

## AUDITORS

SHINEWING (HK) CPA Limited
*Certified Public Accountants*

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Chong Hing Bank Limited

## STOCK CODE

1621

## COMPANY WEBSITE

www.vicointernational.hk

# STATEMENT FROM THE CHAIRMAN

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**" and each a "**Director**") of Vico International Holdings Limited (the "**Company**"), I am pleased to present the annual report of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2019 (the "**Current Period**").

In 2018, we can see huge fluctuation in oil price ascribed to uncertain variables such as the trade war, the delay of Brexit and slowdown of global economy. Over the past year, oil price has dropped, mainly affected by the decelerating growth of China's economy. Our sales can still remain strong because of the internal demand for infrastructure activities in Hong Kong. As the Third Runway of Hong Kong International Airport and Island Eastern Corridor Link are expected to be in construction, we are confident about the stability of our core business.

After listing, we obtained more capital and resources to enlarge our production capacity. For the Current Period, our profitability has improved significantly. In particular, the sales of diesel increased by 33.8%, which partly contributed to 30.1% growth in revenue. To enhance the efficiency and quality of production, we also acquired a new multi-purpose site in Tsuen Wan, bringing us more flexibility to manage our re-packaging process and facilities.

Regardless of the rigorous challenges and unpredictable factors in oil industry, our Company is still seeking ways to capture potential opportunities overseas. Judging from Vietnam's recent outstanding economic performance, we can foresee the potential growth in the coming years. Along with its rising domestic demand of oil, we extend our selling destination line to Vietnam which is one of the most fast-growing economies in the world.

On behalf of the Board and the management of the Group, I would like to express my gratitude to all diligent staff and shareholder's all-out support. Herein, I want to show my indebtedness to all shareholders, investors, customers, suppliers and business partners for your continued endorsement and backing. With your support, we will keep exerting our strength to make progress while maintaining the highest standard of production.

**HUI Pui Sing**
*Chairman*

Hong Kong, 24 June 2019

## BUSINESS REVIEW

The Group is principally engaged in the distribution of third-party branded petrochemicals, the sales of the self-branded lubricant oil and provides fleet card services in Hong Kong. The petrochemical products of the Group include (i) diesel; (ii) lubricant oil (including self-branded lubricant oil and third-party branded lubricant oil); and (iii) other petrochemicals such as bitumen.

The Group sourced semi-finished lubricant oil in bulk volume and finished lubricant oil from overseas suppliers for the in-house blending and repackaging into wholesale and retail packs for sales in Hong Kong.

The Group is also an authorized reseller of fleet cards. As at 31 March 2019, the Group operated a total number of 35,434 fleet card accounts (2018: 29,554 fleet card accounts).

Leveraging on the Group's experience and competitive strengths, for the Current Period, the Group's revenue, gross profit and profit for the year was approximately HK$1,077.0 million, HK$45.4 million and HK$18.0 million, respectively, representing an increase of 30.1%, a decrease of 4.3% and an increase of 163.9%, respectively as compared with the year ended 31 March 2018 (the "**Corresponding Period**"). The decrease in gross profit for the Current Period was primarily due to the relatively increased cost of sales.

## BUSINESS PROSPECTS

We have confidence in the uptrend of petrochemical industry, particularly in our core business, which is diesel and lubricant oil. As the world economy is showing signs of deceleration, our revenue can still remain stable because of the infrastructure projects and considerable demand for lubricant oil in Hong Kong. Major constructions such as the Third Runway of Hong Kong International Airport, Island Eastern Corridor Link and the Railway network are expected to stimulate the demand of diesel and lubricant oil. The restoration of the logistics and the increasing importance of transportation are also significant factors to support our business development.

In August 2018, we acquired a large multi-functional site located in Tsuen Wan to improve our production capacity. With the new site, we possess more flexibility to manage our facilities and tools, thereby increasing efficiency in operation. To expand our scale of business, we proactively searched for potential selling destinations. Considering Vietnam's outstanding economic performance in the past few years, we are optimistic about its possible growth. Therefore, we began selling our lubricant oil products this year and expected to bring higher positive revenue in the future. Given enlarged storage, limber operational control and the amount of public investment in infrastructure, the Directors have the confidence that the Company has strong capability to keep moving forward in fast-paced and competitive oil industry.

## FINANCIAL REVIEW

### Revenue

During the Current Period, the Group's revenue amounted to HK$1,077.0 million, which increased by 30.1% as compared to that of HK$828.1 million during the Corresponding Period. The increase in revenue was mainly contributed by the increase in the sales of diesel.

#### *Sales of diesel*

Our revenue from sales of diesel represents the sales of our diesel products, which mainly include automotive diesel and industrial diesel. For the Current Period and the Corresponding Period, our revenue generated from the sales of diesel amounted to approximately HK$1,006.7 million and HK$752.2 million respectively, representing 93.5% and 90.8% of the total revenue respectively.

The sales quantity of diesel oil increased by approximately 14.4% from 192.0 million litres for the Corresponding Period to 219.6 million litres for the Current Period, primarily due to the increase in demand from customers mainly in the second half of year 2018.

#### *Sales of lubricant oil*

Our revenue from lubricant oil mainly represents the sales of lubricant oil, which mainly include (i) the sales of our self-branded lubricant oil, namely "AMERICO", "Dr. Lubricant" and "U-LUBRICANT"; and (ii) the sales of third-party branded lubricant oil.

For the Current Period and the Corresponding Period, our revenue from the sales of lubricant oil amounted to approximately HK$43.7 million and HK$49.4 million respectively, representing 4.1% and 6.0% of the total revenue respectively.

Our sales quantity of lubricant oil amounted to approximately 2.7 million litres and 3.0 million litres for the Current Period and the Corresponding Period respectively, representing a decrease of approximately 10%.

#### *Provision of fleet cards service*

Our income from provision of fleet cards service is recognised on a net basis, based on the difference between (a) gross proceeds received and receivables from fleet card holders; and (b) gross amounts paid and payable to oil companies. The gross proceeds received and receivables from fleet card holders represent the pump price less the fleet card discount offered by our Group to fleet card holders. Our fleet card customers used our fleet cards primarily for the purchase of diesel and petrol at network gas stations.

For the Current Period and the Corresponding Period, our revenue generated from the fleet cards service amounted to approximately HK$21.5 million and HK$23.2 million respectively, representing 2.0% and 2.8% of the total revenue respectively.

### *Sales of others*

Our revenue from other products mainly represents the sales of bitumen and kerosene. For the Current Period and the Corresponding Period, our revenue from the sales of others amounted to approximately HK$5.1 million and HK$3.4 million respectively, representing 0.5% and 0.4% of the total revenue respectively.

### Cost of sales

Our cost of sales primarily consists of diesel costs, lubricant oil costs, other petrochemicals costs and sales commissions. Our purchase cost for diesel and third-party lubricant oil depends on the domestic purchase price offered by our oil suppliers, with reference to the price index such as Europe Brent spot crude price.

For the Current Period and the Corresponding Period, our cost of sales amounted to approximately HK$1,031.6 million and HK$780.7 million respectively, increased by 32.1%. The trend of movement of our cost of sales for the Current Period was generally in line with the revenue.

### Gross profit and gross profit margin

The gross profit represented the Group's revenue less cost of sales. The Group recorded a decrease in gross profit by approximately HK$2.0 million or approximately 4.3% from approximately HK$47.5 million for the Corresponding Period to approximately HK$45.4 million for the Current Period. The Group's gross profit margin decreased slightly from 5.7% for the Corresponding Period to 4.2% for the Current Period. The Group's selling price is broadly in line with the movement of oil price. However, the gross profit margin does not fluctuate at the same level of the time lags and customers' moderate price sensitivity regarding oil products. During the Current Period, Brent spot crude oil price increased from US$57.4 per barrel in December 2018 to US$66.1 per barrel in March 2019. As a result, the Group's gross profit margin decreased slightly comparing with that of the Corresponding Period.

### Selling and distribution expenses

Our selling and distribution expenses mainly consist of truck drivers' costs and benefits and depreciation. Selling and distribution expenses increased by approximately HK$0.4 million or 9.5% to HK$4.6 million for the Current Period from HK$4.2 million for the Corresponding Period. The slight increase was mainly due to increases in truck driver wages and the direct cost of transportation charges.

### Administrative and operating expenses

Administrative expenses increased by approximately HK$7.1 million or 68.5%, from approximately HK$10.4 million for the Corresponding Period to approximately HK$17.5 million for the Current Period, primarily due to increase in legal and professional fees and consultancy fees.

### Finance costs

Our finance costs mainly consist of the interest on our interest-bearing bank borrowings and finance lease. Finance costs decreased by approximately HK$85,000 or 18.2% to HK$383,000 for the Current Period from HK$468,000 for the Corresponding Period, primarily due to the repayment of bank borrowings.

### Income tax expenses

Income tax expenses decreased by approximately HK$100,000 or 3.5%, from approximately HK$5.4 million for the Corresponding Period to approximately HK$5.3 million for the Current Period, primarily due to a decrease in profit before income tax when excluding the effect of listing expenses of approximately HK$20.6 million in the Corresponding Period, which was non-tax deductible expenses.

### Profit for the Current Period

Profit for the Current Period increased by approximately HK$11.2 million or 163.9% from approximately HK$6.8 million for the Corresponding Period to approximately HK$18.0 million for the Current Period, and the Group's net profit margin increased from approximately 0.8% to 1.7% for the same period. The increase in the Group's net profit was mainly due to the one-off listing expenses of approximately HK$20.6 million incurred in the Corresponding Period.

## EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2019, the Group employed a total of 35 full time employees (As at 31 March 2018: 28 full time employees). The Group remunerates its employees based on their performance, experience and prevailing industry practice. The remuneration packages are subject to review on a regular basis.

## PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES

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

## FINAL DIVIDEND

The Directors have resolved to recommend the payment of a final dividend of HK$0.01 per ordinary share of the Company for the year ended 31 March 2019 (2018: Nil), amounting to approximately HK$10.0 million. Subject to the approval of the ordinary shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting (the "**AGM**"), the proposed final dividend will be payable to the Shareholders whose names appear on the register of members of the Company on 10 September 2019 and payable on 30 September 2019.

## USE OF PROCEEDS FROM THE SHARE OFFER

The net proceeds from the share offer amounted to approximately HK$53.2 million (after deducting all listing related expenses). These proceeds were applied during the Current Period in accordance with the proposed applications set out in the Company's listing prospectus dated 30 January 2018 (the "**Prospectus**"), as follows:

| **Use of proceeds** | **Intended applications set out in the Prospectus**<br>*HK$ in million* | **Utilized net proceeds as at 31 March 2019**<br>*HK$ in million* |
|---|---|---|
| 1) development of our new blending site with storage facility (76.4%) | 40.6 | 40.6 |
| 2) purchase of six new wagons and three new trucks (10.1%) | 5.4 | 2.1 |
| 3) recruiting and retaining high calibre talents (11.7%) | 6.2 | 0.7 |
| 4) additional working capital and other general corporate purposes (1.8%) | 1.0 | 0.3 |
| Total | 53.2 | 43.7 |

The Board is not aware of any material change to the planned use of net proceeds from the share offer as at the date of this report.

## SIGNIFICANT INVESTMENT, MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group had no significant investment, material acquisition or disposal of subsidiaries, associates and joint ventures during the Current Period.

## LIQUIDITY AND CAPITAL RESOURCES

### Financial resources and liquidity

The Group finances its operations primarily through cash generated from operating activities and interest-bearing bank borrowing and finance leases. The Group recorded net current assets of approximately HK$94.9 million as at 31 March 2019, compared to approximately HK$132.4 million as at 31 March 2018.

As at 31 March 2019, the Group's current assets amounted to approximately HK$118.0 million (as at 31 March 2018: HK$157.0 million) of which approximately HK$55.1 million (as at 31 March 2018: HK$94.1 million) was bank balances and cash, approximately HK$55.0 million (as at 31 March 2018: HK$56.3 million) was trade and other receivables. The Group's current liabilities amounted to approximately HK$23.1 million (as at 31 March 2018: HK$24.7 million), including trade and other payables in the amount of approximately HK$9.0 million (as at 31 March 2018: HK$7.2 million), bank borrowings in the amount of approximately HK$13.6 million (as at 31 March 2018: HK$16.4 million) and tax payable in the amount of approximately HK$0.5 million (as at 31 March

2018: HK$0.9 million). The current ratio (which was calculated by dividing current assets by current liabilities) was 5.1 as at 31 March 2019 (as at 31 March 2018: 6.4). The gearing ratio (which was calculated based on the total debt and obligations under finance leases divided by total equity multiplied by 100%) was 8.0% as at 31 March 2019 (as at 31 March 2018: 10.9%).

As at 31 March 2019, the Group issued letters of guarantees through the banking facilities granted, to certain suppliers amounting to HK$4.0 million.

### Capital structure

For the Current Period, the capital structure of the Group consisted of equity attributable to owners of the Company of approximately HK$170.8 million. There has been no change in the capital structure of the Group during the Current Period.

## CONTINGENT LIABILITIES

As at 31 March 2019, the Group had issued a letter of guarantee through the banking facilities granted to a supplier amounting to HK$4,000,000 (2018: HK$4,300,000). The facilities are secured by corporate guarantee of the Company.

## PLEDGE OF ASSETS

As at 31 March 2019, the Group pledged its leasehold land and building of HK$16,306,000 (2018: HK$16,889,000) to secure its bank borrowings.

As at 31 March 2019, the net book value of motor vehicles included an amount of HK$Nil (2018: HK$303,000) in respect of assets held under finance leases.

## CAPITAL COMMITMENTS

As at 31 March 2019, the Group had no material off-balance sheet capital commitments (2018: Nil).

## EXECUTIVE DIRECTORS

### Mr. HUI Pui Sing (許沛盛), aged 63, Chairman

Mr. HUI Pui Sing ("**Mr. Hui**") was appointed as a Director on 24 March 2017 and was re-designated as an executive Director on 23 June 2017. Mr. Hui is the founder of our Group, the Chairman of the Board and the Nomination Committee of the Company, a director of Carmen Logistics Limited ("**Carmen Logistics**"), Grand Wealthy Holdings Limited ("**Grand Wealthy**"), Yee Sing Hong Petroleum Chemicals Company Limited ("**Yee Sing Hong**") and Yee Sing Logistics Company Limited ("**Yee Sing Logistics**") and the general manager of Yee Sing Hong. He is primarily responsible for corporate strategic planning and overall business development, management of our Group and decision making, and business development strategies. From 1977, he worked as an assistant in a company the principal business of which is the selling of liquefied petroleum gas and kerosene. In 1977, he established a company the principal business of which is the sale of hydrocarbon oils and in 2002, he established Yee Sing Hong. He has over 47 years of experience in the sales and distribution of diesel, lubricant oil and other petrochemical products and over 14 years of experience in the processing and distribution of self-branded lubricant oil and other petrochemical products and the promotion of fleet cards. Mr. Hui is a director of Max Fortune Holdings Limited ("**Max Fortune**"), the controlling shareholder of the Company. He is the spouse of Ms. Tong Man Wah, and the father of Mr. Hui Yip Ho Eric ("**Mr. Eric Hui**") and Ms. Hui Wing Man Rebecca ("**Ms. Hui**").

### Ms. TONG Man Wah (湯敏華), aged 57, Executive Director

Ms. TONG Man Wah was appointed as a Director on 24 March 2017 and was re-designated as an executive Director on 23 June 2017. Ms. Tong is a director of Billion Faith (Hong Kong) Limited ("**Billion Faith**"), Carmen Logistics, Grand Wealthy, Tien Fung Hong Holdings Limited ("**Tien Fung Hong**") and Yee Sing Hong and the administration manager of Yee Sing Hong and Yee Sing Logistics. She is primarily responsible for overseeing the administration and developing strategies in relation to distribution, brand building and supplier relationships of our Group. She has over 33 years of experience in the sales and distribution of diesel, lubricant oil and other petrochemical products. She worked in a company established by Mr. Hui whose principal business is the sale of hydrocarbon oils since 1985, responsible for the operations of the sale and distribution of petrochemical products and thereafter continued to assist Mr. Hui in the sale and distribution of diesel and other petrochemical products of the Group. She graduated from St. Marino Secondary School in 1980. She is the spouse of Mr. Hui, and the mother of Mr. Eric Hui and Ms. Hui.

**Mr. HUI Yip Ho, Eric (許業豪), aged 27, Chief Executive Officer**

Mr. Eric Hui was appointed as a Director on 24 March 2017 and was re-designated as an executive Director on 23 June 2017. Mr. Eric Hui is a director of Tien Fung Hong, Yee Sing Hong and Yee Sing Logistics and the general manager of Carmen Logistics, Yee Sing Logistics, Yee Sing Hong, Grand Wealthy, Billion Faith and Tien Fung Hong. Mr. Eric Hui is the chief executive officer of our Group and a member of the Remuneration Committee of the Company. He is primarily responsible for overseeing the operation of our fleet cards business in Hong Kong and our Group's overall corporate management and business development strategies. He joined our Group in 2013 and has 4 years of experience in the promotion of fleet cards and the sales and distribution of diesel, lubricant oil and other petrochemical products. He received a Bachelor of Business Administration (finance) degree from the Southern Methodist University in August 2013 and a master degree of finance from the Polytechnic University of Hong Kong in March 2017. He is the holder of the Estate Agent Licence granted by the Estate Agents Authority in February 2017. Mr. Eric Hui is a director of Max Fortune. He is the son of Mr. Hui and Ms. Tong, and the brother of Ms. Hui.

**Ms. HUI Wing Man Rebecca (許穎雯), aged 29, Chief Operating Officer**

Ms. Hui was appointed as a Director on 24 March 2017 and was re-designated as an executive Director on 23 June 2017. Ms. Hui is a director of Tien Fung Hong, Yee Sing Hong and Yee Sing Logistics and the administration manager of Tien Fung Hong, Billion Faith, Grand Wealthy and Carmen Logistics. She is the chief operating officer and the administration manager of our Group and primarily responsible for overseeing and monitoring internal control policies, the overall corporate management and business development strategies of our Group. She has 2 years of experience in business administration. From April 2013 to August 2015, she worked as a consultant, then promoted to senior consultant and subsequently promoted to wealth management advisor of Convoy Financial Services Limited. She received from the Southern Methodist University in December 2012 a Bachelor of Science (economics with finance application) degree and a Bachelor of Arts (psychology) degree. She is the holder of the Estate Agent Licence granted by the Estate Agents Authority in August 2014. She is the daughter of Mr. Hui and Ms. Tong, and the sister of Mr. Eric Hui.

### Mr. KONG Man Ho (江文豪), aged 34, Marketing Director

Mr. Kong Man Ho was appointed as an executive Director on 23 June 2017. Mr. Kong is the marketing manager of Carmen Logistics, Yee Sing Logistics, Yee Sing Hong, Grand Wealthy, Billion Faith and Tien Fung Hong and the marketing director of our Group. He is primarily responsible for overseeing the sales and marketing strategies of our Group. Mr. Kong obtained a Bachelor of Commerce degree from McMaster University in June 2008. Before joining our Group in January 2013, Mr. Kong worked as a consultant, then promoted to senior consultant and subsequently promoted to wealth management advisor and senior wealth management advisor of Convoy Financial Services Limited, where he was responsible for the promotion of financial services and products. He has 4 years of experience in sales and marketing and the promotion of fleet cards. From 2013 to June 2017, he was the holder of the Technical Representatives Licence granted by the Professional Insurance Brokers Association, the Registered MPF Subsidiary Intermediary granted by the Mandatory Provident Schemes Authority and a representative licensed to carry out type 1 (dealing in securities) regulated activities under the Securities and Futures Ordinance.

## NON-EXECUTIVE DIRECTOR

### Mr. WONG Chun Man (王俊文), aged 43, Non-executive Director

Mr. Wong Chun Man was appointed as a non-executive Director on 1 April 2019. Mr. Wong has more than 20 years of experience in the field of finance and fintech. He has attained the professional qualifications of the Royal Institution of Chartered Surveyors (MRICS), the American Institute of Certified Public Accountants (AICPA) and Chartered Financial Analyst (CFA). He is an accomplished professional generalist in financial optimization, capital market, investment, token economy, corporate restructuring, strategy, leadership, fintech, blockchain, smart city and corporate training.

Mr. Wong is currently the independent non-executive directors of Guoan International Limited (Stock Code: 143) from 11 March 2016 and Zhaobangji Properties Holdings Limited (Stock Code: 1660) from 11 April 2018, whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

## INDEPENDENT NON-EXECUTIVE DIRECTORS ("INED")

### Mr. CHAN Ching Sum (陳政深), aged 39, INED

Mr. Chan Ching Sum was appointed as an INED on 12 April 2019 and a member of each of the Audit Committee and Nomination Committee of the Company. Mr. Chan graduated from the Hong Kong Baptist University with a first class honor in bachelor of Journalism and minor in Religions and Philosophy in 2007, and obtained a master's degree in Finance (Investment Management) from the Hong Kong Polytechnic University in 2016. Mr. Chan has over 12 years' experience in financial media and commentary field, and is currently working in Eddid Securities and Futures Limited, which is a licensed institution under Securities and Futures Commission (SFC), as an Associate

Director. He is responsible for marketing and corporate communications in the institution. Mr. Chan is a licensed representative under SFC, who is eligible to perform certain types of regulated activities, including Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 5 (advising on future contracts) regulated activities.

**Mr. TSE Yung Hoi (謝湧海), BBS, aged 66, INED**

Mr. TSE Yung Hoi was appointed as an INED on 16 January 2018 and a member of the Audit Committee and Remuneration Committee of the Company. Mr. Tse graduated from English studies from the Department of Foreign Languages and Literatures of Fudan University in July 1975. He was awarded the Bronze Bauhinia Star (BBS) by the government of Hong Kong in 2013.

Mr. Tse is currently the chairman and non-executive director of BOCI Prudential Asset Management Limited. He was the deputy chief executive officer of BOC International Holding Limited from December 2002 to December 2012, and the deputy general manager of investment management and treasury of Bank of China in Beijing from October 1998 to December 2002. Mr. Tse currently serves as standing committee member of the Chinese General Chamber of Commerce and life honorary president of Hong Kong Chinese Securities Association. He was the council member of HKSAR Financial Services Development Council (FSDC) from January 2013 to December 2018. Mr. Tse has been serving as a director of the following companies which are listed on the Stock Exchange:

- an independent non-executive director of BOCOM International Holdings Company Limited (stock code: 3329) since June 2014;
- an independent non-executive director of HJ Capital (International) Holdings Company Limited (stock code: 982) since July 2014;
- a non-executive director of DTXS Silk Road Investment Holdings Company Limited (stock code: 620) from December 2015 to November 2017 and was re-designated as an independent non-executive director since November 2017;
- an independent non-executive director of Guoan International Limited (stock code: 143) since March 2016; and
- an independent non-executive director of China Tower Corporation Limited (stock code: 788) since May 2018.

**Mr. LEUNG Ho Chi (梁浩志), aged 44, INED**

Mr. Leung Ho Chi was appointed as an INED on 1 April 2019 and a member of the Nomination Committee and the chairman of each of the Audit Committee and the Remuneration Committee of the Company.

Mr. Leung obtained his bachelor's degree in business administration from The Chinese University of Hong Kong in 1996 and a master's degree in corporate governance from The Hong Kong Polytechnic University in 2011. He is currently a fellow member of the Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants and a member of The Hong Kong Institute of Chartered Secretaries. He has over 20 years of experience in audit, accounting and finance. He has also been working as finance director and financial controller in Hong Kong subsidiaries of multiple multinational advertising and public relations companies listed on The New York Stock Exchange and The London Stock Exchange. Prior to that, Mr. Leung worked as a senior associate in the assurance and business advisory services department at PricewaterhouseCoopers in Hong Kong from January 2001 to April 2003.

## SENIOR MANAGEMENT

**Ms. WONG Kit Yi (黃潔儀)**, aged 58, is the accountant of our Group. She is primarily responsible for overseeing accounting activities and our Group's overall financial reporting. She joined our Group in February 2002 and has over 34 years of experience in auditing and accounting. Before joining our Group, she worked for Wing Hing Motor & Pump Co. as its account clerk from July 1982 to December 1986. From September 1988 to March 1989, she worked for Sze Tung Weaving Factory., Ltd. as its assistant accountant. From April 1991 to February 1994, she worked for Datacard Toppan Moore Ltd. as its account clerk. She received a certificate for proficiency in the second level single subject of book-keeping and accounts from the London Chamber of Commerce and Industry in 1994, was awarded the diploma in accounting studies from the Hong Kong School of Commerce in September 2006, and completed the HKIAAT Accounting Technician Examinations Preparatory Programme Paper 6 Hong Kong Business Law course offered by The University of Hong Kong School of Professional and Continuing Education in June 2008.

**Ms. LEE Choi Ping (李彩屏)**, aged 39, is the operation manager of our Group since November 2014 and is primarily responsible for the general operation of our Group's fleet card, diesel and lubricant oil business. She has over 20 years of experience in retail business operation. Before joining our Group, she worked for Belle Worldwide Limited as its sales from December 1996 and was promoted to senior shop manager at the time of her resignation in June 2014. She completed her form 5 secondary school education at Beacon College in June 1996.

## COMPANY SECRETARY

**Ms. NGAI Kit Fong (倪潔芳)**, FCIS, FCS (PE) was appointed as company secretary of the Company on 23 June 2017. Ms. Ngai is currently a director of the Corporate Services division of Tricor Services Limited ("**Tricor**"), a global professional services provider specializing in integrated business, corporate and investor services. The Company has engaged Tricor as an external service provider and appointed Ms. Ngai as the company secretary. Ms. Ngai has over 25 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Ngai is a Chartered Secretary and a Fellow of both The Hong Kong Institute of Chartered Secretaries ("**HKICS**") and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Ngai is a holder of the Practitioner's Endorsement from HKICS.

The Board is pleased to present this Corporate Governance Report for the year ended 31 March 2019 (the "**Reporting Period**").

## CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as the basis of the Company's corporate governance practices.

The Board is of the view that throughout the Reporting Period, the Company has complied with all the applicable code provisions as set out in the CG Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules (the "**Securities Dealing Code**").

Specific enquiry has been made of all the Directors and all the relevant employees and they have confirmed that they have complied with the required standard set out in the Securities Dealing Code throughout the Reporting Period.

The Company has also established written guidelines no less exacting than the Model Code (the "**Dealing Guidelines**") for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance of the Dealing Guidelines by the relevant employees was noted by the Company.

## BOARD OF DIRECTORS

The Board oversees the Company's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from the Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

### Board Composition

As at 31 March 2019, the Board comprised eight Directors, consisting of five executive Directors and three independent non-executive Directors, as follows:

#### *Executive Directors*

Mr. Hui Pui Sing *(Chairman of the Board and chairman of the Nomination Committee)*
Ms. Tong Man Wah
Mr. Hui Yip Ho Eric *(Chief Executive Officer and member of the Remuneration Committee)*
Ms. Hui Wing Man Rebecca
Mr. Kong Man Ho

#### *Independent Non-executive Directors*

Mr. Lam Kwong Siu *(member of each of the Audit Committee and the Nomination Committee)*
Mr. Tse Yung Hoi *(member of each of the Audit Committee and the Remuneration Committee)*
Mr. Wong Hei Chiu *(Chairman of each of the Audit Committee and the Remuneration Committee and member of the Nomination Committee)*

Mr. Hui Pui Sing is the spouse of Ms. Tong Man Wah, and the father of Mr. Hui Yip Ho Eric and Ms. Hui Wing Man Rebecca. Save as disclosed above, there are no family or other material/ relevant relationships among the members of the Board.

During the Reporting Period, Mr. Ong Chor Wei resigned as the non-executive Director on 1 February 2019.

Subsequent to the Reporting Period, Mr. Wong Hei Chui resigned as the independent non-executive Director, a member of the Nomination Committee and the chairman of each of the Audit Committee and the Remuneration Committee on 1 April 2019. On the same day, Mr. Leung Ho Chi was appointed as the independent non-executive Director, a member of the Nomination Committee and the chairman of each of the Audit Committee and the Remuneration Committee in replacement of Mr. Wong Hei Chiu and Mr. Wong Chun Man was appointed as the non-executive Director. On 12 April 2019, Mr. Lam Kwong Siu resigned as the independent non-executive Director, a member of each of the Audit Committee and the Nomination Committee and Mr. Chan Ching Sum was appointed as the independent non-executive Director, a member of each of the Audit Committee and the Nomination Committee in replacement of Mr. Lam Kwong Siu.

The biographical information of the Directors as at the date of this Annual Report are set out in the section headed “Biographical Details of Directors and Senior Management” in this Annual Report.

### Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Currently, the positions of Chairman of the Board (the "**Chairman**") and Chief Executive Officer of the Company (the "**Chief Executive Officer**") are held by Mr. Hui Pui Sing and Mr. Hui Yip Ho Eric respectively. The Chairman provides leadership for the Board and is responsible for corporate strategic planning, overall business development, management, decision making and business development strategies of the Group. The Chief Executive Officer oversees the operation of Company's fleet cards business and the Group's overall corporate management and business development strategies.

### Independent Non-executive Directors

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

### Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) are appointed for a term of one year, subject to renewal after the expiry of the then current term.

All the Directors are subject to retirement by rotation and re-election at the annual general meetings. Under the Articles of Association of the Company (the "**Articles**"), at each annual general meeting, one-third of the Directors for the time being, or if their number is not three of a multiple of three, the number nearest to but not less than one-third shall retire from office by rotation provided that every Director shall be subject to retirement by rotation at least once every three years. The Articles also provides that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment. The retiring Directors shall be eligible for re-election.

### Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors take decisions objectively in the interests of the Company.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

### Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors will be arranged where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The records of training and continuous professional development that have been received from the Directors for the Reporting Period are summarized as follows:

| Directors | Type of Training *Notes* |
|---|---|
| ***Executive Directors*** | |
| Mr. Hui Pui Sing | B |
| Ms. Tong Man Wah | B |
| Mr. Hui Yip Ho Eric | B |
| Ms. Hui Wing Man Rebecca | B |
| Mr. Kong Man Ho | A & B |
| ***Non-Executive Director*** | A & B |
| Mr. Ong Chor Wei[(1)] | |
| ***Independent Non-Executive Directors*** | |
| Mr. Lam Kwong Siu[(2)] | A & B |
| Mr. Tse Yung Hoi | A & B |
| Mr. Wong Hei Chiu[(3)] | A & B |

1. Mr. Ong Chor Wei resigned as non-executive Director on 1 February 2019.

2. Mr. Lam Kwong Siu resigned as independent non-executive Director on 12 April 2019.

3. Mr. Wong Hei Chiu resigned as independent non-executive Director on 1 April 2019.

*Notes:*

Types of training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

## BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

All members of the Audit Committee and the majority of the members of the Remuneration Committee and the Nomination Committee are independent non-executive Directors.

### Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Leung Ho Chi, Mr. Chan Ching Sum and Mr. Tse Yung Hoi. Mr. Leung Ho Chi is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code and was amended on 13 December 2018 during the Reporting Period. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Reporting Period, the Audit Committee held two meetings to review the annual financial results and report for the financial year ended 31 March 2018, interim financial results and report for the six months ended 30 September 2018 and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, re-appointment of external auditors, and arrangements for employees to raise concerns about possible improprieties. The Audit Committee also made recommendations to the Board on the appointment of new auditors to fill the casual vacancy caused by the resignation of auditors during the Reporting Period.

### Remuneration Committee

The Remuneration Committee consists of three members, namely Mr. Hui Yip Ho Eric, executive Director, and Mr. Tse Yung Hoi and Mr. Leung Ho Chi, independent non-executive Directors. Mr. Leung Ho Chi is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include determining the remuneration packages of all executive Directors and senior management, making recommendations to the Board on the remuneration of non-executive directors and the remuneration policy and structure for all Directors and senior management of the Company; and establishing a formal and transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will be involved in deciding his/her own remuneration.

During the Reporting Period, the Remuneration Committee held two meetings to review the remuneration policy and structure of the Company, and made recommendations to the Board on the changes in the remuneration packages of the executive Directors and senior management for the year ending 31 March 2020.

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the senior management (except director) of the Company for the Reporting Period by band is set out below:

| | Number of individuals |
|---|---|
| Nil to HKD1,000,000 | 2 |

## Nomination Committee

The Nomination Committee consists of three members, namely Mr. Hui Pui Sing, executive Director, and Mr. Chan Ching Sum and Mr. Leung Ho Chi, independent non-executive Directors. Mr. Hui Pui Sing is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The primary duties of the Nomination Committee include reviewing the structure, size and composition of the Board, developing and formulating relevant procedures for the nomination and appointment of Directors, assessing the independence of the independent non-executive Directors, identifying individuals suitably qualified to become members of the Board and making recommendation to the Board on matters relating to the appointment or re-appointment and succession planning of Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would also consider the criteria as set out in the Company's Director Nomination Procedures, including but not limited to, character, integrity, qualifications, skills, knowledge, experience and other perspectives appropriate to the Company's business, and achieve board diversity, where appropriate, before making recommendation to the Board.

During the Reporting Period, the Nomination Committee met once to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, and to consider the qualifications of the retiring Directors standing for election at the annual general meeting. The Nomination Committee also made recommendations to the Board on the appointment of Directors during the Reporting Period.

### Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and regional and industry experience.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

### Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;

- Qualifications including professional qualifications, skills, knowledge, experience and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;

- Any measurable objectives adopted for achieving diversity on the Board;

- Requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules;

- Any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;

- Willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company;

- Such other perspectives that are appropriate to the Company's business and succession plan and where applicable, may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings. During the Reporting Period and up to the date of this Annual Report, there were changes in the composition of the Board and details of the changes are set out in the section headed "Board Composition" of this Corporate Governance Report.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

### Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in the code provision D.3.1 of the CG Code.

The terms of reference of the Board for corporate governance functions include, among others, (i) developing and reviewing the Company's policies and practices on corporate governance and made recommendations to the Board; (ii) reviewing and monitoring the training and continuous professional development of the Directors and senior management; (iii) reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; (iv) developing, reviewing and monitoring the compliance of the Model Code and Written Employee Guidelines (if any) applicable to employees and Directors; and (v) reviewing the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

## ATTENDANCE RECORDS OF DIRECTORS

The attendance record of each Director at the Board meeting, Board committee meetings and annual general meeting of the Company held during the Reporting Period is set out in the table below:

| | Attendance/Number of Meetings | | | | |
|---|---|---|---|---|---|
| **Name of Director** | **Board** | **Nomination Committee** | **Remuneration Committee** | **Audit Committee** | **Annual General Meeting** |
| Hui Pui Sing | 5/5 | 1/1 | – | – | 1/1 |
| Tong Man Wah | 5/5 | – | – | – | 1/1 |
| Hui Yip Ho Eric | 5/5 | – | 2/2 | – | 1/1 |
| Hui Wing Man Rebecca | 5/5 | – | – | – | 1/1 |
| Kong Man Ho | 5/5 | – | – | – | 1/1 |
| Ong Chor Wei *Note 1* | 4/4 | – | – | – | 0/1 |
| Lam Kwong Siu *Note 2* | 5/5 | 1/1 | – | 2/2 | 0/1 |
| Tse Yung Hoi | 5/5 | – | 2/2 | 2/2 | 0/1 |
| Wong Hei Chiu *Note 3* | 5/5 | 1/1 | 2/2 | 2/2 | 1/1 |

*Notes:*

1. Mr. Ong Chor Wei resigned as non-executive Director on 1 February 2019.

2. Mr. Lam Kwong Siu resigned as independent non-executive Director on 12 April 2019.

3. Mr. Wong Hei Chiu resigned as independent non-executive Director on 1 April 2019.

Apart from the regular Board meetings, the Chairman also held a meeting with the non-executive Directors (including independent non-executive Directors) without the presence of executive Directors during the Reporting Period. Apart from the annual general meeting of the Company held on 3 September 2018, no other general meeting was held during the Reporting Period.

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee and internal control consultant assist the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including sales and customers' management, project management and financial reporting, human resources.

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each division/department.

The management, in coordination with division/department heads, assessed the likelihood of risk occurrence, provide treatment plans, and monitor the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems.

The management has confirmed to the Board on the effectiveness of the risk management and internal control systems for the financial year ended 31 March 2019.

The Company has engaged external professional firm for providing the internal audit function and performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The internal audit function examined key issues in relation to the accounting practices and all material control and provided its findings and recommendations for improvement to the Audit Committee.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the financial year ended 31 March 2019, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

Arrangements are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has developed its disclosure policy which sets out guidelines to the Directors, officers and all relevant employees of the Group to ensure inside information of the Company is to be disseminated to the public in equal and timely manner in accordance with the applicable laws and regulations.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

## DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 March 2019.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report in this Annual Report.

## AUDITORS' REMUNERATION

The remuneration paid/payable to the Company's external auditors in respect of audit services and non-audit services for the year ended 31 March 2019 amounted to HK$1,000,000 and HK$200,000 respectively.

An analysis of the remuneration paid to the external auditors of the Company, Messrs. SHINEWING (HK) CPA Limited, in respect of audit services and non-audit services for the year ended 31 March 2019 is set out below:

| **Service Category** | **Fees Paid/Payable** *(HK$'000)* |
|---|---|
| Audit Services | |
| — Annual audit for the year ended 31 March 2019 | 800 |
| — Interim review for the six months ended 30 September 2018 | 200 |
| Non-audit Services | 200 |
| **TOTAL** | 1,200 |

## NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

The controlling shareholders of the Company (namely, Max Fortune, Mr. Hui Pui Sing, Ms. Tong Man Wah and Mr. Hui Yip Ho Eric) (the "**Controlling Shareholders**") entered into a deed of non-competition (the "**Deed of Non-competition**") with the Company (for itself and as trustee of each of its subsidiaries) on 16 January 2018.

Each Controlling Shareholder has undertaken under the Deed of Non-competition to provide to the Company and the Directors (including the independent non-executive Directors) from time to time all information necessary for the annual review by the independent non-executive Directors with regard to compliance with the terms of the Deed of Non-competition during the Restricted Period (as defined in the Prospectus by the Controlling Shareholders and their respective close associates. Details of the Deed of Non-competition are set out in the section headed "Relationship with our Controlling Shareholders" in the Prospectus.

Each Controlling Shareholder has made an annual declaration as to compliance with the terms of the Deed of Non-competition during the year under review. The independent non-executive Directors, based on the information available to them, have reviewed and considered that the terms of the Deed of Non-competition have been complied by each Controlling Shareholder.

## COMPANY SECRETARY

Ms. Ngai Kit Fong has been appointed as the Company's company secretary. She is a director of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters. Mr. Hui Yip Ho Eric, the executive Director and the Chief Executive Officer has been designated as the primary contact person at the Company which would work and communicate with Ms. Ngai Kit Fong on the Company's corporate governance and secretarial and administrative matters.

For the year ended 31 March 2019, Ms. Ngai Kit Fong has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

## SHAREHOLDERS' RIGHTS

The Company engages with shareholders through various communication channels and a shareholders' communication policy is in place to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

### Convening Extraordinary General Meeting

Extraordinary general meetings may be convened on the requisition of one or more 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 pursuant to the Articles. Such requisition shall be made in writing to the Directors or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

### Putting Forward Proposals at General Meetings

If a shareholder wishes to propose a person other than a retiring Director for election as a Director at a general meeting, pursuant to the Articles, the shareholder (other than the person to be proposed) duly qualified to attend and vote at the general meeting shall send a written notice, duly signed by the shareholder, of his/her intention to propose such person for election and also a notice signed by the person to be proposed of his/her willingness to be elected. These notices should be lodged at the Company's head office or the office of the Company's branch share registrar as mentioned below. The period for lodgement of such notices shall commence on the day after the despatch of the notice of such general meeting and end no later than 7 days prior to the date of such general meeting.

### Procedures for Raising Enquiries

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Unit D, 11/F, Billion Plaza II, No. 10 Cheung Yue Street, Cheung Sha Wan, Hong Kong
Attention: Board of Directors
Tel: (852) 2728 8820
Email: cs@vicointernational.hk

Shareholders should direct their enquiries 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 Investor Services 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) 2810 8185

Shareholders are encouraged to make enquires via the online enquiry form available on the Company's website at www.vicointernational.hk and are reminded to lodge their questions together with their detailed contact information for the prompt response from the Company if it deems appropriate. The Company will not normally deal with verbal or anonymous enquiries.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

## POLICIES RELATING TO SHAREHOLDERS

### Shareholders' Communication Policy

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

### Dividend Policy

The Company has adopted a Dividend Policy on payment of dividends on 13 December 2018. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval.

## COMPANY'S CONSTITUTIONAL DOCUMENT

There was no change in the Company's constitutional documents during the Reporting Period.

# DIRECTORS' REPORT

The Directors are pleased to present their report together with the audited consolidated financial statements of the Group for the Current Period.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in note 33 to the consolidated financial statements. The principal activities of the Group are the operation of the business of the sales of diesel, lubricant oil and others and provision of fleet cards service.

## RESULTS AND DIVIDENDS

The results of the Group for the Current Period and the state of affairs of the Company and the Group at that date are set out in the accompanying financial statements.

The Directors recommend the payment of final dividend of HK$0.01 per ordinary share of the Company for the year ended 31 March 2019 (2018: Nil). Subject to the approval of the ordinary shareholders of the Company at the forthcoming annual general meeting, the proposed final dividend will be payable to the Shareholders whose names appear on the register of members of the Company on 10 September 2019 and payable on 30 September 2019.

## FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five financial years is set out on page 120 of this annual report. This summary does not form part of the consolidated financial statements.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group for the Current Period are set out in note 16 to the consolidated financial statements.

## BANK BORROWINGS

Particulars of bank borrowings of the Group as at 31 March 2019 are set out in note 23 to the consolidated financial statements.

## SHARE CAPITAL

Details of movements in the share capital of the Company during the Current Period are set out in note 25 to the consolidated financial statements.

## RESERVES

Details of movements in the reserves of the Group and the Company during the Current Period are set out in the consolidated statement of changes in equity on page 53 and note 27 to the consolidated financial statement respectively.

## DISTRIBUTABLE RESERVES

As at 31 March 2019, the Company did not have any reserves available for distribution (as at 31 March 2018: Nil).

## CHARITABLE CONTRIBUTIONS

Charitable donations made by the Group during the Current Period amounted to HK$Nil (as at 31 March 2018: Nil).

## DIRECTORS

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

### Executive Directors

Mr. HUI Pui Sing *(Chairman)*
Ms. TONG Man Wah
Mr. HUI Yip Ho Eric
Ms. HUI Wing Man Rebecca
Mr. KONG Man Ho

### Non-executive Director

Mr. ONG Chor Wei (resigned on 1 February 2019)
Mr. WONG Chun Man (appointed on 1 April 2019)

### Independent non-executive Directors

Mr. LAM Kwong Siu (resigned on 12 April 2019)
Mr. WONG Hei Chiu (resigned on 1 April 2019)
Mr. CHAN Ching Sum (appointed on 12 April 2019)
Mr. TSE Yung Hoi
Mr. LEUNG Ho Chi (appointed on 1 April 2019)

In accordance with Article 83(3) of the Articles, Mr. WONG Chun Man, Mr. CHAN Ching Sum and Mr. LEUNG Ho Chi, who have been appointed by the Board to fill casual vacancies, will hold office until the AGM. In accordance with Article 84 of the Articles, Mr. HUI Pui Sing and Ms. TONG Man Wah will retire at the AGM. All the retiring directors being eligible will offer themselves for re-election at the AGM.

The Company has received annual confirmations of independence from each independent non-executive Director and as at the date of this report still considers them to be independent.

## DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

### (a) Executive Directors

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from 5 March 2018 (the "**Listing Date**"), unless terminated by not less than three months' notice in writing served by either party on the other subject to the provision of retirement and rotation of Directors under the Articles.

### (b) Non-executive Director

The non-executive Director has entered into a letter of appointment with the Company for a term of one year commencing from his date of appointment subject to the provision of retirement and rotation of Directors under the Articles. Such appointment may be terminated by not less than two months' notice in writing served by either party on the other.

### (c) Independent non-executive Directors

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of one year commencing from the Listing Date or the respective date of appointment subject to the provision of retirement and rotation of Directors under the Articles. Such appointment may be terminated by not less than two months' notice in writing served by either party on the other.

None of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the Company or its subsidiaries, as applicable) within one year without payment of compensation, other than statutory compensation.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out on pages 11 to 16 of this annual report.

## EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

The emolument of the Directors is recommended by the Remuneration Committee of the Company by reference to the benchmarking of the market. The Company also looks into individual Director's competence, duties, responsibilities and performance.

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in note 13 to the consolidated financial statements.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2019, the interests and short positions of the Directors and chief executive of the Company in the share capital and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"), as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

### Long positions in the shares and underlying shares of the Company

| Name of Director | Nature of interest | Number of Shares[1] | Approximate shareholding percentage in the issued share capital of the Company (%) |
|---|---|---|---|
| Mr. Hui | Interest in a controlled corporation[2] and interest of spouse[3] | 750,000,000 Shares (L) | 75 |
| Ms. Tong | Interest in a controlled corporation[2] and interest of spouse[3] | 750,000,000 Shares (L) | 75 |
| Mr. Eric Hui | Interest in a controlled corporation[2] | 750,000,000 Shares (L) | 75 |

*Notes:*

1. The letter (L) denotes the person's long position in such Shares.

2. Max Fortune was owned by Mr. Hui, Ms. Tong and Mr. Eric Hui as to 35%, 35% and 30%, respectively. Under the SFO, each of Mr. Hui, Ms. Tong and Mr. Eric Hui was deemed to be interested in all of the 750,000,000 Shares held by Max Fortune.

3. Mr. Hui is the spouse of Ms. Tong. Ms. Tong and Mr. Hui were deemed under the SFO to be interested in the Shares held, directly or indirectly, by Mr. Hui and Ms. Tong, respectively.

### Long positions in the shares of the associated corporation (as defined in the SFO)

| Name of Director | Name of associated corporation | Nature of interest | Number of shares | Description of shares | Approximate shareholding percentage of the associated corporation's issued share capital |
|---|---|---|---|---|---|
| Mr. Hui[1] | Max Fortune[2] | Beneficial interest and interest of spouse[1] | 700 | Ordinary shares | 35% |
| Ms. Tong[1] | Max Fortune[2] | Beneficial interest and interest of spouse[1] | 700 | Ordinary shares | 35% |
| Mr. Eric Hui | Max Fortune[2] | Beneficial interest | 600 | Ordinary shares | 30% |

*Notes:*

1. Mr. Hui is the spouse of Ms. Tong. Ms. Tong and Mr. Hui were deemed under the SFO to be interested in the shares of Max Fortune held, directly or indirectly, by Mr. Hui and Ms. Tong, respectively.

2. Max Fortune was interested in 750,000,000 Shares, representing 75% of the issued share capital of the Company. Max Fortune was therefore a holding company and an associated corporation of the Company for the purpose of the SFO.

Save for each of Mr. Hui and Mr. Eric Hui being a director of Max Fortune, as at 31 March 2019, none of the other Directors were directors or employees of a company which had an interest or short position in the shares and 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.

Save as disclosed above, none of the Directors or the chief executive of the Company had an interest and/or short position (as applicable) in the Shares or the underlying Shares or debentures of the Company or any interests and/or short positions (as applicable) in the shares or the underlying shares or debentures of the Company's associated corporations (within the meaning of Part XV of the SFO) which (i) will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), (ii) will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or (iii) will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDER'S INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 March 2019, the following persons (other than the Directors and chief executives of the Company whose interests are disclosed above) and corporations had or were deemed or taken to have an interest and/or a short position in the Shares or the underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

| Name of shareholder | Nature of interest | Number of Shares[1] | Approximate shareholding percentage in the Company's issued share capital (%) |
|---|---|---|---|
| Max Fortune[2] | Beneficial owner | 750,000,000 (L) | 75 |

*Notes:*

(1) The Letter (L) denotes the person's long position in the Shares.

(2) Max Fortune was owned by Mr. Hui, Ms. Tong and Mr. Eric Hui as to 35%, 35% and 30%, respectively.

Save as disclosed above and those disclosed under the section headed "Directors' and Chief Executive's Interests and Short Positions in the Shares and Underlying Shares of the Company", the Directors are not aware of any other person or corporation who has any interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

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

## CONTROLLING SHAREHOLDER'S INTEREST IN CONTRACTS OF SIGNIFICANCE

No contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries was entered into.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save for those disclosed in the sections headed "Directors' and Chief Executive's Interests and Short Positions in Shares and Underlying Shares of the Company" and "Share Option Scheme" in this report, at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow 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.

## MANAGEMENT CONTRACTS

As at 31 March 2019, other than the service contracts of the Directors, the Company did not enter into or have any management and/or administration contracts in respect of the whole or any principal business of the Company.

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Current Period, the Directors are not aware of any business and interest of the Directors nor the controlling shareholders of the Company nor any of their respective close associates (as defined in the Listing Rules) that compete or may compete with the business of the Group and any other conflict of interests which any such person has or may have with the Group.

The Company has received from each of the Directors an annual confirmation of his/her undertaking as to non-competition with the business of the Group.

## SHARE OPTION SCHEME

The share option scheme (the "**Share Option Scheme**") was conditionally adopted by the written resolutions of the shareholders of the Company on 16 January 2018.

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

### 1. Purpose

The purpose of the Share Option Scheme is to reward Eligible Participants (as defined in paragraph (2) below) who have contributed to the Group and to encourage Eligible Participants to work towards enhancing the value of the Company and the Shares for the benefit of the Company and the shareholders as a whole.

## 2. Participants

The Board may, at its absolute discretion, offer to grant an option to the following persons (collectively the "**Eligible Participants**") to subscribe for such number of Shares as the Board may determine at an exercise price determined in accordance with paragraph (7) below:

(A) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries;

(B) any directors (including independent non-executive directors) of the Company or any of its subsidiaries; and

(C) any advisers, consultants, agents, suppliers, customers, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Company and/or any of its subsidiaries.

## 3. Maximum number of Shares

The maximum number of Shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time. The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the total number of Shares in issue as at the date of listing of the Shares. The maximum number of Shares that may be granted under the Share Option Scheme was 100 million Shares, representing 10% of the total number of issued Shares as at the Listing Date. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting. As at the date of this report, no share options have been granted since adoption of the Share Option Scheme and there were no outstanding share options.

## 4. Maximum entitlement of each Eligible Participant

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 schemes of our Company (including both exercised, cancelled and outstanding options) to each Eligible Participant in any 12-month period up to and including the date of grant must not exceed 1% of the total number of Shares in issue as at the date of grant. Any further grant of options in excess of this 1% limit must be separately approved by the shareholders in general meeting of the Company with such Eligible Participant and his/her associates (or his/her associates if the Eligible Participant is a core connected person) abstaining from voting.

### 5. Period within which the Shares must be taken up under an option

An option must be exercised within 10 years from the date on which it is granted or such shorter period as the Board may specify at the time of grant.

### 6. Minimum period, if any, for which an option must be held

No minimum period for which the option has to be held before it can be exercised is specified in the Share Option Scheme.

### 7. Basis of determining the exercise price of an option

The exercise price shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a Share.

### 8. Validity of the Share Option Scheme

The Share Option Scheme has a life of 10 years and will expire on 5 March 2028 unless otherwise terminated in accordance with the terms of the Share Option Scheme. As at the date of this annual report, the Share Option Scheme had a remaining life of approximately 9 years.

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Directors are aware, the Group has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 March 2019, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 March 2019, the aggregate amount of turnover attributed to the Group's largest and the five largest customers accounted for 39.1% and 73.9% (2018: 45.0% and 74.5%) of the total revenue of the Group, respectively. For the year ended 31 March 2019, the Group's purchase from the largest and the five largest suppliers accounted for 94.9% and 97.7% (2018: 96.6% and 97.8%) of the total purchases of the Group, respectively. At no time during the year ended 31 March 2019 did the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors, owns more than 5% of the Company's issued share capital) have any interest in the Group's major customers or suppliers as disclosed above.

## CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 March 2019, the Group did not enter into any transactions which need to be disclosed as connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules. Details of the significant transactions with related parties are set out in note 30 to the consolidated financial statements. These related party transactions did not constitute connected transactions or continuing connected transactions pursuant to Chapter 14A of the Listing Rules. Remuneration paid to key management personnel of the Group, including Directors described in note 13 to the consolidated financial statements, are continuing connected transactions exempt from the connected transaction requirements under Rule 14A.95 of the Listing Rules.

## CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 17 to 31 of this annual report.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive or similar rights under the laws of the Caymans Islands or the Articles which would oblige the Company to offer new Shares on a pro-rata basis to the existing shareholders of the Company.

## PERMITTED INDEMNITY PROVISION

The Articles provides that every Director, secretary and other officers of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company against all losses or liabilities which they may sustain or incur in or about the execution of the duties of their offices or otherwise in relation thereto. In addition, the Company has maintained appropriate directors' and officers' liability insurance in respect of the relevant legal actions against the Directors.

## BUSINESS REVIEW

A fair review of the business of the Company as well as a discussion and analysis of the Group's performance during the year, principal risks and uncertainties facing the company and the material factors underlying its results and financial position can be found in the management discussion and analysis set out on pages 5 to 10 of this annual report. These discussions form part of this report.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A separate environmental, social and governance report is expected to be published on the Stock Exchange's website and the Company's website no later than three months after this annual report had been published.

## ANNUAL GENERAL MEETING

The AGM will be held on Monday, 2 September 2019, the notice of which shall be sent to the shareholders of the Company in accordance with the Articles, Listing Rules and other applicable laws and regulations.

## AUDIT COMMITTEE

The Audit Committee of the Company currently comprises three independent non-executive Directors, namely Mr. LEUNG Ho Chi (committee chairman), Mr. CHAN Ching Sum and Mr. TSE Yung Hoi. Its principal duties include reviewing and supervising the Company's financial reporting process, risk management, internal control procedures and relationship with the independent auditor.

The audited consolidated financial statements of the Group for the year ended 31 March 2019 had been reviewed by the Audit Committee of the Company.

## CLOSURE OF REGISTER OF MEMBERS

### a) For determining the entitlement to attend and vote at the AGM

For the purpose of determining the entitlement to attend the AGM, the register of members of the Company will be closed during the period from Wednesday, 28 August 2019 to Monday, 2 September 2019, both days inclusive, during which period no transfer of share(s) of the Company will be effected. To qualify for attending and voting at the AGM, all transfer document(s), accompanied by the relevant share certificate(s), must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong* for registration not later than 4:30 p.m. on Wednesday, 28 August 2019.

### b) For determining the entitlement to the proposed final dividend

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Friday, 6 September 2019 to Monday, 10 September 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares of the Company, accompanied by the relevant share certificate(s), must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited of Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong*, for registration not later than 4:30 p.m. (Hong Kong time) on 5 September 2019.

* The address of the Company's branch share registrar in Hong Kong will be changed to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong with effect from 11 July 2019.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained the prescribed public float under the Listing Rules during the Current Period and up to the date of this report.

## CHANGES IN DIRECTORS' INFORMATION

The changes in directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the Company's interim report for the six months ended 30 September 2019 are set out below:

(1) Mr. Hui Pui Sing, executive Director, is entitled to a salary of HK$420,000 per annum and a discretionary bonus with effect from 1 April 2019.

(2) Ms. Tong Man Wah, executive Director, is entitled to a salary of HK$420,000 per annum and a discretionary bonus with effect from 1 April 2019.

(3) Mr. Hui Yip Ho Eric, executive Director, is entitled to a salary of HK$420,000 per annum and a discretionary bonus with effect from 1 April 2019.

(4) Ms. Hui Wing Man Rebecca, executive Director, is entitled to a salary of HK$420,000 per annum and a discretionary bonus with effect from 1 April 2019.

(5) Mr. Kong Man Ho, executive Director, is entitled to a salary of HK$420,000 per annum and a discretionary bonus with effect from 1 April 2019.

(6) Mr. Tse Yung Hoi, independent non-executive Director, ceased as the council member of HKSAR Financial Services Development Council (FSDC) in December 2018.

(7) Mr. Tse Yung Hoi, independent non-executive Director, renewed his appointment commencing from 4 March 2019 for a one-year term of office with the Company.

## EVENTS AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Company or by the Group after the Current Period and up to the date of this report.

## AUDITORS

During the Current Period, Deloitte Touche Tohmatsu resigned as auditors of the Company and SHINEWING (HK) CPA Limited were appointed by the Directors to fill the casual vacancy so arising. There have been no other changes of auditors in the past three years.

The consolidated financial statements have been audited by SHINEWING (HK) CPA Limited who will retire and, being eligible, offer themselves for re-appointment. A resolution will be submitted to the forthcoming AGM to re-appoint SHINEWING (HK) CPA Limited as the auditors of the Company.

On behalf of the Board

**HUI Pui Sing**
*Chairman*

Hong Kong, 24 June 2019

TO THE MEMBERS OF VICO INTERNATIONAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

## OPINION

We have audited the consolidated financial statements of Vico International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 50 to 119, 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") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

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

### Valuation of trade receivables

Refer to Note 18 to the consolidated financial statements and the accounting policies on pages 71 to 82.

| The key audit matter | How the matter was addressed in our audit |
|---|---|
| As at 31 March 2019, the Group had trade receivables of HK$48,802,000, representing 41% of the Group's total current assets.<br><br>Allowance for impairment of trade receivables is based on lifetime expected credit losses model, which is estimated by taking into account the credit loss experience and forward looking information including both current and forecast general economic conditions.<br><br>We have identified valuation of trade receivables as a key audit matter because the impairment assessment of trade receivables involved a significant degree of management estimation and may be subject to management bias. | Our audit procedures were designed to assess the assumptions and judgements of the Group's expected credit losses model on impairment assessment of trade receivables.<br><br>We have assessed the reasonableness of management's estimates for impairment allowance by examining the information used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information.<br><br>We have also inspected cash received from debtors after year end relating to trade receivables balance as at 31 March 2019 on a sample basis. |

## OTHER INFORMATION

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

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

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

## RESPONSIBILITIES OF THE DIRECTORS OF THE COMPANY AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

- Conclude on the appropriateness of the Company's 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.

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

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

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Wong Hon Kei, Anthony.

**SHINEWING (HK) CPA Limited**
*Certified Public Accountants*
**Wong Hon Kei, Anthony**
Practising Certificate Number: P05591
Hong Kong

24 June 2019

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 March 2019*

| | Notes | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|---|
| Revenue | 7 | **1,076,998** | 828,139 |
| Cost of sales | | **(1,031,560)** | (780,655) |
| Gross profit | | **45,438** | 47,484 |
| Other income | 9 | **268** | 408 |
| Selling and distribution expenses | | **(4,582)** | (4,185) |
| Administrative and operating expenses | | **(17,494)** | (10,378) |
| Listing expenses | | **–** | (20,596) |
| Finance costs | 10 | **(383)** | (468) |
| Profit before tax | | **23,247** | 12,265 |
| Income tax expense | 11 | **(5,259)** | (5,449) |
| Profit and total comprehensive income for the year | 12 | **17,988** | 6,816 |
| Earnings per share (HK cents) | | | |
| Basic and diluted | 15 | **1.80** | 0.96 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2019*

| | Notes | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|---|
| **Non-current asset** | | | |
| Property, plant and equipment | 16 | **76,499** | 20,650 |
| **Current assets** | | | |
| Inventories | 17 | **5,940** | 5,408 |
| Trade and other receivables | 18 | **54,959** | 56,302 |
| Amount due from ultimate holding company | 19 | **8** | 8 |
| Income tax recoverable | | **1,070** | 211 |
| Time deposit | 20 | **1,015** | 1,007 |
| Bank balances and cash | 20 | **55,053** | 94,091 |
| | | **118,045** | 157,027 |
| **Current liabilities** | | | |
| Trade and other payables | 21 | **9,022** | 7,176 |
| Obligations under finance leases | 22 | **–** | 257 |
| Bank borrowings | 23 | **13,623** | 16,350 |
| Income tax payable | | **479** | 872 |
| | | **23,124** | 24,655 |
| **Net current assets** | | **94,921** | 132,372 |
| **Total assets less current liabilities** | | **171,420** | 153,022 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 31 March 2019*

| | Notes | 2019 HK$'000 | 2018 HK$'000 |
|---|---|---|---|
| **Non-current liability** | | | |
| Deferred tax liabilities | 24 | **647** | 237 |
| **Net assets** | | **170,773** | 152,785 |
| **Capital and reserves** | | | |
| Share capital | 25 | **10,000** | 10,000 |
| Reserves | | **160,773** | 142,785 |
| **Total equity** | | **170,773** | 152,785 |

The consolidated financial statements on pages 50 to 119 were approved and authorised for issue by the board of directors on 24 June 2019 and are signed on its behalf by:

**Hui Pui Sing**
*Director*

**Tong Man Wah**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the year ended 31 March 2019*

| | Share capital *HK$'000* | Share premium *HK$'000* | Capital reserve *HK$'000* | Retained profits *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|---|
| At 1 April 2017 | 86 | – | 510 | 44,719 | 45,315 |
| Profit and total comprehensive income for the year | – | – | – | 6,816 | 6,816 |
| Arising from the group reorganisation (Note a) | (86) | – | 86 | – | – |
| Issue of shares upon listing of the Company (Note 25(e)) | 2,500 | 85,000 | – | – | 87,500 |
| Issue of shares upon capitalisation of amount due to a director (Note 25(c)) | – | – | 27,676 | – | 27,676 |
| Issue of shares pursuant to the capitalisation issue as defined in (Note 25(d)) | 7,500 | (7,500) | – | – | – |
| Cost of issuing new shares | – | (14,522) | – | – | (14,522) |
| At 31 March 2018 and 1 April 2018 | **10,000** | **62,978** | **28,272** | **51,535** | **152,785** |
| Profit and total comprehensive income for the year | **–** | **–** | **–** | **17,988** | **17,988** |
| At 31 March 2019 | **10,000** | **62,978** | **28,272** | **69,523** | **170,773** |

Note:

(a) The amount represents the difference between the nominal value of the share capital issued by the Company for the acquisition of the entire interests in Billion Harvest Ventures Limited ("Billion Harvest") and the nominal value of share capital of Billion Harvest.

# CONSOLIDATED STATEMENT OF CASH FLOWS

*For the year ended 31 March 2019*

| | 2019<br>*HK$'000* | 2018<br>*HK$'000* |
|---|---|---|
| OPERATING ACTIVITIES | | |
| Profit before tax | **23,247** | 12,265 |
| Adjustments for: | | |
| Finance costs | **383** | 468 |
| Interest income | **(8)** | (86) |
| Government subsidies | **(125)** | — |
| Gain on disposal of property, plant and equipment | **(130)** | — |
| Depreciation of property, plant and equipment | **3,314** | 2,136 |
| Reversal of allowance for inventories | **–** | (255) |
| Operating cash flows before movements in working capital | **26,681** | 14,528 |
| (Increase) decrease in inventories | **(532)** | 800 |
| Decrease in trade and other receivables | **1,343** | — |
| Increase in trade and other payables | **1,846** | 4,206 |
| Cash generated from operations | **29,338** | 19,534 |
| Income Tax paid | **(6,101)** | (5,737) |
| NET CASH FROM OPERATING ACTIVITIES | **23,237** | 13,797 |
| INVESTING ACTIVITIES | | |
| Acquisition of property, plant and equipment | **(59,515)** | (226) |
| Placements of time deposit | **(8)** | (7) |
| Proceeds from disposal of property, plant and equipment | **482** | — |
| Interest received | **8** | 86 |
| Repayment of loan to a related company | **–** | 1,814 |
| NET CASH (USED IN) FROM INVESTING ACTIVITIES | **(59,033)** | 1,667 |

*For the year ended 31 March 2019*

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| FINANCING ACTIVITIES | | |
| Bank borrowings raised | **10,000** | – |
| Government subsidies received | **125** | – |
| Repayment of bank borrowings | **(12,727)** | (3,621) |
| Interest paid | **(383)** | (468) |
| Repayment of obligations under finance leases | **(257)** | (307) |
| Expenses paid in connection with the issue of new shares | **–** | (14,522) |
| Repayment of amounts due to directors | **–** | (5,497) |
| Proceeds from issue of shares | **–** | 87,500 |
| NET CASH (USED IN) FROM FINANCING ACTIVITIES | **(3,242)** | 63,085 |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | **(39,038)** | 78,549 |
| CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR | **94,091** | 15,542 |
| CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR, represented by bank balances and cash | **55,053** | 94,091 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 March 2019*

## 1. GENERAL AND BASIS OF PREPARATION

### General information

Vico International Holdings Limited (the "Company") was incorporated in the Cayman Island as an exempted company with limited liability on 24 March 2017 under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 5 March 2018. The Company's immediate and ultimate holding company is Max Fortune Holdings Limited ("Max Fortune"), a company incorporated in the British Virgin Islands (the "BVI") with limited liability. The ultimate controlling parties are Mr. Hui Pui Sing ("Mr. Hui"), Ms. Tong Man Wah ("Ms. Tong"), spouse of Mr. Hui and Mr. Hui Yip Ho, Eric ("Mr. Eric Hui"), son of Mr. Hui and Ms. Tong (the "Controlling Shareholders"). The addresses of the Company's registered office and the principal place of business are at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111 Cayman Islands and Unit D, 11/F, Billion Plaza II, No. 10 Cheung Yue Street, Cheung Sha Wan, Hong Kong, respectively.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in sales of diesel, lubricant oil and others and provision of fleet cards service.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is the same as the functional currency of the Company.

### Basis of Preparation

Pursuant to the reorganisation as detailed in the section headed "History, Reorganisation and Corporate Structure — Reorganisation" in the prospectus of the Company dated 30 January 2018 (the "Reorganisation"), the Company became the holding company of the companies now comprising the Group on 12 April 2017. The Company and its subsidiaries have been under the control and beneficially owned by the Controlling Shareholders throughout the year ended 31 March 2018 or since their respective dates of incorporation or establishment up to 31 March 2018. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of the companies now comprising the Group throughout the year ended 31 March 2018 or since their respective dates of incorporation or establishment up to 31 March 2018, using the principles of merger accounting as set out in Note 3 below.

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

In the current year, the Group has applied, for its first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

| | |
|---|---|
| HKFRS 9 | Financial Instruments |
| HKFRS 15 | Revenue from Contracts with Customers and 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 Annual Improvements to HKFRSs 2014–2016 Cycle |
| Amendments to HKAS 40 | Transfers of Investment Property |

The impact of the adoption of HKFRS 9 *Financial Instruments* and HKFRS 15 *Revenue from Contracts with Customers* have been summarised below. The application of other new and amendments to HKFRSs in the current year has had no material effect on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 superseded HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard established a five-step model for determining whether, how much and when revenue is recognised. The Group has elected to adopt the modified retrospective approach for contracts with customers that are not completed as at the date of initial application (i.e. 1 April 2018) with the cumulative effect of initially applying HKFRS 15 as an adjustment to the opening balance of retained profits and comparative information is not restated. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue*.

The Group's accounting policies for its revenue streams are disclosed in detail in Note 3 below.

The transition to HKFRS 15 had no significant impact on each financial statement line item of the consolidated statement of financial position nor the retained profits at 1 April 2018.

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

### HKFRS 9 *Financial instruments*

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The Group has applied HKFRS 9 retrospectively to financial instruments that have not been derecognised at the date of initial application (i.e. 1 April 2018) in accordance with the transition provisions under HKFRS 9, and chosen not to restate comparative information. Differences in the carrying amounts of financial assets and financial liabilities on initial application are recognised in retained profits as at 1 April 2018.

The Group's accounting policies for the classification and measurement of financial instruments and the impairment of financial assets are disclosed in detail in Note 3 below.

#### *Classification and measurement of financial instruments*

The directors of the Company reviewed and assessed the Group's existing financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date and concluded that all recognised financial assets and financial liabilities that are within the scope of HKFRS 9 are continued to measure at amortised cost as were previously measured under HKAS 39.

#### *Loss allowance for expected credit losses ("ECL")*

The adoption of HKFRS 9 has changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss model with a forward-looking ECL approach. As at 1 April 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of HKFRS 9.

It is concluded that, as at 1 April 2018, no additional credit loss allowance has been recognised against retained profits as the estimated allowance under the ECL model were not significantly different from the impairment losses previously recognised under HKAS 39.

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

### New and amendments to HKFRSs issued but not yet effective

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

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

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

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

The directors of the Company anticipate that, except as described below, the application of other new and amendments to HKFRSs will have no material impact on the results and the financial position of the Group.

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

### New and amendments to HKFRSs issued but not yet effective (Continued)

#### *HKFRS 16 Leases*

HKFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees.

In respect of the lessee accounting, the standard introduces a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases with the lease term of more than 12 months, unless the underlying asset has a low value.

At the commencement date of the lease, the lessee is required to recognise a right-of-use asset at cost, which consists of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date less any lease incentives received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. A lease liability is initially recognised at the present value of the lease payments that are not paid at that date.

Subsequently, the right-of-use asset is measured at cost less any accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of the lease liability. Lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payment made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments. Depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of HKAS 16 *Property, Plant and Equipment*, while interest accrual on lease liability will be charged to profit or loss.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

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

### New and amendments to HKFRSs issued but not yet effective (Continued)

#### *HKFRS 16 Leases (Continued)*

As at 31 March 2019, the Group has non-cancellable operating lease commitments of HK$4,494,000 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 right-of-use assets and corresponding liabilities in respect of all these leases unless they qualify for low value or short-term lease upon the application of HKFRS 16. The Group plans to elect to use the modified retrospective approach for the adoption of HKRS 16 and will not restate the comparative information. The directors of the Company expect that, apart from the changes in the measurement, presentation and disclosure as indicated above, the adoption of HKFRS 16 will not have other material impact on amounts reported in the Group's consolidated financial statements.

## 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 and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 where the Group has: (i) the power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control stated above.

Consolidation of a subsidiary begins when the Group obtains control of the subsidiary and ceases when the Group loses control of the subsidiary.

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

Profit or loss and each component of other comprehensive income of subsidiaries are attributed to the owners of the Company. Total comprehensive income of subsidiaries is attributed to the owners of the Company.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Merger accounting for business combination involving entities under common control

The consolidated financial statements include the financial statements items of the combining entities or businesses in which the common control combination occurs as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or businesses had been combined at the end of the previous reporting period unless the combining entities or businesses first came under common control at a later date.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue recognition

***Policy applicable to the year ended 31 March 2019 (with application of HKFRS 15)***

Revenue is recognised 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 Group uses 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

The Group recognised 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 customers.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Revenue recognition (Continued)**

***Policy applicable to the year ended 31 March 2019 (with application of HKFRS 15) (Continued)***

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

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

- The Group's performance creates and enhances an asset that the customer controls as the asset is created and enhanced; or

- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

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

Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties and discounts.

*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 specified goods or services to be provided by the other party.

The Group recognises revenue from (i) sales of diesel; (ii) provision of fleet cards service; (iii) sales of lubricant oil and (iv) sales of others.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Revenue recognition (Continued)

***Policy applicable to the year ended 31 March 2019 (with application of HKFRS 15) (Continued)***

*Sales of diesel, lubricant oil and others*

Revenue from sales of diesel, lubricant oil and others are recognised when goods are delivered to location specified by the customers and accepted by the customers, which is the point of time the customer has the ability to direct the use of the products and obtain substantially all of the remaining benefits of the products.

*Provision of fleet cards service*

Revenue from provision of fleet cards service is recognised on a net basis, based on difference between gross proceeds received and receivables from fleet card holders and gross amounts paid and payable to petroleum supplier, when fleet card holders purchase petroleum from a petroleum supplier.

***Policy applicable to the year ended 31 March 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 allowed and other similar allowances.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from sales of diesel, lubricant oil and others are recognised when the goods are delivered and titles have passed.

Revenue from provision of fleet cards service is recognised on a net basis, based on difference between gross proceeds received and receivables from fleet card holders and gross amounts paid and payable to petroleum supplier, when fleet card holders purchase petroleum from a petroleum supplier.

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 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)

### Leasing

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

#### *The Group as lessee*

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

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

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

#### *Leasehold land and building*

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as prepaid lease payment in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) 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 that are measured in terms of historical cost in a foreign currency are not retranslated.

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

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

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

### Retirement benefit costs

Payments to the Mandatory Provident Fund Scheme (the “MPF Scheme”) are recognised as an expense when employees have rendered services entitling them to the contributions.

### Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave and sick leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 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 profit before tax as reported in the consolidated statement of profit or loss and the other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes 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 bases 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 difference 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 of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 the tax rate (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 is recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services or for administrative purposes as 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 allocate the cost of items of property, plant and equipment, other than construction in progress, 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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

### Impairment losses on tangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives 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 relevant asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGU, or otherwise they are allocated to the smallest group of CGU for which a reasonable and consistent allocation basis can be identified.

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Impairment losses on tangible assets (Continued)

If the recoverable amount of an asset (or the CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or the CGU) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

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

### Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

### Cash and cash equivalents

Bank balances and cash in the consolidated statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances and cash and short-term deposits as defined above.

### Investment in a subsidiary

Investment in a subsidiary is stated on the statement of financial position of the Company at cost less accumulated impairment loss.

### Financial instruments

Financial assets and financial liabilities are recognised in 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 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)

### Financial instruments (Continued)

***Under HKFRS 9 (Applicable on or after 1 April 2018)***

*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 subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

The Group measures financial assets subsequently at amortised cost if both of the following conditions are met:

- 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.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

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 ECL, 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

***Under HKFRS 9 (Applicable on or after 1 April 2018) (Continued)***

*Financial assets (Continued)*

Amortised cost and effective interest method (Continued)

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. 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.

Interest income is recognised in profit or loss and is included in the "Other income" line item (Note 9).

Impairment of financial assets

The Group recognises a loss allowance for ECL on investments in debt instruments that are measured at amortised costs. The amount of ECL 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. The ECL 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 measures the loss allowance equal to 12-month ECL, unless when there has a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial instruments (Continued)**

***Under HKFRS 9 (Applicable on or after 1 April 2018) (Continued)***

*Financial assets (Continued)*

Significant increase in credit risk

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

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;
- 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial instruments (Continued)**

***Under HKFRS 9 (Applicable on or after 1 April 2018) (Continued)***

*Financial assets (Continued)*

Significant increase in credit risk (Continued)

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 (i) the financial instrument has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts.

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.

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 receivables 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 collaterals held by the Group).

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)

**Financial instruments (Continued)**

***Under HKFRS 9 (Applicable on or after 1 April 2018) (Continued)***

*Financial assets (Continued)*

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:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or past due event;
- it is becoming probable that the debtor will undergo bankruptcy or other financial restructuring; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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 counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date and other relevant forward-looking information.

For financial assets, the ECL 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.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial instruments (Continued)**

***Under HKFRS 9 (Applicable on or after 1 April 2018) (Continued)***

*Financial assets (Continued)*

Measurement and recognition of ECL (Continued)

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.

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 party.

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

*Financial liabilities and equity instruments*

Classification as debt or equity

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

Equity instruments

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

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial instruments (Continued)**

***Under HKFRS 9 (Applicable on or after 1 April 2018) (Continued)***

*Financial liabilities and equity instruments (Continued)*

Financial liabilities

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

Financial liabilities subsequently measured 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 fair value through profit or loss, are subsequently measured 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 they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

***Under HKAS 39 (applicable before 1 April 2018) (Continued)***

*Financial assets*

The Group's 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 paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

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, amount due from ultimate holding company, time deposit and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment (see accounting policy on impairment of financial assets below).

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial instruments (Continued)**

***Under HKAS 39 (applicable before 1 April 2018) (Continued)***

*Financial assets (Continued)*

Impairment of financial assets

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

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

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

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, and 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.

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.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Financial instruments (Continued)

***Under HKAS 39 (applicable before 1 April 2018) (Continued)***

*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.

The Group's financial liabilities are classified into other financial liabilities.

Other financial liabilities

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

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction cost 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 Group are recognised at the proceeds received, net of direct issue costs.

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial instruments (Continued)**

***Under HKAS 39 (applicable before 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 asset and substantially all the risks and rewards of ownership of the asset to another entity.

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 cumulated 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 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.

## 4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgement, estimates and assumptions about the carrying amounts of assets, liabilities, revenue and expenses reported and disclosures made in the consolidated financial statements. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

## 4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCE OF ESTIMATION UNCERTAINTY (CONTINUED)

### Critical judgement in applying accounting policies

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

***Principal versus agent consideration***

The Group engages in sales of diesel. Upon application of HKFRS 15, the Group reassessed whether the Group should continue to recognise revenue on gross basis based on the requirements of HKFRS 15. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods, and the Group has inventory risk and discretion in establishing selling prices of the goods.

### Key source of estimation uncertainty

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

***Estimated impairment of trade receivables***

The impairment provisions for trade receivables are based on assumptions about ECL. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, bases 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. At 31 March 2019, the carrying amount of trade receivables was approximately HK$48,802,000 (2018: HK$41,866,000). No impairment losses were recognised for the current year.

## 5. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes obligations under finance leases and bank borrowings disclosed in Notes 22 and 23 respectively, net of cash and cash equivalents, and equity attributable to the owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, issuance of new shares as well as the issue of new debt or redemption of borrowings.

## 6. FINANCIAL INSTRUMENTS

### (a) Categories of financial instruments

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Financial assets** | | |
| At amortised cost/loans and receivables (including bank balances and cash) | **106,918** | 142,940 |
| **Financial liabilities** | | |
| At amortised cost | **21,378** | 22,811 |

### (b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amount due from ultimate holding company, time deposit, bank balances and cash, trade and other payables, obligations under finance leases and bank borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

## 6. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (Continued)

***Market risk***

*Interest rate risk*

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 20) and variable-rate bank borrowings (see Note 23). It is the Group's policy to keep its borrowings at floating rate of interest so as to minimise the fair value interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of prevailing market interest rates arising from the Group's bank balances and Hong Kong Prime Rate ("HK Prime Rate") arising from the Group's variable-rate bank borrowings.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. 50 basis point increase or decrease is used for the years ended 31 March 2019 and 2018 when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points for bank borrowings higher/lower and all other variables were held constant, effects on the Group's profit for the year would decrease/increase by approximately HK$57,000 (2018: HK$68,000).

***Credit risk***

As at 31 March 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

The credit risk of the Group mainly arises from trade and other receivables, time deposit and bank balances. The carrying amounts of these balances represent the Group's maximum exposure to credit risk in relation to financial assets.

In order to minimise the credit risk, the 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.

## 6. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (Continued)

***Credit risk (Continued)***

As at 31 March 2018, impairment loss was recognised when there was objective evidence of impairment loss.

Starting from 1 April 2018, for trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL collectively by using a provision matrix, estimated based on historical credit loss experience, as well as the general economic conditions of the industry in which the debtors operate. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

For deposits and other receivables, the Group has assessed whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout the reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. In particular, the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- significant changes in the expected performance and behavior of the debtor, including changes in the payment status of debtors in the Group and changes in the operating results of the debtor

## 6. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (Continued)

***Credit risk (Continued)***

*The Group's exposure to credit risk*

In order to minimise credit risk, the Group has tasked a team to develop and maintain the Group's credit risk gradings to categorise exposures according to their degree of risk of default. The management uses other publicly available financial information and the Group's own trading records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The Group's current credit risk grading framework comprises the following categories:

| **Category** | **Description** | **Basis for recognising ECL** |
|---|---|---|
| Performing | For financial assets where there has been low risk of default or has not been a significant increase in credit risk since initial recognition and that are not credit impaired (refer to as Stage 1) | 12-month ECL |
| Doubtful | For financial assets where there has been a significant increase in credit risk since initial recognition but that are not credit impaired (refer to as Stage 2) | Lifetime ECL — not credit impaired |
| Default | Financial assets are assessed as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred (refer to as Stage 3) | Lifetime ECL — credit impaired |
| Write-off | There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery | Amount is written off |

The tables below details the credit quality of the Group's financial assets, as well as the Group's maximum exposure to credit risk by credit risk rating grades.

## 6. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (Continued)

***Credit risk (Continued)***

*The Group's exposure to credit risk (Continued)*

| 31/3/2019 | Notes | Internal credit rating | 12-month or lifetime ECL | Gross carrying amount | Loss allowance | Net carrying amount |
|---|---|---|---|---|---|---|
| | | | | *HK$'000* | *HK$'000* | *HK$'000* |
| Trade receivables | 18 | (Note) | Lifetime ECL (simplified approach) | 48,802 | – | 48,802 |
| Deposits and other receivables | 18 | Performing | 12-month ECL | 2,040 | – | 2,040 |
| | | | | | – | |

Note: For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on trade receivables collectively by using a provision matrix, estimated based on historical credit loss experience and the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

As at 31 March 2019, the Group has concentration of credit risk as 11% (2018: 11%) of the total gross trade receivables was due from the Group's largest customer and 34% (2018: 29%) of the total gross trade receivables was due from the five largest customers as at 31 March 2019.

***Liquidity risk***

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

## 6. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (Continued)

***Liquidity risk (Continued)***

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The maturity dates for the non-derivative financial liabilities are based on the agreed repayment dates. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

| | **Total undiscounted cash flows due on demand or within one year** *HK$'000* | **Carrying amount** *HK$'000* |
|---|---|---|
| **As at 31 March 2019** | | |
| Trade and other payables | **7,755** | **7,755** |
| Bank borrowings | **13,623** | **13,623** |
| | **21,378** | **21,378** |

| | Total undiscounted cash flows due on demand or within one year *HK$'000* | Carrying amount *HK$'000* |
|---|---|---|
| **As at 31 March 2018** | | |
| Trade and other payables | 6,640 | 6,640 |
| Obligations under finance leases | 262 | 257 |
| Bank borrowings | 16,350 | 16,350 |
| | 23,252 | 23,247 |

## 6. FINANCIAL INSTRUMENTS (CONTINUED)

### (b) Financial risk management objectives and policies (Continued)

***Liquidity risk (Continued)***

Bank borrowings with a repayment on demand clause are included in the "on demand or within one year" time band in the above maturity analysis. At 31 March 2019, the aggregate principal amounts of these bank borrowings amounted to HK$13,623,000 (2018: HK$16,350,000). Taking into account the Group's financial position, the directors of the Company do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that these bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the respective loan agreements, details of which are set out below.

| | Less than 1 year | 1–2 years | 2–5 years | Over 5 years | Total undiscounted cash outflows | Carrying amounts |
|---|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| 31 March 2019 | **2,769** | **2,717** | **6,184** | **3,158** | **14,828** | **13,623** |
| 31 March 2018 | 2,833 | 2,833 | 8,499 | 3,708 | 17,873 | 16,350 |

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of each reporting period.

***Fair value***

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost using the effective interest rate method in the consolidated financial statements approximate their fair values due to their immediate or short-term maturities.

## 7. REVENUE

| | **2019** | 2018* |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Revenue from contracts with customers within the scope of HKFRS 15 for the year ended 31 March 2019** | | |
| Disaggregated by major products | | |
| Sales of goods | | |
| Sales of diesel | **1,006,740** | 752,232 |
| Provision of fleet cards service | **21,453** | 23,196 |
| Sales of lubricant oil | **43,669** | 49,351 |
| Sales of others | **5,136** | 3,360 |
| | **1,076,998** | 828,139 |

* The amounts for the year ended 31 March 2018 were recognised under HKAS 18.

| | **2019** |
|---|---|
| | ***HK$'000*** |
| Disaggregation of revenue by timing of recognition | |
| Timing of revenue recognition | |
| At a point in time | **1,076,998** |

## 8. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker (the "CODM"), being the executive directors of the Company, for the purposes of allocating resources and assessing performance.

Specifically, the Group's reportable and operating segments under HKFRS 8 *Operating Segments* are as follow:

(i) Sales of diesel

(ii) Provision of fleet cards service

(iii) Sales of lubricant oil

(iv) Sales of others

The CODM makes decisions according to the operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

### Segment revenues and results

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

## 8. SEGMENT INFORMATION (CONTINUED)

### Segment revenues and results (Continued)

***For the year ended 31 March 2019***

| | Sales of diesel<br>*HK$'000* | Provision of fleet cards<br>*HK$'000* | Sales of lubricant oil<br>*HK$'000* | Sales of others<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|---|---|
| **Segment revenue** | **1,006,740** | **21,453** | **43,669** | **5,136** | **1,076,998** |
| **Segment results** | **16,316** | **13,625** | **12,525** | **1,103** | **43,569** |
| Other income | | | | | **268** |
| Corporate expenses | | | | | **(20,207)** |
| Finance costs | | | | | **(383)** |
| **Profit before tax** | | | | | **23,247** |

***For the year ended 31 March 2018***

| | Sales of diesel<br>*HK$'000* | Provision of fleet cards<br>*HK$'000* | Sales of lubricant oil<br>*HK$'000* | Sales of others<br>*HK$'000* | Total<br>*HK$'000* |
|---|---|---|---|---|---|
| **Segment revenue** | 752,232 | 23,196 | 49,351 | 3,360 | 828,139 |
| **Segment results** | 12,583 | 15,367 | 16,659 | 893 | 45,502 |
| Other income | | | | | 408 |
| Corporate expenses | | | | | (12,581) |
| Listing expenses | | | | | (20,596) |
| Finance costs | | | | | (468) |
| **Profit before tax** | | | | | 12,265 |

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results mainly represented profit before tax earned by each segment, excluding expenses of corporate functions, other income, listing expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

## 8. SEGMENT INFORMATION (CONTINUED)

### Other segment information

***For the year ended 31 March 2019***

| | Sales of diesel HK$'000 | Provision of fleet cards service HK$'000 | Sales of lubricant oil HK$'000 | Sales of others HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Amounts included in the measure of segment profit or segment assets** | | | | | | |
| Addition to property, plant and equipment | **2,187** | **2,488** | **–** | **–** | **54,840** | **59,515** |
| Depreciation of property, plant and equipment | **418** | **1,351** | **100** | **–** | **1,445** | **3,314** |

***For the year ended 31 March 2018***

| | Sales of diesel HK$'000 | Provision of fleet cards service HK$'000 | Sales of lubricant oil HK$'000 | Sales of others HK$'000 | Unallocated HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| Amounts included in the measure of segment profit or segment assets | | | | | | |
| Addition to property, plant and equipment | 5 | 152 | – | – | 69 | 226 |
| Depreciation of property, plant and equipment | 754 | 1,128 | 101 | – | 153 | 2,136 |
| Reversal of allowance for inventories | – | – | (255) | – | – | (255) |

## 8. SEGMENT INFORMATION (CONTINUED)

### Geographical information

The following table sets out information about the Group's revenue from external customers by the location of customers:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong | **1,076,678** | 826,893 |
| Macau | **309** | 1,246 |
| Vietnam | **11** | — |
| | **1,076,998** | 828,139 |

The Group's property, plant and equipment are solely located in Hong Kong.

### Information about major customers

Details of the customers accounting for 10% or more of aggregate revenue of the Group are as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Customer A* | **407,219** | 372,613 |
| Customer B* | **130,064** | 113,052 |

* Revenue from sales of diesel and lubricant oil.

## 9. OTHER INCOME

| | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|
| Interest income of bank deposits | **8** | 8 |
| Interest income of loan to a related company | **—** | 78 |
| Gain on disposal of property, plant and equipment | **130** | — |
| Government subsidies (Note) | **125** | — |
| Others | **5** | 322 |
| | **268** | 408 |

Note: The income represent government subsidies received under the "Ex-gratia Payment Scheme for Phasing Out Pre-Euro IV Diesel Commercial Vehicles" in 2019 upon retirement of certain motor vehicles.

## 10. FINANCE COSTS

| | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|
| Interest expenses on: | | |
| — Bank borrowings | **378** | 450 |
| — Obligations under finance leases | **5** | 18 |
| | **383** | 468 |

## 11. INCOME TAX EXPENSE

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Current income tax | | |
| Hong Kong Profits Tax | | |
| — Current year | **4,849** | 5,478 |
| Deferred taxation (Note 24) | **410** | (29) |
| | **5,259** | 5,449 |

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

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

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Profit before tax | **23,247** | 12,265 |
| Tax calculated at the domestic income tax rate of 16.5% (2018: 16.5%) | **3,836** | 2,024 |
| Tax effect of expenses not deductible for tax purpose | **743** | 3,544 |
| Tax effect of income not taxable for tax purpose | **(1)** | (1) |
| Utilisation of tax losses previously not recognised | **–** | (28) |
| Effect of two-tiered profits tax rate regime | **(165)** | – |
| Tax losses not recognised | **906** | – |
| Tax concession (Note) | **(60)** | (90) |
| Income tax expense for the year | **5,259** | 5,449 |

Note: During the years ended 31 March 2019 and 31 March 2018, three subsidiaries entitled tax concession of HK$20,000 and HK$30,000 for each of the respective years.

Details of the deferred taxation are set out in Note 24.

## 12. PROFIT FOR THE YEAR

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Profit for the year has been arrived at after charging (crediting): | | |
| Directors' emoluments (Note 13) | **1,498** | 922 |
| Other staff costs: | | |
| Salaries and allowances | **5,761** | 4,767 |
| Contributions to retirement benefit scheme | **255** | 221 |
| Total staff costs | **7,514** | 5,910 |
| Auditor's remuneration | **800** | 1,200 |
| Cost of inventories recognised as expenses (included in cost of sales) | **1,024,471** | 772,524 |
| Reversal of allowance for inventories (included in cost of sales) (Note) | **–** | (255) |
| Depreciation of property, plant and equipment | **3,314** | 2,136 |
| Minimum operating lease rental in respect of carparks, office premises and warehouse | **1,769** | 1,619 |

Note: The reversal of allowance for inventories included in the cost of sales in 2018 was arisen from the sale of slow-moving inventories, of which provision was made previously over their net realisable values, at selling prices higher than their net book values.

## 13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (a) Directors' and chief executive's emoluments

The emoluments paid or payable to each of the nine (2018: nine) directors and the chief executive officer ("CEO") of the Group during the year were as follows:

**For the year ended 31 March 2019**

| | Directors' fees *HK$'000* | Salaries and other benefits *HK$'000* | Retirement benefit scheme contributions *HK$'000* | Total *HK$'000* |
|---|---|---|---|---|
| Executive directors: | | | | |
| Mr. Hui | – | 195 | 10 | 205 |
| Ms. Tong | – | 130 | 7 | 137 |
| Ms. Rebecca Hui | – | 130 | 7 | 137 |
| Mr. Eric Hui | – | 130 | 7 | 137 |
| Mr. Kong Man Ho ("Mr. Kong") | – | 199 | 8 | 207 |
| Non Executive director: | | | | |
| Mr. Ong Chor Wei (Note i) | 83 | – | – | 83 |
| Independent non-executive directors: | | | | |
| Mr. Lam Kwong Siu (Note iii) | 200 | – | – | 200 |
| Mr. Tse Yung Hoi | 192 | – | – | 192 |
| Mr. Wong Hei Chiu (Note ii) | 200 | – | – | 200 |
| Total | 675 | 784 | 39 | 1,498 |

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

## 13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

### (a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 March 2018

| | Directors' fees | Salaries and other benefits | Retirement benefit scheme contributions | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$000* | *HK$'000* |
| Executive directors: | | | | |
| Mr. Hui (Note iv) | – | 195 | 11 | 206 |
| Ms. Tong (Note iv) | – | 130 | 6 | 136 |
| Ms. Rebecca Hui (Note iv) | – | 130 | 6 | 136 |
| Mr. Eric Hui (Note iv) | – | 130 | 6 | 136 |
| Mr. Kong Man Ho ("Mr. Kong") (Note v) | – | 132 | 7 | 139 |
| Non Executive director: | | | | |
| Mr. Ong Chor Wei (Note i) | 25 | – | – | 25 |
| Independent non-executive directors: | | | | |
| Mr. Lam Kwong Siu (Note iii) | 48 | – | – | 48 |
| Mr. Tse Yung Hoi (Note iv) | 48 | – | – | 48 |
| Mr. Wong Hei Chiu (Note ii) | 48 | – | – | 48 |
| Total | 169 | 717 | 36 | 922 |

Notes:

i. Appointed on 23 June 2017 and resigned on 1 February 2019

ii. Appointed on 16 January 2018 and resigned on 1 April 2019

iii. Appointed on 16 January 2018 and resigned on 12 April 2019

iv: Appointed on 24 March 2017

v: Appointed on 23 June 2017

vi: Appointed on 16 January 2018

## 13. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

### (a) Directors' and chief executive's emoluments (Continued)

Mr. Eric Hui is also the CEO of the Company and his emoluments disclosed above include those for services rendered by him as the CEO. The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group. The non-executive director's emoluments shown above were for his services as a director of the Company. The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

### (b) Employees' emoluments

None of the five highest paid individuals were directors during the years ended 31 March 2019 and 2018. The emoluments of the five highest paid individuals are as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Salaries and other allowances | **1,560** | 1,321 |
| Contributions retirement benefit scheme | **74** | 62 |
| | **1,634** | 1,383 |

Their emoluments were within the following bands:

| | **2019** | 2018 |
|---|---|---|
| | **No. of employees** | No. of employees |
| Not more than HK$1,000,000 | **5** | 5 |

There were no performance related incentive payments during the years ended 31 March 2019 and 2018.

No emoluments were paid by the Group to the five highest paid individuals or any of the directors or CEO of the Company as an incentive payment to join or upon joining the Group, or as compensation for loss of office during the years ended 31 March 2019 and 2018.

## 14. DIVIDEND

No dividend was paid or proposed by the Company for the years ended 31 March 2019 and 2018.

Subsequent to the end of the reporting period, a final dividend for the year ended 31 March 2019 of HK$0.01 per ordinary share of the Company has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting.

## 15. EARNINGS PER SHARE

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

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Earnings: | | |
| Earnings for the purpose of basic and diluted earnings per share | **17,988** | 6,816 |

| | **2019** | 2018 |
|---|---|---|
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share (Note) | **1,000,000,000** | 710,866,000 |

Note: The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 March 2018 was adjusted for the effect of the capitalisation issue as detailed in Note 25.

The diluted earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the years ended 31 March 2019 and 2018.

## 16. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold land and buildings | Leasehold improvements | Furniture, fixtures and equipment | Motor vehicles | Total |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 April 2017 | 19,239 | 2,134 | 2,207 | 10,827 | 34,407 |
| Additions | — | 9 | 184 | 33 | 226 |
| Disposals | — | — | (1) | — | (1) |
| At 31 March 2018 and 1 April 2018 | 19,239 | 2,143 | 2,390 | 10,860 | 34,632 |
| Additions | 53,679 | 369 | 1,010 | 4,457 | 59,515 |
| Disposals | — | — | — | (1,353) | (1,353) |
| **At 31 March 2019** | **72,918** | **2,512** | **3,400** | **13,964** | **92,794** |
| **ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSS** | | | | | |
| At 1 April 2017 | 1,767 | 337 | 1,471 | 8,272 | 11,847 |
| Provided for the year | 583 | 64 | 257 | 1,232 | 2,136 |
| Eliminated on disposals | — | — | (1) | — | (1) |
| At 31 March 2018 and 1 April 2018 | 2,350 | 401 | 1,727 | 9,504 | 13,982 |
| Provided for the year | 1,821 | 81 | 334 | 1,078 | 3,314 |
| Eliminated on disposals | — | — | — | (1,001) | (1,001) |
| **At 31 March 2019** | **4,171** | **482** | **2,061** | **9,581** | **16,295** |
| **CARRYING VALUES** | | | | | |
| **At 31 March 2019** | **68,747** | **2,030** | **1,339** | **4,383** | **76,499** |
| At 31 March 2018 | 16,889 | 1,742 | 663 | 1,356 | 20,650 |

## 16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

| | |
|---|---|
| Leasehold land and buildings | Over the term of the relevant lease |
| Leasehold improvements | Over the shorter of the term of the relevant lease or 5 years |
| Furniture, fixtures and equipment | Over 5 years |
| Motor vehicles | Over 3 to 5 years |

As at 31 March 2018, the carrying values of motor vehicles included an amount of HK$303,000 (2019: nil) in respect of assets held under finance leases.

As at 31 March 2019, the Group pledged its leasehold land and buildings with carrying values of HK$16,306,000 (2018: HK$16,889,000) to secure its bank borrowings.

The leasehold land and buildings are located in Hong Kong.

## 17. INVENTORIES

| | **2019**<br>***HK$'000*** | 2018<br>*HK$'000* |
|---|---|---|
| Raw materials | **574** | 670 |
| Finished goods | **5,366** | 4,738 |
| | **5,940** | 5,408 |

In 2018, certain slow-moving inventories, of which provision was made previously over their net realisable values, were sold at selling prices higher than their net book values. As a result, a reversal of allowances for inventories of HK$255,000 (2019: nil) had been recognised and included in cost of sales.

## 18. TRADE AND OTHER RECEIVABLES

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade receivables | **48,802** | 41,866 |
| Trade deposits paid | **3,949** | 8,302 |
| Deposits and prepayments | **236** | 218 |
| Receivables due from suppliers | **1,972** | 5,916 |
| | **54,959** | 56,302 |

The Group allows an average credit period ranging from 15 to 30 days (2018: 15 to 30 days) to its trade customers. The following is an aged analysis of trade receivables presented based on the invoice date, which approximates the respective revenue recognition dates, at the end of the reporting period.

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| 0 to 30 days | **45,083** | 37,885 |
| 31 to 60 days | **1,642** | 1,739 |
| 61 to 90 days | **1,372** | 1,697 |
| Over 90 days | **705** | 545 |
| | **48,802** | 41,866 |

At 31 March 2018, the aged analysis of trade receivables that was neither past due nor impaired and past due but not impaired are as follows:

| | | Neither past | Past due but not impaired | | |
|---|---|---|---|---|---|
| | | due nor | Less than | 31 to | 61 to |
| | Total | impaired | 30 days | 60 days | 90 days |
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| At 31 March 2018 | 41,866 | 37,885 | 1,739 | 1,697 | 545 |

The Group had not provided for impairment loss on receivables that were neither past due nor impaired as at 31 March 2018 as these debtors had good repayment history and credit quality and there had not been a significant change in credit quality.

## 18. TRADE AND OTHER RECEIVABLES (CONTINUED)

Starting from 1 April 2018, the Group measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the financial assets. As at 31 March 2019, the expected credit loss rate for trade receivables based on ageing of customers were closed to zero and the identified impairment loss for trade receivables was immaterial.

## 19. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

Details of amount due from ultimate holding company are as follows:

| | **As at 31 March** | | **Maximum amount During the year ended 31 March** | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Max Fortune | 8 | 8 | 8 | 8 |

The amount is non-trade related, unsecured, interest-free and repayable on demand.

## 20. TIME DEPOSIT/BANK BALANCES AND CASH

### Time deposit

As at 31 March 2019, deposit with a bank of HK$1,015,000 (2018: HK$1,007,000), with original maturity of more than three months, carried interest rate of 0.02% (2018: 0.02%) per annum.

### Bank balances and cash

The bank balances and cash comprised cash held by the Group and short-term bank deposits with an original maturity of three months or less. The bank balances at 31 March 2019 carried interest at the prevailing market rate of 0.01% (2018: 0.01%) per annum.

## 21. TRADE AND OTHER PAYABLES

| | **2019**<br>***HK$'000*** | 2018<br>*HK$'000* |
|---|---|---|
| Trade payables (Note) | **5,330** | 1,976 |
| Trade deposits received | **1,069** | 536 |
| Accrued listing expenses | **–** | 1,964 |
| Other payables and accruals | **2,623** | 2,700 |
| | **9,022** | 7,176 |

Note: The aging analysis of trade payables presented based on the invoice dates at the end of the reporting period is as follows:

| | **2019**<br>***HK$'000*** | 2018<br>*HK$'000* |
|---|---|---|
| 0 to 30 days | **5,330** | 1,976 |

The average credit period on purchase of goods is ranging from 30 days to 60 days.

## 22. OBLIGATIONS UNDER FINANCE LEASES

It is the Group's policy to lease certain of its motor vehicles under finance leases. The average lease term of these leases were one to two years (2019: nil) throughout the year ended 31 March 2018.

At 31 March 2019, the total future minimum lease payments under finance leases and their present values were as follows:

| | **Minimum lease payments** | | **Present value of minimum lease payments** | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | ***HK$'000*** | *HK$'000* | ***HK$'000*** | *HK$'000* |
| Amounts payable under finance leases: | | | | |
| Within one year | – | 262 | – | 257 |
| | | 262 | | 257 |
| Less: future finance charges | – | (5) | – | N/A |
| Present value of lease obligations | – | 257 | – | 257 |
| Less: Amounts due within one year shown under current liabilities | | | – | (257) |
| Amounts due after one year | | | – | – |

All obligations under finance leases of the Group bore fixed-interest rates. The effective interest rates of these obligations under finance leases ranged from 1.80% to 2.50% (2019: nil) per annum as at 31 March 2018.

## 23. BANK BORROWINGS

| | 2019<br>HK$'000 | 2018<br>HK$'000 |
|---|---|---|
| Variable-rate bank borrowings: | | |
| Secured and guaranteed | **13,623** | 16,350 |
| Bank borrowings repayable (based on scheduled repayment dates set out in the loan agreements): | | |
| Within one year | **2,445** | 2,458 |
| More than one year but not exceeding two years | **2,457** | 2,519 |
| More than two years but not exceeding five years | **5,776** | 7,944 |
| More than five years | **2,945** | 3,429 |
| | **13,623** | 16,350 |
| Less: Carrying amounts of bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities) | **(11,178)** | (13,892) |
| Less: Carrying amounts of bank borrowings that are repayable within one year from the end of the reporting period and contain a repayment on demand clause | **(2,445)** | (2,458) |
| Amount shown under current liabilities | **(13,623)** | (16,350) |
| Amount shown under non-current liabilities | **–** | – |

All bank borrowings were secured by charges over certain leasehold land and buildings of the Group as at 31 March 2019 and 2018.

As at 31 March 2019, the bank borrowings carried interests at HK Prime Rate less 0.25% to 2.75% per annum (2018: HK Prime Rate less 0.25% to 2.75% per annum). The effective interest rates of the bank borrowings as at 31 March 2019 (which are also equal to contractual interest rate) ranged from 2.5% to 2.6% per annum (2018: from 2.4% to 2.5% per annum).

## 24. DEFERRED TAXATION

The following are the major deferred tax liabilities recognised and movements thereon during the current and prior years:

| | **Accelerated tax depreciation** | **Tax losses** | **Total** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* |
| At 1 April 2017 | 400 | (134) | 266 |
| (Credited) charged to profit or loss (Note 11) | (59) | 30 | (29) |
| At 31 March 2018 and 1 April 2018 | 341 | (104) | 237 |
| Charged to profit or loss (Note 11) | 306 | 104 | 410 |
| At 31 March 2019 | **647** | **–** | **647** |

As at 31 March 2019, certain subsidiaries of the Group had aggregate unused tax losses of HK$5,552,000 (2018: HK$691,000) available for offset against future profits. Deferred tax asset has been recognised in respect of HK$630,000 (2019: nil) of such losses as at 31 March 2018. No deferred tax asset has been recognised in respect of the remaining HK$5,552,000 (2018: HK$61,000) as at 31 March 2019 due to the unpredictability of future profit streams.

## 25. SHARE CAPITAL

Details of movements of authorised and issued share capital of the Company are as follows:

| | Number of share | Share capital |
|---|---|---|
| | | *HK$'000* |
| Ordinary shares of HK$0.01 each | | |
| Authorised: | | |
| At 1 April 2017 | 38,000,000 | 380 |
| Increase in authorised share capital at 16 January 2018 (Note a) | 9,962,000,000 | 99,620 |
| At 31 March 2018, 1 April 2018 and 31 March 2019 | 10,000,000,000 | 100,000 |
| Issued and fully paid: | | |
| At 1 April 2017 | 1 | —* |
| Issued on 12 April 2017 (date of completion of the Reorganisation) (Note b) | 749 | —* |
| Issued of shares upon capitalisation of amount due to a director on 30 January 2018 (Note c) | 250 | —* |
| Issue of shares pursuant to the capitalisation issue (Note d) | 749,999,000 | 7,500 |
| Issue of shares upon listing of the Company (Note e) | 250,000,000 | 2,500 |
| At 31 March 2018, 1 April 2018 and 31 March 2019 | **1,000,000,000** | **10,000** |

* Less than HK$1,000.

## 25. SHARE CAPITAL (CONTINUED)

Notes:

(a) Pursuant to the written resolution of the Company's shareholder passed on 16 January 2018, the authorised share capital of the Company was increased form HK$380,000 to HK$100,000,000 by creation of an additional 9,962,000,000 share of HK$0.01 each.

(b) On 12 April 2017, 749 shares with a par value of HK$0.01 each of the Company were allotted and issued to Max Fortune for acquisition of 11,000 shares of Billion Harvest. The new shares rank pari passu with the existing shares of the Company in all respects.

(c) On 30 January 2018, the amount due to Mr. Hui of HK$27,676,000 was capitalised and the Company allotted and issued 250 shares, credited as fully paid, to Mr. Hui (for such person as he directed). At the direction of Mr. Hui, 240 shares were allotted and issued to Max Fortune and 10 shares were allotted and issued to an investment holding company (the "Pre-IPO Investor"), partly financed by a subsidiary of Joyas International Holdings Limited, a company listed in Singapore and in respect to whom, Mr. Ong Chor Wei, the non-executive director of the Company, is a substantial shareholder and director.

(d) On 30 January 2018, a total of 719,999,040 and 29,999,960 shares were allotted and issued, credited as fully paid at par, to Max Fortune and the Pre-IPO Investor by way of capitalisation of a sum of HK$7,499,990 standing to the credit of the share premium account of the Company (the "Capitalisation Issue"), and that such shares to be allotted and issued, as nearly as possible, without involving fractions, and such shares to rank pari passu with the exiting shares of the Company in all respects.

(e) On 5 March 2018, 250,000,000 ordinary shares with a par value of HK$0.01 each of the Company were issued at a price of HK$0.35 by way of public offering. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange.

## 26. MAJOR NON-CASH TRANSACTION

During the year ended 31 March 2018, an amount due to a director, Mr. Hui, of HK$27,676,000 was settled through allotment and issue of 250 shares of the Company.

## 27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | Notes | **2019** **HK$'000** | 2018 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investment in a subsidiary | | **52,036** | 52,036 |
| Amounts due from subsidiaries | (a) | **107,266** | 17,665 |
| | | **159,302** | 69,701 |
| **Current assets** | | | |
| Bank balances and cash | | **3,757** | 59,475 |
| **Current liability** | | | |
| Other payables and accruals | | **493** | 2,133 |
| **Net current assets** | | **3,264** | 57,342 |
| **Net assets** | | **162,566** | 127,043 |
| **Capital and reserves** | | | |
| Share capital | | **10,000** | 10,000 |
| Reserves | (b) | **152,566** | 117,043 |
| **Total equity** | | **162,566** | 127,043 |

Notes:

(a) The amounts due from subsidiaries are unsecured, interest-free and are not expected to be recoverable within the next twelve months from the end of the reporting period.

## 27. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Notes: (Continued)

(b) Movements in reserves

| | Share premium | Capital reserve | (Accumulated losses)/ retained profits | Total |
|---|---|---|---|---|
| | *HK$'000* | *HK$000* | *HK$'000* | *HK$'000* |
| As at 1 April 2017 | – | – | – | – |
| Loss and total comprehensive expense for the year | – | – | (20,767) | (20,767) |
| Issue of shares upon listing of the Company (Note 25(d)) | 85,000 | – | – | 85,000 |
| Cost of issuing new shares | (14,522) | – | – | (14,522) |
| Issue of shares pursuant to the capitalisation of amount due to a director (Note 25(b)) | – | 27,676 | – | 27,676 |
| Issue of shares pursuant to the Capitalisation Issue (Note 25(c)) | (7,500) | – | – | (7,500) |
| Acquisition of Billion Harvest through issue of shares (Note) | – | 47,156 | – | 47,156 |
| As at 31 March 2018 and 1 April 2018 | 62,978 | 74,832 | (20,767) | 117,043 |
| Profit and total comprehensive income for the year | – | – | 35,523 | 35,523 |
| As at 31 March 2019 | **62,978** | **74,832** | **10,279** | **152,566** |

Note: Capital reserve represents the difference between the net asset value of Billion Harvest of HK$47,156,000 acquired by the Company and the nominal value of the Company's shares of HK$7 issued for the acquisition.

## 28. OPERATING LEASES COMMITMENTS

### The Group as lessee

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

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **1,910** | 726 |
| In the second to fifth year, inclusive | **2,584** | 29 |
| | **4,494** | 755 |

Included in the above are lease commitments with related parties and Mr. Hui as follows:

| | **2019** | 2018 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within one year | **1,824** | 640 |
| In the second to fifth year, inclusive | **2,584** | — |
| | **4,408** | 640 |

The Group leases certain of its carparks, office premises and warehouse under operating lease arrangements. Leases are negotiated for a term ranged from two to three (2018: two) years with fixed rentals as at 31 March 2019.

## 29. RETIREMENT BENEFIT SCHEMES

The Group participates in the MPF Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant costs to the scheme, which contribution is matched by employees. The contributions from each of the employer and employees are subject to a cap of HK$1,500 per month.

The Group made contributions to the retirement benefits schemes of HK$294,000 (2018: HK$257,000) for the year ended 31 March 2019.

## 30. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the transactions and balances detailed elsewhere in the consolidated financial statements, the Group has entered into the following significant transactions with related parties during the year.

### (a) Compensation of key management personnel

Other than the remuneration paid to the directors and employees of the Group as set out in Note 13, who are considered as the key management personnel of the Group, the Group did not have any other significant compensations to key management personnel.

The remuneration of the directors of the Company and key management personnel of the Group is determined by the board of directors of the Company having regard to the performance of individuals and market trends.

**(b)** During the year, the Group entered into the following significant transactions with related parties:

| **Related parties** | **Nature of transactions** | **2019**<br>***HK$'000*** | 2018<br>*HK$'000* |
|---|---|---|---|
| Yee Sing Hong Petroleum Products Limited (Note) | Rental expense paid | **364** | 336 |
| Bright Ford Development Limited (Note) | Rental expense paid | **618** | 576 |
| Sunny Gainer Investment Limited (Note) | Rental expense paid | **316** | 288 |
| Evertex Holdings Limited (Note) | Interest income received | **–** | 78 |
| Mr. Hui | Rental expense paid | **364** | 336 |

Note: Mr. Hui/Ms. Tong are the controlling shareholders of these companies.

These transactions were carried out at terms determined and agreed by the Group and the relevant parties.

## 31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

| | 1/4/2018 | Financing cash flows | Non-cash change Finance costs incurred | 31/3/2019 |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$000* | *HK$'000* |
| Bank borrowings | **16,350** | **(3,104)** | **377** | **13,623** |
| Obligations under finance leases | **257** | **(263)** | **6** | **—** |
| | **16,607** | **(3,367)** | **383** | **13,623** |

| | 1/4/2017 | Financing cash flows | Non-cash changes Finance costs incurred | Non-cash changes Issue of shares pursuant to capitalisation (Note 25(b)) | 31/3/2018 |
|---|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* | *HK$'000* |
| Bank borrowings | 19,971 | (4,071) | 450 | – | 16,350 |
| Amounts due to directors | 33,173 | (5,497) | – | (27,676) | – |
| Obligations under finance leases | 564 | (325) | 18 | – | 257 |
| | 53,708 | (9,893) | 468 | (27,676) | 16,607 |

## 32. CONTINGENT LIABILITIES

As at 31 March 2019, the Group had issued a letter of guarantee through the banking facilities granted, to a supplier amounting to HK$4,000,000 (2018: HK$4,300,000). The facilities are secured by corporate guarantee of the Company.

## 33. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

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

| Name of subsidiaries | Place and the date of incorporation/ establishment | Issued and fully paid capital | | Shareholding/ equity interest attributable to the Company | | Proportion ownership interest held by the Company | | | | Principal activities |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | Directly | | Indirectly | | |
| | | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 | **2019** | 2018 | |
| Billion Harvest | The BVI, 5 January 2017 | **US$11,000** | US$11,000 | **100%** | 100% | **100%** | 100% | **–** | – | Investment holding |
| Billion Faith | Hong Kong, 17 October 2005 | **HK$10,000** | HK$10,000 | **100%** | 100% | **–** | – | **100%** | 100% | Provision of fleet cards service and handling sales of lubricant oil for the Group's subsidiaries |
| Carmen Logistics | Hong Kong, 19 March 2012 | **HK$2** | HK$2 | **100%** | 100% | **–** | – | **100%** | 100% | Provision of transportation services to the Group's subsidiaries |
| Diamond Decade | The BVI, 23 January 2017 | **US$1,000** | US1,000 | **100%** | 100% | **–** | – | **100%** | 100% | Investment holding |
| Grand Wealthy | Hong Kong, 12 March 2003 | **HK$10,000** | HK$10,000 | **100%** | 100% | **–** | – | **100%** | 100% | Provision of fleet cards service |
| Tien Fung Hong | Hong Kong, 4 February 2004 | **HK$50,000** | HK$50,000 | **100%** | 100% | **–** | – | **100%** | 100% | Provision of fleet cards service and handling sales of lubricant oil for the Group's subsidiaries |
| Trillion Star | The BVI, 1 December 2016 | **US$1,000** | US$1,000 | **100%** | 100% | **–** | – | **100%** | 100% | Investment holding |
| Tycoon City | The BVI, 28 November 2016 | **US$1,000** | US$1,000 | **100%** | 100% | **–** | – | **100%** | 100% | Investment holding |
| Yee Sing Hong | Hong Kong, 1 February 2002 | **HK$200** | HK$200 | **100%** | 100% | **–** | – | **100%** | 100% | Sales of diesel, lubricant oil and others |
| Yee Sing Logistics | Hong Kong, 20 September 2002 | **HK$10,000** | HK$10,000 | **100%** | 100% | **–** | – | **100%** | 100% | Provision of transportation services to the Group's subsidiaries |

None of the subsidiaries had issued any debt securities at the end of the reporting period.

## 34. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation. The changes included combining "Administrative expenses" and "Other operating expenses" to "Administrative and operating expenses".

# FINANCIAL SUMMARY

The following is a summary of the published results and assets and liabilities of the Group for the last four financial years prepared on the basis set out in the notes above.

| RESULTS | For the year ended 31 March | | | |
|---|---|---|---|---|
| | **2019** | 2018 | 2017 | 2016 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* |
| Revenue | **1,076,998** | 828,139 | 671,805 | 730,471 |
| Gross profit | **45,438** | 47,484 | 41,351 | 41,880 |
| Profit before taxation | **23,247** | 12,265 | 25,657 | 26,715 |
| Income tax expense | **(5,259)** | (5,449) | (4,628) | (4,358) |
| Profit for the year | **17,988** | 6,816 | 21,029 | 22,357 |
| Profit and total comprehensive income for the year attributable to the owners of the Company | **17,988** | 6,816 | 20,983 | 22,219 |

| ASSETS AND LIABILITIES | As at 31 March | | | |
|---|---|---|---|---|
| | **2019** | 2018 | 2017 | 2016 |
| | ***HK$'000*** | *HK$'000* | *HK$'000* | *HK$'000* |
| Non-current asset | **76,499** | 20,650 | 22,560 | 25,982 |
| Current assets | **118,045** | 157,027 | 80,888 | 64,827 |
| Non-current liabilities | **647** | 237 | 523 | 862 |
| Current liabilities | **23,124** | 24,655 | 57,610 | 60,669 |
| Net current (liabilities) assets | **94,921** | 132,372 | 23,278 | 4,158 |
| Total assets less current liabilities | **171,420** | 153,022 | 45,838 | 30,140 |